

**INFLUENCE OF I-TAX PROJECT ON TAX RETURN COMPLIANCE BY
TAXPAYERS . A CASE OF CENTRAL BUSINESS DISTRICT OF NAKURU-
KENYA.**

BY

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**A research project report submitted in partial fulfillment of the requirements for the award of a
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DECLARATION

This research project report is my original work and has never been presented for a degree or any other award in any other university.

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DEDICATION

This research project report is sincerely dedicated to my children Ryan and Reagan. I am inspired to set the bar high for them. My Dad Mr. John Ng'ang'a, for investing in my education through the years. His sacrifice is forever appreciated. My loving Husband Erick Mraga for his encouragement and support.

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TABLE OF CONTENT

TITLE	PAGE
DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENT	v
LIST OF FIGURES	viii
LIST OF TABLES	viii
ABBREVIATIONS AND ACRONYMS	x
ABSTRACT	xi
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background of the study.....	1
1.2 Statement of the problem.....	4
1.3 Purpose of the study.....	5
1.4 Objectives of the study.....	6
1.5 Research questions.....	6
1.6 Significance of the Study.....	6
1.7 Limitations of the study.....	7
1.7 Delimitations of the study.....	7
1.9 Basic assumptions of the study.....	8
1.10 Definition of significant terms.....	9
1.11 Organization of the study.....	9
CHAPTER TWO	11
LITERATURE REVIEW	11
2.1 Introduction.....	11
2.2 Determinants of Tax Compliance.....	12
2.2.1. Demographic determinants of tax compliance.....	12
2.2.2 Structure of the tax system and cost of compliance.....	13
2.2.3 Social determinants of tax compliance.....	13
2.3 Online tax systems.....	14
2.4 International studies.....	15
2.5 Regional studies.....	17
2.6 Local studies.....	19

2.7 Theoretical framework	20
2.7.1 Fischer tax compliance model	21
2.8 Conceptual framework	22
2.9 Summary of literature review	24
CHAPTER THREE	25
RESEARCH METHODOLOGY.....	25
3.1 Introduction	25
3.2 Research Design	26
3.3 Target Population	26
3.4 Sample size and sample selection.....	26
3.5 Research instruments.....	27
3.5.1 Piloting of the instruments	27
3.5.2 Validity of the research study instruments	28
3.5.3 Reliability of the study instruments	28
3.6 Data Collection procedure	29
3.7 Data Analysis techniques	29
3.8 Operationalization of variables.....	30
3.9 Ethical considerations.....	30
CHAPTER FOUR	31
DATA ANALYSIS, PRESENTATIONS AND INTERPRETATIONS	31
4.1 Introduction	31
4.2 Data Collection and Response Rate.....	32
4.3 Demographic Information	32
4.4 Descriptive results of research variables.	36
4.4.1 Effects of fines and penalties tax compliance.....	36
4.4.2 Effects of taxpayers attitude towards the use of ITax on tax compliance	39
4.4.3 Effects of cost of compliance on tax compliance	41
4.4.4 Effect of training on tax compliance	44
4.4.5 ITAX system functionality	47
4.5 inferential results of research variables.	48
4.5.1 Regression analysis	48
4.5.2 Regression coefficient	49
CHAPTER FIVE.....	51
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	51

5.1 Summary of Findings52

5.2 Conclusions55

5.3 Recommendations for policy and Practice56

5.4 Suggestions for Further Research.....57

REFERENCES 58

APPENDICES 61

Appendix 1: Letter of transmittal61

Appendix 2. Questionnaire.....62

Appendix 3. Research permits.....68

LIST OF FIGURES

Figure 2.8 Conceptual framework.....	19
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LIST OF TABLES

Table 3.8 Operationalization of variables	27
Table 4.3 Demographic information.....	32
Table 4.4 Effects of fines and penalties on tax compliance.....	36
Table 4.5 Effects of tax payers attitude towards use of ITax on tax compliance	38
Table 4.6 Effect of cost of compliance on tax compliance	41
Table 4.7 Effect of training on cost of compliance.....	44
Table 4.8 Regression analysis.....	48
Table 4.9 Regression Coefficient.....	49

ABBREVIATIONS AND ACRONYMS

ITAX integrated tax management system

IRB Inland Revenue Board

TIN Taxpayer's Identification Number

LIRS Lagos State Internal Revenue Service

SARS South African revenue services

RRA Rwanda revenue authority

VAT Value added tax

PAYE Pay as you earn

CBD Central business district

ABSTRACT

The purpose of this study was to establish if the roll out of the ITax system by the Kenya Revenue Authority has made it easier and less time consuming for the taxpayers of Nakuru town Central Business District in making payments and filing their returns. The Objective of this study was to establish the effects of ITax on tax compliance among taxpayers of Nakuru town CBD. The background of this study emanated from the need by tax authorities to increase revenue collection, to increase efficiency in their services and to boost compliance. Countries such as Chile, Malaysia and Uganda have been highlighted in their adoption of electronic systems of tax administration. The Kenya Revenue authorities ITax system was however the main focus of this study. The study sought to address the problem of lack of significant research done on the effect of ITax on tax return compliance in Nakuru town. The study sought to establish how the ITax system had affected tax compliance of tax payers in Nakuru town. The objective of the study were answered using five research questions which revolved around online tax registration, evaluation of tax payers' attitude on ITax system, the cost of tax compliance and effect of training on tax compliance. This study carried great significance for the taxpayers, academicians and also the tax authority as it provided information that was relevant for policy formulation and implementation in the area of tax reforms and tax administration. The study however faced several limitations including accuracy of information given by respondents as the issue of income is quite sensitive. I however assured the respondents that the research was for academic purpose only. The study was conducted in Nakuru town mainly because very little research had been done in Nakuru County on the impact of ITax system since the roll out of an ITax Centre in Nakuru in 2015. Nakuru has a labor force of about 1,128,338 people who basically are also taxpayers. Being so, research ought to be done to determine how aware they are about ITax system and how helpful it has been in the tax operations. Review of the past research studies, books, journals and articles was carried out from research done globally, regionally and locally. Literature review was based on four key themes which included, demographic determinants of tax compliance, tax systems and structures, social determinants of tax compliance and online tax systems. Global review of literature was done focusing on countries like Malaysia, Estonia and Korea. Regional review of literature covered counties such as Nigeria, Rwanda, South Africa and Croatia. The Kenyan perspective was reviewed focusing on Nairobi and rift valley. The study was based on the Fischers theory of tax compliance. Ideas were organized in a conceptual framework showing all variables involved in the study. The study sought to address the knowledge gap presented which sought to find out why despite increased tax payer registration and expansion of revenue base by KRA, there still seemed to be failure to meet revenue targets and also failure to comply to file taxes despite trainings and awareness campaigns done by KRA and imposition of fines. The study adopted quantitative and descriptive methods as the research designs. Data was collected using structured questionnaires, which covered all the variables of the study from 50 individual taxpayers based in Nakuru town CBD. Sampling was done by stratified sampling by selecting individuals that are registered on I-Tax. Piloting was done among the shippers and petroleum dealers at Kenya Petroleum Company Nakuru. Validation of the study instruments was done through triangulation of data collection methods and data analysis methods. Reliability was tested through the test-retest method. The study is of significance to KRA as it will help them find out the public perception of ITax and also discover areas that will need improvement. The study will also be useful to taxpayers as it might lead to the address of some of the difficulties that they might be facing with the tax authority. The study will also add to existing knowledge thereby being of use to future researchers of the subject. The data obtained was analyzed using descriptive and inferential statistics using SPSS. Various ethical considerations were observed while doing the study. This includes ensuring total confidentiality of respondents' information and collecting information without coercion

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

According to Ernst& Young LLP (2016) the digital age is rapidly transforming the relationship between tax authorities and taxpayers. The tax authorities are driven by a desire for more revenue, greater efficiency and improved compliance in an environment of shrinking resources. Tax authorities are increasingly relying on digital tax data gathering and analysis, using digital platforms to facilitate real-time or near real-time collection and assessment of taxpayer data. This move has enabled tax authorities to use the information to respond quickly and in more targeted ways to perceived compliance risks. Businesses with dated systems or those that are not able to adapt quickly may face increased risk, unexpected costs and compliance challenges to which they are not prepared to respond. Some countries are leading the digital revolution while others are years away from embracing digitization. Chile was one of the first economies to adopt electronic systems in its tax administration. The first step was shifting from hardcopy filing to paperless imaging. Online tax returns were submitted first in 1998. This was however not without several challenges. First there was limited internet access by taxpayers and the collapse of their information technology system especially close to the deadline. There was also reluctance by tax preparer to use the new system as they saw it as a threat to their profession.

Malaysia revenue body IRB in a bid to improve revenue collection embraced the electronic tax system. The goal was to cut time and cost and to help the taxpayer meet tax obligations more easily. Malaysia's IRB provided necessary forms that one had to download, fill and then submit online to the tax authority. IRB was however faced with some major challenges key among them being lack of taxpayers' readiness to use the online system. Two years into the introduction of e-filing only 5% of the

taxpayers were using it. Taxpayers cited uncertainty about the security and privacy of information submitted online. According to Elizabeth Asianzu & Gilbert Maiga(2012) in Uganda the URA has boosted its revenue by running an online tax administration system referred to as E-tax. This system offers benefits to the taxpayer as well as the tax authority by offering 24 hour service to taxpayers. It has aided the filing of tax returns that can now be done in minutes contrary to the manual system that would take hours. However, the system is still facing challenges due to lack of connectivity most of the times, and as such only large companies are effectively using it. Small and medium sized companies and individual taxpayers are still experiencing challenges. E-tax faces continuous system failure and has little backup support for customers. There's also low information system penetration in Uganda and as such the acceptance rate of the electronic system is low. Lack of user support and a negative attitude towards the E-tax system has contributed to the slow adoption of the E-tax systems with many taxpayers opting to file manually.

In Kenya, ITAX was launched in 2011 to replace the previous system ITMS (integrated tax management system) which failed to automate taxation causing serious customer dissatisfaction. ITAX is a one stop shop for various domestic taxes functions such as PIN registration, Filing of tax returns, processing of claims and refunds and status inquiries with real time monitoring of accounts. With ITAX, taxpayers are able to register, file returns, make payments and enquire about their status, while monitoring their accounts in real time 24 hours a day, from the comfort of their homes or offices. The system has simplified and quickened tax compliance and secured the exercise, thus bringing down the cost of tax administration. The benefits of an ITax System over submitting manual returns to the tax authority's office are that the returns are uploaded directly to the income tax authority's systems with negligible possibilities of human errors. When contrasted with manual returns, I-Tax returns cost less to process both regarding cost and time to the tax authorities and also the taxpayer (Lemuria Carter (2011). Taxation of income in Kenya is governed by the income tax act which was enacted in 1974.

Income tax is direct tax imposed on business income, employment income, rent income, pension, and investment income among others. Every person with this chargeable income is required by the law to obtain a PIN (personal identification) number from the domestic taxes department.

Tax compliance is defined as the full payment of all taxes that are due Braithwaite (2009) and timely reporting of the correct tax information to the tax authority. All persons including companies are required by law to submit their returns to the commissioner of domestic taxes within 6 months after the end of the accounting period. Tax noncompliance refers to any difference between the actual tax paid and the actual tax due. The difference could occur as a result of overstating expenses or deductions and understating income. Noncompliance comprises both intentional evasion and unintentional noncompliance caused by calculation errors and an inadequate understanding of tax laws. Mwangi Muturi (2015) in his research carried out in Meru County on the effects of online tax system on tax return compliance found significant improvement in tax return compliance due to ITAX but there was a lot of taxpayer insecurity with online filing as they were questions about the security of the system with taxpayers' private information.

Gekonge Justus Maisiba Dr. Wallace Atambo (2016) in their study of Uasin Gishu County on Effects of Electronic- Tax System on the Revenue Collection Efficiency of Kenya Revenue Authority also concluded that there was significant growth in tax return compliance following introduction of ITAX. However system downtime and lack of technical support by the tax authority was causing major frustration to the taxpayers. Ndara Thomas Gwaro, Dr. Kimani Maina, Dr. Josphat Kwasira (2016) in their research carried out in Nakuru on Influence of Online Tax Filing on Tax Compliance among Small and Medium Enterprises in Nakuru Town concluded that ITAX has not had any significant contribution to tax return compliance. Joanna Nasr (2016), states that a tax system gains the most benefits of online system when it achieves 100% use of online system for filing and paying taxes.

1.2 Statement of the problem

Tax collection systems in Sub – Saharan Africa unlike in the Western countries are still developing. The World Customs Organization (WCO) has helped in setting up standards that averagely need to be adopted by almost every country in order to combat tax vices that exist in almost all countries (IMF, Nov. 2005). For a government to match its performance with the growth and expectations of its citizens, it must be able to increase productivity and efficiency of its business without incurring recurring overhead costs. Automated systems have been proved to increase efficiency to business processes which can result to increased revenue. In recognition of the need to undertake coherent and comprehensive reforms, some years back, the KRA adopted a Tax Administration Reform and Modernization Programme whose primary objective was to modernize and integrate its operations in line with international best practice of tax collection.

The success of KRA largely depends on the efficiency and efficacy of ITAX in increasing tax compliance and in closing tax evasion loopholes. Currently ITAX has over 2 million subscribers. This figure is expected to keep increasing as KRA keeps stepping up its awareness drive. KRA has extended the ITAX support system to about 22 Huduma centers in 13 counties offering easy access to tax services. The web enabled system is expected to bring down the cost of tax compliance in logistics. This is part of KRA's mission to attain global best practices in tax collection, and the taxman intends to benchmark against nations that have fully automated their systems, including the US. However, tax compliance has continued to be below expectation and revenue targets are not being met.

An electronic system if implemented well and used by all taxpayers as intended by the company benefits both the taxpayer and the tax authority. For the tax authority electronic filing reduces the workload and operational costs such as the cost of handling, processing and storing tax returns. For the tax payers, ITAX gives the convenience of filing tax returns and registering tax payments at the comfort of their homes or offices. According to the Business daily July 20 2017 in the financial

2016/2017, the Kenya revenue authority missed its target by 50 billion. According to finance secretary Henry Rotich, the I-Tax system had registered 86% usage over a period of nine months. In spite of this, there was 7.9% depressed growth in payee. A number of studies have been done globally, regionally and locally to assess the financial effect of Online tax systems on compliance. The overall result cited lack of trust in the security of the system, lack of taxpayer's readiness to use the system and poor internet connection for most countries as the cause of taxpayer's resistance to use online tax systems.

Locally and within Nakuru town, only two studies have been done on the effect of ITax on tax compliance. Ndara Thomas Gwaro, Dr. Kimani Maina, Dr. Josphat Kwasira (2016) in their research carried out in Nakuru on Influence of Online Tax Filing on Tax Compliance among Small and Medium Enterprises in Nakuru Town, concluded that ITAX has not had any significant contribution to tax return compliance. In a different study done by Loise Njoki Mwangi and Josphat Kwasira (2017) on Analysis of Income Tax Compliance Levels among Workers in the Informal Sector in Nakuru Central Business District, they found out that 57.95% of the workers in the informal sector were registered on I-Tax platform as individual tax payers while 42.05% were not. Findings from the two studies carried out in Nakuru town, as well as reports by the DTD section of KRA shows that the rate of tax payers compliance as at 2016 was only 57%. This is in spite of the roll out of a fully operational ITax support center in Nakuru town. This study therefore sought to find out why the rate of tax compliance remains low, and also find out how I-Tax has influenced the rate of compliance among taxpayers of Nakuru town CBD.

1.3 Purpose of the study

The purpose of the study was to establish what effect the ITax system has on the tax return compliance of the taxpayers of Nakuru county CBD. It will establish whether the roll out of the I-Tax system by Kenya Revenue Authority has in any way helped the taxpayer in Nakuru town Central Business District in terms of making it easier, more affordable and less time consuming to file returns.

The study will also offer direction to Kenya Revenue Authority as to which area of I-Tax operations to improve based on the taxpayer's needs.

1.4 Objectives of the study

This study sought to achieve the following objectives:

- 1 To establish the effect of fines and penalties on tax compliance.
- 2 To establish the influence of taxpayers attitude towards the use of ITax on tax compliance
- 3 To determine the effect of cost of compliance on tax compliance by taxpayers of Nakuru town CBD.
- 4 To analyze the effect of taxpayer training on effective tax compliance among taxpayers in Nakuru town.

1.5 Research questions

The study sought to answer the following research questions

1. What is the effect of fine and penalties on tax return compliance amongst Nakuru residents?
2. What is the taxpayer's attitude towards the use of I-Tax and its effect on filing of returns?
3. How does ITax affect the cost of compliance by taxpayers in Nakuru County?
4. What is the relationship between taxpayers training on the use of I-Tax and the rate of tax return compliance?

1.6 Significance of the Study

The taxpayer is the target of all tax measures. Through the examination of the effect of I-TAX on tax compliance, the study will to some extent address general problems, advantages, recommendations and solutions eminent in the I-TAX system. The study will be beneficial to taxpayers since it will provide information on non-compliance and problems and benefits of I-TAX to the tax

payer. To the academician, this research will add to already existing literature on tax compliance in Kenya. In addition, the study may stimulate further research in the area of taxation and tax compliance. To the government and policy makers, this study may provide additional information useful in policy formulation and implementation especially in the area of tax reforms in Kenya to improve tax administration. This may eventually enable the government to reduce fiscal deficit in the future.

1.7 Limitations of the study

The main limitation in this study was to determine the accuracy of the information given to the researcher by the respondent, since there are a number of reasons that might hinder the respondent from disclosing important information that may add value to this research. Issues related to income for taxpayers and tax compliance are quite sensitive and taxpayers may fail to disclose or just partially disclose such for fear of being followed up by the revenue authority. To counter this probability and completely assure the taxpayers of confidentiality in the information they fill, I assured them that this research is purely for academic use and the information will not be handled by any third party whatsoever.

1.7 Delimitations of the study

The study was concerned with the determination of tax compliance among residents of Nakuru County. The study was conducted among individual tax payers within Nakuru County. The study targeted individual taxpayers working within Nakuru Town Central Business District. The study focused only on Nakuru town because previous research that has been done of the effects of ITax on tax compliance have focused more on other towns especially Nairobi. This includes studies such the one done Maina Ben Ngigi (2015) on the effect of ITax on tax compliance by small and medium enterprises in the central business district, Nairobi County. The previous studies that have been done also focused more on small and medium enterprises and not individual taxpayers who are the majority

of taxpayers in Nakuru town. There has been very little research done in Nakuru on the effects on ITax on compliance and considering that KRA has set up ITax support centers in the Huduma Centre in Nakuru, this is an area that need to be researched in order to establish the significance of I-Tax and I-Tax support centers in tax compliance.

Nakuru County has a labor force of 1,128,338 according to county government of Nakuru (2017). In a study done by Loise Njoki Mwangi and Josphat Kwasira (2017) on Analysis of Income Tax Compliance Levels among Workers in the Informal Sector in Nakuru Central Business District, they found out that 57.95% of the workers in the informal sector were registered in I-Tax platform as individual tax payers while 42.05% were not. On whether businesses were registered in the I-Tax platform, the study found out that 73.86% of the informal sector enterprises had the basic registration on the I-Tax Platform as compared to 26.1% which were not. The high level of registration could be attributed to the fact that for enterprises to acquire trade licenses from the county Government of Nakuru, they must have KRA Pin or the Pin of the director or owner. This data represents a huge deficit in the number of taxpayers registered and most probably not tax compliant in a town with a work force of 1,128,338. This is a significant number that justified the need for research to establish the causes of non-registration and noncompliance. The study was limited to the variables which included taxpayers' attitude, cost of compliance and effects of taxpayer training as possible determinants leading to low tax compliance.

1.9 Basic assumptions of the study

It was assumed that the sample population was a representation of the whole Nakuru County taxable population. Nakuru town has residents of different social classes who are all represented within the taxpayers that work in the central business district and will therefore serve as a representation of the different social classes. It was also assumed that the sample size chosen was

adequate to enable the researcher draw a valid conclusion and recommendations on the research topic. According to the national census of 2009 Nakuru town CBD has a population of 286,411 people. A population sample of 50 taxpayers from different sections of the town Centre should be able to represent the whole population. It was also assumed that the respondents would answer the questions truthfully and accurately

1.10 Definition of significant terms

- Tax:** A compulsory financial contribution imposed by a government to raise revenue, levied on the income or property of persons or organizations, on the production costs or sales prices of goods and services.
- Tax Information:** The knowledge or facts provided about taxes.
- Tax Obligation:** Responsibilities in regards to tax payment and declaring of tax returns which a person who is registered and having a PIN is required to observe
- Taxpayer Attitude:** The way of thinking or feeling about taxes
- Tax Administration:** This refers to the procedures involved in tax compliance including registration and filling of returns.
- Tax compliance cost** This refers to the expenditure in terms of time or money in conforming to conforming with government requirements such as legislation and regulations.
- Small and medium enterprises:** Those entities with full-time employees not exceeding 100 or annual sales turnover not exceeding Ksh 150 million.

1.11 Organization of the study

The study was presented in five chapters. Chapter one covers the background of the study globally, regionally and locally. It also contains the statement of the problem, the purpose of the study, the research objectives which are basically the challenges of itax, the taxpayers attitude towards itax, the cost of tax compliance and effect of training on compliance. The rearch questions based on the objectives, the significance of the study, scope of the study and limitations and assumptions of the study. Chapter two contains Literature review from research done globally, regionally and locally. It also contains review of various factors affecting tax compliance such as tax systems , demographic factors and social factors. Chapter two also contains the Fischer tax compliance model which is the main theory guiding the research. Chapter three outlines the research design and the methodology to be used for the purpose of conducting the study. It discusses in details the target population, the sample, the sampling procedure to be applied, as well as the data collection instruments. Chapter four contains data analysis, data presentation and interpretation of findings. Chapter 5 provides a summary of findings, discussion of findings, conclusion and recommendations. The reference and appendices section comes at the very end.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter consists of literature review from research work done by other researchers. It outlines the theoretical orientation, conceptualization as relates to the study. Literature review is an important component of any research work as it provides a solid background to back ones investigation. It involves reviewing existing literature and justifying how ones work fits into the existing body of literature. Literature review helps to justifies the research, highlight flaws present in previous research and show that the work is adding to the knowledge and understanding in the field. It helps the researcher to avoid duplication and to identify the gaps present in a research area and focus on doing further research with the goal of filing these gaps. In this research we will analyze various literary materials to establish whether fines and penalties, taxpayer's attitude, cost of compliance and training affect tax compliance. This study is based on the Fischer model which elaborates the factors

influencing tax compliance in line with socio-economic and psychological components on decision-making.

2.2 Determinants of Tax Compliance

Kirchler (2007) provides a thorough description of the determinants of tax compliance. They are divided into three categories including social psychological, political determinants such as the law and the tax system and economic determinants like fines, audits income and tax behavior.

2.2.1. Demographic determinants of tax compliance

Jackson and Milliron (1986) identified three major characteristic for which there was a relationship with tax compliance in Sweden. These are; age, gender and education. Fischer (1992) suggests that these three characteristics indirectly affect compliance by their impact on non-compliance chances. In America (Andreoni et al., 1998) in the tax payer compliance measurement program found that compliance is generally higher in households where the adults are over 65 years of age. Younger tax payers are willing to take risk with compliance as opposed to older taxpayers. In New York, Tittle (1980) in his research testing the compliance levels of males versus females reports that females are less likely to be non-compliant. Traditionally, women are more conforming, exercise moral restraint and take lesser risks than their male counterparts (Jackson and Milliron, 1986). All this attributes may therefore promote higher chances of tax compliance.

According to Groenland and Veldhoven, (1983) the aspects of education likely to affect tax compliance are categorized into; the degree of fiscal knowledge and the degree of knowledge regarding tax evasion opportunities. Song and Yarbrough (1978) Found that those with more fiscal knowledge had better attitude towards tax compliance. Eriksen and Fallan (1996) in their research in South Korea found that having specific tax knowledge links directly to increased likelihood of tax compliance. In general, these means that higher level of education is more likely to lead to tax compliance.

2.2.2 Structure of the tax system and cost of compliance.

According to the Fischer model, the success of a tax system is dependent on the complexity of the tax structure, the probability of detection, the penalties and the tax rates. Jackson and Milliron (1986) in their research found that complexity of the tax system is a possible cause for noncompliance. A tax payer should be able to understand the computation rule that determines the tax payable. The tax rules should be simple, clear and understandable in order to encourage tax compliance. According to (Massimo 1993) higher audit probabilities, meaning higher detection probabilities would lead to more compliance. He argues that individuals will most likely evade taxes if they were 100 % sure that they would not be detected. High audit probability and subsequently high penalties therefore ensure compliance due to fear of being caught. In New Orleans according to (Alm et al 2004) tax audits have direct deterrent on tax payers audited and indirect deterrent on tax payers not audited.

The tax compliance costs also influence the decision of tax compliance in the UK. These are costs incurred by a tax payer in complying with tax requirements. According to Sanford (1989), one way to calculate compliance costs would be to consider the number of hours it would take a business to calculate the tax they are expected to pay, and then remit it. If the time taken would be so much that it requires a business to give up a more productive activity to deal with tax issues then it is said that the compliance cost in terms of time is high. High tax rates also count for economic costs as businesses and taxpayers would be forced to under declare their income in order to pay less taxes so that they can still make profits and keep their businesses afloat.

2.2.3 Social determinants of tax compliance

In a taxation system that's principally based on compliance at will, the ethical standing of a taxpayer is very valuable. The degree of moral behavior depends on how a person recognizes the behavior under consideration (Ajzen, 1988). By applying the Theory of Reasoned Action (TRA)

(Fishbein and Ajzen 1975) and Theory of Planned Behavior (TPB) (Ajzen 1991), peoples behaviors are constructed based on their purposes. Moral ethics drive a person to respond to them and a behavior that is viewed negatively will emanate a negative reaction (Kirchler, 2008)

According to Roth (1989) in his research carried out in Washington, Attitudes and moral principles affect tax compliance decision from the perspective of their psychological modeling of compliance to taxation. He recognized two important elements influencing compliance behavior. These are; self-interest on financial grounds and moral obligation. People conform to laws of tax because in their personal opinion, it is in their own financial interest to reduce their bills of tax and it is also morally correct to do so. Roth confirms that there was a significant association between ethical obligation and compliance.

According to Kirchler, (2008) in his study done in Austria, a person needs to be handled justly and relative to his virtues, needs and effort. If a person thinks that his tax mandate is greater than his peers in the same social economic class, his compliance is more likely to decline. Taxpayers desire an impartial handling of all tax matters within their group category. Biasness within a tax system is very likely to cause tax evasion on a wide scale. An impartial and fair tax system will encourages compliance on voluntary basis.

2.3 Online tax systems

For a government to match its performance with the growth and expectations of its citizens, it must be able to increase productivity and efficiency of its business without incurring recurring overhead costs. Automated systems have been proved to increase efficiency to business processes which can result to increased revenue. Tax collection systems in Sub – Saharan Africa unlike in the Western countries are still developing. The World Customs Organization (WCO) has helped in setting up standards that averagely need to be adopted by almost every country in order to combat tax vices

that exist in almost all countries (IMF, Nov. 2005). There are numerous research studies both international and locally that have been carried out regarding the effects of online tax system on tax compliance. The following show some of the studies that have been conducted in regard to online tax systems and their effect on tax compliance.

2.4 International studies

According to Joanna Nasr (2014) by the year 2012, 76 of the world economies had implemented electronic tax filing and payment systems. Joanna Nasr 2014 in her study of implementing electronic tax filing and payment in Malaysia states that by 2004, Malaysia's revenue board IRB had started an initiative for filing taxes and making payments that would do away with paperless transactions and promote electronic transactions. Among a tax authority's engagements is processing returns, entering tax data into the database, making assessments and processing tax payments and issuing refunds among others. By expanding the use of information and communication technology, a tax authority can easily boost its efficiency.

The IRB sought to increase revenue collection by improving services to the taxpayers. They aimed at cutting costs and time and allowing the taxpayer to comply with their tax obligation more easily. This would ensure that IRB maintained a good relationship with taxpayers as well as widen its tax base. IRB implemented a roaming infrastructure system that gives access to users from any location. It integrates filing and payment on one platform. A taxpayer fills a form of either tax filing or tax payment, and submits it online, and then gets an acknowledgement immediately. The e-filing system calculates the necessary payment details and therefore helps the taxpayers to avoid mistakes that would otherwise have occurred on the manual system resulting in penalties. The implementation of the electronic system however did not come without several challenges. The major challenge being that the public was not ready to use it. During the time that the electronic tax filing was introduced, it was

optional for individual taxpayers to use it. Two year into its adoption, only about 5% of taxpayer population was using this system. Studies were conducted to establish the cause of this reluctance and they found out that the taxpayers were uncertain about the security of information transmitted online. Some users were also uncomfortable with technology and the new system created anxiety for them. Due to the low participation IRB expanded its promotional efforts through seminars, advertisements, flyers and roadshows. It also realized the importance of involving stakeholders and asked for their input in enhancing the system. IRB also gathered feedback from the users and used that feedback to enhance the system. All this input finally showed results as between 2006 and 2011 the number of people filing electronically had increased from 5% to 34%. Tax collection also increased from 14.5% GDP to 15.3%.

According to PWC journal, paying taxes (2018), Estonia stands out in the provision of government services online. 600 e-services are offered online to its citizens including filing of returns and payment of taxes. This feat was accomplished by the issuing of a mandatory electronic identity card to all its citizens. A taxpayer logs into the system, reviews their data on pre-filled forms, makes necessary changes and then approves the declaration forms. Taxpayers spend a maximum of only 81 hours per year in preparing, filing and paying their taxes and other mandatory contributions. Each year around 95% of all tax submissions are done electronically. According to PWC journal, paying taxes (2018), the republic of Korea has made the use of electronic VAT invoices mandatory for all taxpayers. Digital technology has also enabled pre-population of tax returns using information from third parties. Taxpayers therefore only need to verify the information they are presented with which eases the tax burden significantly.

Worldwide, the challenges of electronic filing system seem to be the same. Compliance is affected by tax payer's attitude, cost of compliance, lack of training and the tax system in general. Ser Pei Ching (2013), in the study of "determinants of tax compliance in Malaysia" found out that gender

did not necessarily influence tax compliance. Instead compliance is influenced by age group, marital status, income level, tax rate, tax education and public governance. Rizalpalil and Mustapha (2010) in their study “tax knowledge and tax compliance determinants in self-assessment system in Malaysia” concluded that tax knowledge has a significant impact on compliance and different individuals have varying levels of tax knowledge. High income earners and Tax payers who have attended tax courses and trainings seem to be the most knowledgeable. Findings also indicate that compliance was influenced by the likelihood of being audited, perception of government spending, penalties and fines, individual financial constraints and peer group influence.

2.5 Regional studies

Nigeria introduced TIN (unique tax payer identification number) and the automated tax system in 2014. These changes have brought about improvement in tax administration in the country. Nigeria was in 2015 ranked third from bottom in tax compliance. Taiwo oyedele PWC (2016) in his study established that out of the 10 million Nigerians registered for personal income tax purposes only 4.6 million are registered with LIRS. This is just a small section of the total labor workforce which is 77million people. According to the national bureau of statistics the number of people in the tax net is 13%. Nigerian finance minister was quoted as saying that the rate of compliance is about 12%. This low level of tax compliance is attributed to such factors as incoherent fiscal policies and an inefficient tax administration system leading to high level of tax evasion. A study done by PWC to find out why there was such low levels of compliance found that 70% of respondents said that there was no accountability in utilization of funds by the government. 22.5% said the tax rules were unclear and compliance processes complicated while 7.5% said it was due to poor enforcement by the tax authorities.

Atawodi (2012), in her study “factors that affect compliance among small and medium enterprises in north central Nigeria” found out that high rate of taxes, complex filing procedures, multiple taxation and lack of proper tax education affected compliance levels. According to Taiwo oyedele PWC (2016) the only way forward for Nigeria is to simplify the tax system, Capacity building through training of taxpayers and also the tax authority personnel. The tax authority should also take advantage of technology and innovation including social media. Full information about revenue and expenses should be made public to create trustworthiness to the public.

In Rwanda, according to a journal by the Investment climate facility for Africa titled “Electronic tax filing and payment improves business climate in Rwanda” (April 2014), Taxpayers are reaping great benefits since the introduction of electronic filing in 2012. Taxpayers are able to meet their tax obligations on time and the RRA has greatly improved its efficiency. Since the taxpayers can file and pay their taxes from anywhere, this greatly reduces the time spent in filing to just a few minutes contrary to the manual system that would take several working days. On the part of RRA, tax officers do not have to overwork, especially during the time close to the returns filing deadline and have now being deployed to more strategic functions like audit. RRA has also made great savings on recurrent costs as they don’t have to procure forms, receipts and printing consumables. According to Richard Tusabe, the deputy commissioner general of RRA, 100% of large taxpayers, 90% of medium taxpayers and 26% of small taxpayers have embraced the e-tax system.

Raphael W Jankeeparsad et al (2015) in their research titled “acceptance of the electronic method of filing tax returns by South African taxpayers” found that e-filing was one of the most successful government initiatives by SARS. Initially e-filing was used only for the submission of and payment of VAT and PAYE. The platform was however expanded in 2007. Since its introduction SARS has made major improvements to the e-filing system in order to encourage more taxpayers to use the system. This includes workshops, online videos detailing the process of filing returns online, live

online help facilities among others. Despite these efforts by SARS, only about 25% of taxpayers were using the e-filing by 2014. For the tax authority to reap the full benefit of online filing, there needs to be acceptance and 100% utilization by the taxpayer.

In Croatia, Cvrlje (2015) investigated the effects of tax education in combating tax system complexities, low tax morale and noncompliance. Tax literacy is the possession of specific tax oriented knowledge of accounting and numeracy skills that is required for managing tax calculations. By acquiring basic knowledge of taxation, individuals are able to manage their personal finances and understand the logic of effects of fiscal policy.

According to Elizabeth Asianzu & Gilbert Maiga (2012) in Uganda the URA has boosted its revenue by running an online tax administration system referred to as E-tax. This system offers benefits to the taxpayer as well as the tax authority by offering 24 hour service to taxpayers. E-tax services support online filing and assessment of returns. It also offers electronic funds transfers that enable taxes to be paid online and refunds to be issued across the internet. There are also web based information portals that are used to offer tax education to taxpayers. Multiple benefits have been realized by the use of e-tax which includes less time used in tax compliance, safety and security of information and less cost of compliance.

2.6 Local studies

Closer home in a research done by David Wasao (2014) to assess the effects of online tax system on tax compliance in East of Nairobi tax district, he found that online registration of taxpayers makes recruitment of taxpayers easy and therefore enhances compliance. However a smaller number filed their returns online than the total registered taxpayers. Muita (2010) in her MBA thesis has also done research on factors that determine the adoption of e-filing among LTOS in Kenya. The study examined the skills needed by the e-filers, the technology required and the tax authorities' readiness in

enhancing the adoption of tax compliance based technology. The study found out that for e-filing to be efficient, skills infrastructure and a conducive environment is required.

Muita (2011), in her study of the factors affecting adoption of e-filing in Kenya, found that e-filing leads to managerial benefits and cost saving. This is due to reduced transaction costs caused by online lodgment and electronic submissions and transfers which will reduce compliance costs for small businesses. Dr Elizabeth Nambuswa et al (2017) in their research on effects of ITax on tax collection efficiency in Rift valley region found that for an online tax system to be completely efficient, the tax body needs a reliable system and staff on the ground to deal with emerging issues. On the main objective of this study which was to develop the significance of Electronic Tax Payment system on the tax collection efficiency in Rift valley, it found that for the electronic system to boost tax compliance, KRA employees need to be competent and helpful in issues arising in filing of tax. KRA also needs to introduce special electronic tax payment counters and extend working hours to enable the public to submit their returns with the help they need. The tax authority should also upgrade their system regularly to counter system problem arising often. KRA should also offer continuous training to taxpayers on how to do online return. It should also set up booths at public centers and do aggressive reach out campaigns to create public awareness.

2.7 Theoretical framework

In order to fulfill the objective of this study, we must use a theory in order to guide the study. Theories are important in research work since they provide a model to test concepts and a framework to guide the study. In this study I employed the Fischer tax compliance model. This theory is discussed here under

2.7.1 Fischer tax compliance model

Fischer et al (1992) in his model categorized factors that affect compliance into 4 groups. These are: I) demographics (age, education, gender) ii) noncompliance opportunity (occupation, income level, income source) iii) attitudes and perceptions (for example the fairness of the tax system and peer influence), IV) the tax system/ tax structure (i.e. complexity of the tax structure, probability of detection, tax rates and penalties payable). Fischer model is therefore more comprehensive as it incorporates economic, sociological and psychological factors. According to the Fischer model, females and individuals over 65 years of age are less likely to be non-compliant. Individuals that are educated also have better tax ethics than their uneducated counterparts. Education by virtue of this model refers to the ability of a taxpayer to comprehend matters relating to tax laws and informatively make a decision to comply or not to comply. This relates to tax training and the awareness by taxpayers about tax laws and tax evasion loopholes. According to Fischer's tax compliance model, dissatisfaction with the fairness in the tax system also negatively influences tax compliance. The tax system should demonstrate fairness in the tax burden distributed among all individuals of the same social class. The tax rate should be the same across the social class, failure to which taxpayers will carry a perception that they are overpaying taxes in relation to what other tax payers pay. Tax payers expect to experience the benefits of the tax they pay. (Massimo, 1993) in their research also identified the probability of detection as a major determinant of noncompliance. Any probability of being caught is a huge deterrence to noncompliance.

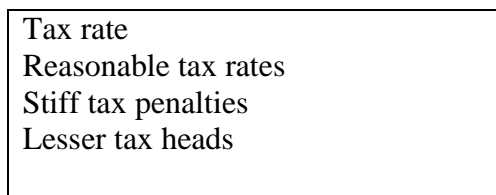
According to Jackson and Milliron 1986, in their analysis of the Fischer's tax compliance theory, the complexity of the tax system and tax structure affect tax compliance. When there are excessive details in the tax rules and numerous computations need to be made, this increases the risk of noncompliance. A greater demand in time needed for tax compliance also increases tax compliance costs, which lead to noncompliance. Tax rules should aim to be simple, understandable and clear in

order to enhance tax compliance. Clotfelter (1983) reveals that complexity of tax system has been associated with greater underreporting of tax

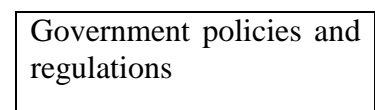
A partial refinement has been suggested for the Fischer theory by incorporating culture, a very important environmental factor significant in tax compliance. (Blanthorne and Kaplan, 2008) suggest that social norms influence ethical values which prohibit tax payers from engaging in tax evasion. Hofstede (1980) identifies four societal values. These are; individualism, power distance, uncertainty avoidance and masculinity. In Hofstedes model, individualism relates to the level of integration a society maintains between its members. High individualism is when an individual focuses more on themselves than on the group to which they belong. People from low individualism societies tend to make collective decisions in order to fit in with the peer unlike high individualism societies where individual view themselves as separate entities from the rest of the society. These cultural differences between different societies have a direct impact on ethical values and ultimately affects tax compliance decisions

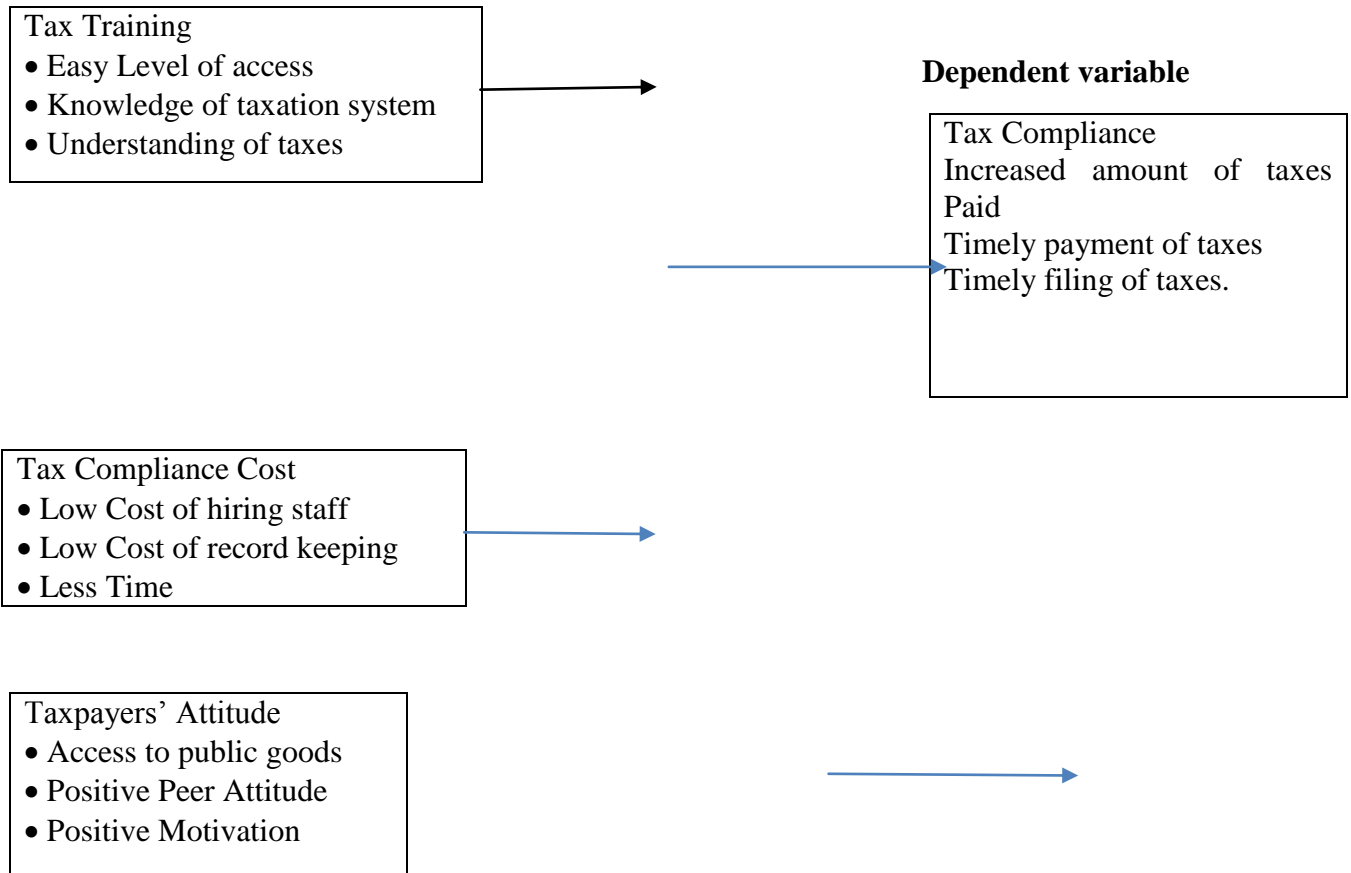
2.8 Conceptual framework

Independent variables



Moderating variables





As represented in the conceptual framework this study assumes that the factors under discussion have a direct influence on tax compliance among taxpayers in Kenya. The tax rate is an independent variable and it influences tax compliance which is dependent of how stiff tax penalties are, how high the tax rate is and the number of tax heads. Tax training is also an independent variable influencing tax compliance. Taxpayers understanding of tax system, and their knowledge of taxation greatly influences their level of compliance. The tax compliance cost refers to the expenditure in terms of time or money in conforming to government requirements such as legislation or regulation. Most of tax payers decision to comply or not is also greatly influenced by the cost of compliance. The tax payer's attitude is also an independent variable. The availability and usability of public goods, peer attitude towards tax

compliance and the taxpayer's motivation for tax compliance influence tax compliance. Therefore tax compliance which is the dependent variable is determined by the manipulation of the independent variables.

The moderating variable is a variable that has significant contributory or contingent effect on the relationship between the dependent and the independent variable. Government policies play a significant role in the decision of taxpayers to comply with tax policies. Government policies could either encourage or discourage compliance depending on what motivational factor they contain.

2.9 Summary of literature review

From the review of literature, it is clear that there has been research exploring effect of online tax system on tax return compliance. The main objective of this study was to identify the factors that affect tax compliance in Nakuru County. The research focused on global, regional and local literature showing the adoption of online tax systems in different countries and how they have been received by the taxpayer, and also how they have helped the tax bodies meet their goals. Challenges have also been highlighted that have affected the working and acceptance of the online tax system. Key among this challenges include lack of training for the taxpayers, congestion of the system, a negative reception by the taxpayer and poor internet connection in developing countries. Research has been reviewed on the determinants of tax compliance which include demographic factors, social factors and tax system and structure.

The research outlined in this paper was aimed at addressing the tax gap of non-filing, under reporting and under payment. Among the studies that have been done include the study done by Dr Elizabeth Nambuswa et al (2017) done in rift valley about the effect of I-Tax on tax collection efficiency examining the factors that influence adoption of I-Tax by medium and small taxpayers. This

study however focused on large corporations that have qualified and understand the online tax system compared to most of the SME owners and individual taxpayers who are not conversant with technology. Very few studies have been done in Nakuru yet Nakuru has a labor force of 1,128,338 which represents a big proportion of the tax payers registered on ITax and therefore is a very significant town in terms of tax collection. The lack of research done in Nakuru County presented a huge knowledge gap that needed to be bridged with knowledge on how ITax is influencing tax compliance. The specific aim of the research was to gain insight into the factors that influence the tax compliance among taxpayers in Nakuru County. It is expected that the findings will help decision makers and particularly K.R.A gain a better understanding of taxpayers compliance enabling them to plan and design services more effectively.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology that was used in the study. The chapter includes the research design, the study population, the sample design, data collection instrument and concludes with data collection procedures and data analysis techniques.

3.2 Research Design

According to (Khan, 2008). A research design can be considered as the blue print of those procedures adopted by the researcher for testing the relationship between the dependent variables and the independent variable. To achieve the research objectives, a descriptive research design was adopted. Descriptive research studies are those studies, which are concerned with describing the characteristics of a particular individual, or of a group (Kothari, 2004). According to Mugenda and Mugenda (2003), a descriptive research determines and reports the way things are and attempt to describe possible behavior, attitude, values and characteristics of such things. The study used a descriptive design because it enables the researcher to collect a large quantity of in-depth information about the population being studied. The aim of this study was to establish the effect of I-Tax on tax return compliance in Nakuru town; hence, a descriptive research enabled data collection from the population.

3.3 Target Population

According to (Ngechu, 2004). A population is a well-defined set of people, services, elements, and events, group of things or households that are being investigated. The unit of analysis for the study was any individual taxpayer in Nakuru that has registered themselves with the Kenya Revenue Authority. According to domestic taxes report 2016 Nakuru town CBD had registered approximately 50,000 taxpayers on ITax. Individual taxpayers who are the majority among the registered groups of taxpayers were more suited for the study because they stand to accrue more benefits by adopting electronic filing since it will save them on cost and time used in tax compliance.

3.4 Sample size and sample selection

According to (Kothari, 2004). A sample design is a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure the researcher will adopt in selecting items

for the sample. According to Mugenda and Mugenda (2003), 10% sample size of a population of 300 and above is adequate if selected properly. According to domestic taxes report (2016) there is a population of 10,000 registered taxpayers in Nakuru town CBD. A sample of 50 individual taxpayers was selected for the study. Selection was done using stratified random sampling. Stratification was done on the tax payers based on whether they are registered on ITax or not. The sample size chosen was a factor of available time and resources to carry out the research.

3.5 Research instruments

A Research instrument is any device used by a researcher to collect data. Both primary and secondary data were used for the study. A data collection form was used to collect primary data. Depending on the respondents' literacy level, an interview was also used to collect data. Secondary data on the other hand was sourced from journals, newspapers, magazines and the internet.

3.5.1 Piloting of the instruments

Piloting is conducting a feasibility study prior to conducting the actual research to test whether the research instruments are dependable. Piloting was conducted at pipeline KPC among petroleum dealers and shippers that are registered with ITax. A questionnaire was given to 10 willing taxpayers on random basis. Briefing was done to offer insight to the taxpayer on the reason for the research. The respondents were also briefed on the time allocated to answer all the questions in the questionnaire. The questionnaires were collected after 2 days after calling each taxpayer a day before to remind them that I was to pick up the questionnaires in order to ensure they complete the exercise. Questions not answered were explained in order for the taxpayer to fill it as he/she understood it. This helped me to identify ambiguous questions and correcting them.

3.5.2 Validity of the research study instruments

Validity is the extent to which differences found with a measuring instrument reflect true differences among those being tested. Triangulation of research instruments was used to improve the validity of the instruments used. This included using different kinds of data and also different methods of data collection including structured questionnaires with both open and close-ended questions. It also involved using both qualitative and quantitative approaches. Different methods of data analysis were also used including correlation and regression analysis. I also engaged the project supervisor and other departmental heads to advice on whether the research instruments used were appropriate, reasonable, challenging and feasible. This is a test of face validity of the research instruments. The supervisor advised on the appropriateness of the research instruments in terms of difficulty and easiness of the terms used and the time given to answer the questions. The supervisor and other departmental heads also advised on the relevance of the research questions to the topic of study. Unanswered questions were explained to the respondents and the answers recorded verbatim.

3.5.3 Reliability of the study instruments

The test of reliability is another important test of sound measurement. A measuring instrument is reliable if it provides consistent results (Kothari, 2004). To test the instruments reliability the test-retest method was used. I administered the questionnaires to about 10 individuals once during the piloting and a week later. The answers from the piloting and the second time were correlated in order to evaluate the test of stability. Pre-testing was conducted to assist in determining the accuracy, clarity and suitability of the research instruments. Triangulation was used to improve the reliability of the study instruments. This involved use of different research instruments, different methods of data collection and analysis. The parallel form reliability was used to ensure that the research instruments were adequately reliable. This involved testing the same concept using different methods. The answers

from the two different versions of instruments were then correlated to evaluate the consistency of the results. This included testing a concept using open ended questions and then asking the same question in a multiple answers type of question.

3.6 Data Collection procedure

Once my proposal was approved, I obtained a letter of authority from the university allowing me to go ahead with the research. I then visited NACOSTI (The National commission for science, Technology and Innovation) offices, the County director of education in Nakuru County and the office of the County commissioner of Nakuru in order to apply for the research permits needed to allow me to carry out this research in Nakuru County. Once granted, I then embarked on the journey of data collection using questionnaires as my research instruments. Both primary and secondary data were used for the study. I then selected random enterprises in different streets of Nakuru town and in each enterprise enquired if the people present are registered on ITax. Those who are registered and willing to participate in the study qualified as respondents and I then explained the purpose of the study and its benefit to them and then administered the questionnaire and gave them around 30 minutes to respond. The drop and pick method seemed suitable since I was able to collect all questionnaires administered with no chance of losing contact of any of the respondents. Secondary data on the other hand was sourced from journals, newspapers, magazines and the internet.

3.7 Data Analysis techniques

The data collected was analyzed using descriptive and inferential statistics using SPSS. Descriptive statistic involves the use of frequency, percentages and measures of central tendency (mean and standard deviation). Paired t-test was also used as an inferential statistic. Collected data was analyzed through descriptive statistics. Inferential statistic was used to draw conclusions about the whole Nakuru taxpaying population. Multiple linear regressions was used to establish the relationship

between the independent and dependent variables. Multiple regressions method was used to predict the effect each of the questions asked (Variables) had on tax compliance. Percentages and frequency distribution tables and graphs were used to elaborate and to show the effect of the use of IT-ax on tax compliance in Nakuru.

3.8 Operationalization of variables

Objective	Variable	Indicators	scales	Type of analysis
To establish taxpayers attitude towards the use of I-Tax in Nakuru town.	Independent variable taxpayers' attitude.	Number of taxpayers willingly using I-Tax without the presumption that it is impossible to do it on their own.	Nominal scale	Descriptive/ Quantitative statistics
To evaluate challenges faced by Nakuru town taxpayers while using I-Tax to submit revenue and file their returns and the possible solutions to these problems.	Independent variable I-Tax challenges.	Number of times taxpayers are unable to use I-Tax system and for what reasons.	Nominal scale	Descriptive/ Quantitative statistics
To determine how the cost of compliance affects tax compliance among taxpayers in Nakuru town	Independent variable compliance cost.	The total cost incurred to file report and make payments using I-Tax.	Nominal scale	Descriptive/ Quantitative statistics
To analyze the effect of taxpayer training on effective tax compliance among taxpayers in Nakuru town.	independent variable taxpayer training	Number of trainings attended.	Nominal scale	Descriptive/ Quantitative statistics
To determine the level tax compliance	Dependent variable tax compliance	Number of returns duly filed using I-Tax and reported tax paid on time	Nominal scale	

Source, Author (2018)

3.9 Ethical considerations

While conducting this research various ethical considerations needed to be observed. Research on tax matters is quite sensitive due to disclosure on issues profit related. I therefore ensured privacy and confidentiality of all information provided by the respondents. I also ensured respondents provided information willingly without coercion by explaining the purpose and objective of the study. A Research permit was obtained from NACOSTI, the County Commissioner and the County director of

education. Detailed explanation was given to the respondents in regard to the research. These included the study design, name and address of researcher, the purpose of the research, criteria that will be used to determine eligibility, benefits of participation, time commitment required, the location of the research, person or office to contact for further information and the means of consenting and withdrawing from the study if need arose. The degree to which the information collected about respondents was to be kept confidential was also explained to them. In case of withdrawal from the study, no victimization or coercion was used against those opting out and their information collected was kept confidential and destroyed. Data collection instruments were designed in a manner that did not allow collection of information that could readily identify participants thus no name, addresses, date of birth, mobile phone number, email address and such like information about respondents. Only relevant information that enabled the researcher to achieve the study's objectives was collected.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATIONS AND INTERPRETATIONS

4.1 Introduction

This chapter provides an elaborate description of data analysis in narrative and in tabulated format. The total number of questionnaires given to respondents and those collected fully filled and also partially filled is indicated. The demographic information of the respondents such as age, gender,

level of education along with occupation is reported in a tabular format. This is followed by descriptive statistics such as mean, standard deviation, skewness and kurtosis. A detailed analysis of the research questions is also contained in this chapter. Finally the chapter discusses the research objectives which acted as a guide for the study. The study sought to establish the influence of I-Tax system on tax return compliance by taxpayers of Nakuru county central business district. The focus of the study was on tax payer registration on I-Tax system, taxpayer compliance, taxpayer's attitude towards I-Tax system and tax filing and Tax payer training.

4.2 Data Collection and Response Rate

In total 50 questionnaires were distributed to the sampled respondents and 42 were received back. However of the 42, 6 were incoherently filled and would not have been useful for the research. The final sample included in this study consisted of 36 responses representing a response rate of 72%. The researcher considered the response adequate since respondents from all the taxpayers' strata as per the sample design responded. According to Mugenda and Mugenda (2003) a response rate of over 60% of the respondents is considered adequate. However if unresponsive rate is high, the researcher should do a follow up study to establish the factors behind the lack of response as it could be a relevant factor in the study. High response rates reduces the risk of bias in the responses

4.3 Demographic Information *Table 4.3*

Age group	Frequency	Percent	Cumulative percent
25-30	11	36.1	36.1
31-35	11	30.6	66.7
36-40	8	22.2	88.9
41-46	2	5.6	94.4

46-60	2	5.6	100
Total	36	100	100

Gender	Frequency	Percent	Cumulative percent
Females	15	41.7	41.7
Males	21	58.3	58.3
Total	36	100.0	100.0

Level of education	Frequency	Percent	Cumulative percent
Secondary	4	11.1	11.1
college	16	44.4	55.6
University	15	41.7	97.2
Masters	1	2.8	100.0
Total	36	100.0	100.0

Occupation	Frequency	Percent	Cumulative percent
Civil servant	5	13.9	13.9
Private sector	23	63.9	77.8
Self employed	6	16.7	94.4
Casual labor	2	5.6	100.0
Total	36	100.0	100.0

Source: research findings

Age percentage distribution

The question sought to establish the age of the respondents in order to classify responses by age. The percentage age distribution of respondents' show that the majority of the respondents were in the 25-30 age bracket with a percentage of 36.1 %. This is also the mean age. Age group 30-31 was at 30.6%, 36-40 at 22.2%, 41-45 at 5.6% and above 46 as also 5.6%. As shown in table 4.3.1 above, the

standard deviation was 1.55124 meaning that most of the research age data was close to the mean. Only four respondents out of the total 36 were above 41 years. This can be interpreted to mean that majority of the people that work in the Nakuru town CBD are of ages 25-40. This represents the labor force of Kenya in general and Nakuru County in particular.

Mean age of respondents

An analysis was done of the mean and standard deviation of the age of taxpayers in order to determine the mean age of tax payers within the CBD. From this study, it was deduced that the mean age bracket of the respondents was (M=2.778, SD = 1.55). The age brackets provided were from 18 years to 46 years and above. There were no 18-24 years old among the sampled respondents that were registered on IT-tax. This is probably due to the fact that 18-24 years is the college going age for Kenyans students and a KRA pin is required mostly when someone is employed or self-employed and needs to pay taxes. The mean age was at 2.77 meaning that the age tended to cluster around the age group 25-30. The standard deviation is 1.55124 meaning that most of the respondents age was close to the mean. From this data, it can be interpreted to mean that the mean age of tax payers working in the Nakuru town CBD is 25-30 Years. This is especially true as the businesses centered in the CBD are demanding 'hyper' type of businesses that need energetic and creative young people.

Respondents gender distribution

The question sought to establish the respondents' gender distribution for the purpose of making conclusions about the gender balance of the population. The percentage of male respondents was 58.3% as compared to 41.7% female respondents. This demonstrates a gender balanced economy as the number of males in the countries workforce is higher than the females. Out of 36 total

respondents females were 15 whereas males were 21. This could mean that in Nakuru County the ratio of females to males is 3:4. According to the World Bank collection of development indicators done in 2017, females make 48% of the Kenyan labor force. The study represented this closely although not accurately.

Respondents' education distribution

The question sought to find out the education qualification of the various people that are registered on Itax in order to classify responses by education level. According to the findings, the educational level of the respondents was as follows; 11.1% of the respondents were of secondary education. 44.4% were of college of education, 41.7% were of university degree education and 2.8% were of Masters Education. According to this data, most of the people registered on ITax are of college and university qualification. An overwhelming majority of people in the active workforce are of college education up to Masters Level. Education according to Fischers theory of tax compliance is a contributing factor to tax compliance. According to the data given on the respondents educational level, 88% of the respondents are of college education and above. The rate of tax compliance could be a result of exposure to information either through mainstream media, social media, word of mouth, road shows done by KRA to sensitize taxpayers on the benefits of tax compliance and the consequences of noncompliance.

Occupation of respondents

The question sought to establish the occupation of the respondents. This could be used in data analysis to establish if people from certain occupations are more compliant as opposed to other occupations. According to the findings, the occupation of the sampled respondents shows that the private sector employees were the majority at a percentage of 63.9%, civil servants at 13.9%, self-employed at 16.7% and casual laborers at 5.6%. Private sector employees were the majority of respondents probably as most offices in the CBD are privately owned. Government owned parastatals

and institutions are very few around the CBD and so much protocol is required in order to conduct a survey inside such building and so the survey was done in the few parastatals that were accessible. Private firms such as banks, phone shops, eateries, exhibitions are however the drivers of the CBD economy as they are the ones that are strategically situated at the heart of the town in order to be more accessible to customers.

4.4 Descriptive results of research variables.

The study sought to establish the influence of ITax on tax return compliance among taxpayers of Nakuru town CBD. Four main questions were framed and then given to respondents to answer. This included influence of fines and penalties on tax compliance, functionality of the ITax system, cost of compliance and Tax training. Each question had several components tested in order to realize the objectives of the study. In order to present the descriptive results of the variables an analysis of the means and standard deviations was done. Since this study employs quantitative data analysis, two statistical values were checked to assess the normality of the distribution of the variables: Skewness and kurtosis. Skewness is a measure of how responses are distributed, while kurtosis is a measure of how responses cluster around a central point for a standard distribution (Stern et al., 1977). A criterion from the literature is that a Skewness statistic bigger than 3.0 or a kurtosis statistic bigger than 8.0 would imply that the distribution is non-normal (Kline, 2005). The Skewness and kurtosis statistics for all variables in this study were within these acceptable ranges of normality as shown on table 4.4.1

4.4.1 Effects of fines and penalties tax compliance

Table 4.4

Applied for tax Compliance certificate	level of agreement	Frequency	Percent	Cumulative percent
Given TCC: don't need Reminder to file.	Strongly agree	13	40.6	40.6
	Agree			

	9	28.1	68.7
Not sure	6	19.4	88.1
disagree	2	6.5	94.6
strongly disagree	1	3.2	97.8
No response	1	2.2	100.0
Total	32	100.0	100.0

Applied for tax Compliance certificate	Level of agreement	Frequency	percent	Cumulative percent
Denied TCC: Don't need To be reminded to file				
	Strongly agree	2	50	50
	Agree	2	50	100
Total		4	100	100

Source: research findings

The respondents were asked to state whether they meet all their tax obligations before the deadline. This question sought to establish the level of tax compliance for the respondents. 88.9% stated 'Yes' while 11.1% stated 'No'. The respondents that responded that they do not meet their tax obligations before deadline were asked to state the consequences they have suffered from not meeting the deadlines. 75% stated that they have had to pay fines and penalties while 15% stated that they could not be issued with a TCC because of not meeting previous filing deadlines. Tax compliance in Nakuru county seems to be above average as a random selection of taxpayers show the compliance rate is at

89%. Fines and penalties might have caused the increase as it is already being implemented by the revenue authority and several people have suffered the consequence as shown by the response of the respondents. Such stringent measures as penalties serve the purpose of discouraging future noncompliance by those to whom they are imposed as well as serving as an example to others that might get to know about their existence

Respondents were then asked to state whether they had ever applied for a tax compliance certificate. Those that responded 'Yes' were requested to confirm if they had been issued with the TCC or not. A TCC is issued if one is tax compliant and denied if one is non-compliant. Those whose requests were denied were asked to state if they now need to be reminded to meet filing deadlines. This was in order to test the effects of fines and penalties on compliance. Those whose request had been denied were asked what reasons KRA gave for denying TCC and 100% of them answered that they had penalties from previous years of not filing. The respondents were then asked if they needed to be reminded to file their returns and 100% of those who had previously been denied TCC answered that they did not need to be reminded. This is as opposed to only 68% of those that had never applied for TCC and denied. The lesser number is more likely because no fine or penalty has been imposed on them and they are therefore uninformed or reluctant because they do not know the consequences of not filing. From this analysis, it can be concluded that fines and penalties has had a positive effect on compliance as respondents that had previously accrued fines stated that they now needed not be reminded to file as they had seemingly learnt their lesson. The imposition of fines by KRA aims at deterring noncompliance as taxpayers do not want to accrue fines due to non-compliance. KRA has been imposing very heavy fines for failure to meet filing deadlines and those taxpayers that are informed about the need to remain tax compliant do not wish to accrue such fines. Therefore the existence of this deterrence measure works to ensure continued tax compliance.

4.4.2 Effects of taxpayers attitude towards the use of ITax on tax compliance

Table 4.5

Question	N	Maximum	Minimum	Mean	Std. Deviation
I file my own taxes	36	1.00	2.00	1.2222	.42164
ITax is very difficult to use	36	1.00	5.00	1.6389	.83333
I don't need to be reminded to file	35	1.00	5.00	1.9429	1.05560
Given a chance I would not file	35	1.00	5.00	3.3143	1.32335
I always file on time	36	1.00	5.00	1.6667	1.04198
There are no long queue during filing	36	1.00	5.00	2.2778	1.04198
Online filing has reduced filing costs	36	1.00	5.00	1.7222	.84890
ITax saves time	36	1.00	7.00	1.6111	1.10267

Source: research findings

Several questions were asked to test the respondent's attitude towards ITax and filing of returns. This includes such statements as, I file my own tax returns, ITax system is very difficult to use, I don't need to be reminded to file my returns and finally, given a chance I would not file my returns. The mean and standard deviation are analyzed in the table below. Majority of the respondent file their own returns shown by a mean of 1.2222. A majority of the respondents also find ITax easy to use as the mean of the response from that question is 1.6389. On the question of need of reminder to file, a mean response of 1.9429 was recorded. This means that majority of the respondents agreed that they do not need to be reminded to file their returns. However respondents reply to whether they would file or not

when given a chance not to file indicate that the respondents were not sure of what they would do. Results with a mean of 3.3143 were recorded. This analysis shows that most taxpayers in Nakuru County have embraced tax compliance and no longer find it as an activity that impossible to do by oneself or that is unnecessary. Taxpayer education has also been well received and taxpayers respond to requests by KRA to attend trainings and therefore influence their decisions and attitude on tax compliance.

Respondents were also asked to agree or disagree with this statement. This sought to establish the respondents' attitude towards returns filing and towards ITax. When respondents were asked to rate how they agreed or disagreed to 'given a chance I would not file returns' majority (33%) were not sure whether they'd file or not. 12% strongly agreed and 14% agreed. 17% disagreed and 24% strongly disagreed. It can be concluded that most taxpayers have embraced tax filing as 41% in total stated that given a chance not to file their returns, they would choose to file anyway. This is in comparison to only 26% who would not bother to file if they were allowed to. The 41% who were sure that they would file their returns anyway are the percentage that's informed probably through training or through vlogs posted on social media educating the public on filing. They have therefore embraced filing as necessary and important for their own good. The other 26% are the few that are still negative about filing returns and are not informed on why it's important or they are just ignorant with a negative attitude towards ITax or filing in general and do not understand why they are needed to file.

The respondents were asked to state whether they do their own return filing and submission themselves. The results showed that 77.8% answered to the affirmative while 22.2% stated 'No'. A large number of taxpayers have embraced doing their own tax assessment without the mentality that it is impossible or not important. However 22% of taxpayers do not do their own self-assessment. This is still a large number in an exercise that has been simplified to make it easy and convenient for the taxpayer. Therefore the respondents that stated that they do not file their own returns were asked to

state verbatim reasons as to why they do not file their returns themselves. This question sought to find out challenges that taxpayers could be facing with Itax. This question sought to find out the attitude of taxpayers towards use of the ITax system as well as the usability of the system. From the results it was established that 32% of the respondents replied that the returns filing is done in their companies headquarters, 16% cited challenges experienced while login in, causing them to look for help elsewhere in order to complete their returns filing, 16% cited network hitches during the returns filing period making it impossible to do self filing. 16% of the respondents also claimed that they had not received any type of training on using ITax and were therefore incapable of filing their returns on their own. The remaining 20% gave no explanation for not doing self filing. From these responses we can conclude that a combination of system hitches as well as bad taxpayers attitude is the cause of taxpayers unwillingness to commit their time and effort and do the self assessment themselves. This could be due to tax payers education not reaching this specific taxpayers, general lack of interest on the part of the taxpayer or ignorance to know why it is important to file ones returns. Taxpayers generally file returns just it's a requirement but he/she does not take the interest in knowing why its required.

4.4.3 Effects of cost of compliance on tax compliance

Table 4.6

Benefit	Frequency	Percent	Cumulative percent
Convenient	8	17	17
Cost saving	3	7	24
Easy to get a loan	3	7	31
Easy to obtain TCC	1	3	34
Easy to use	4	19	53

Fast	4	19	72
None	8	17	89
Proof of tax payment	2	4	93
Time saving	3	7	100
Total	36	100	100

Source: research findings

Respondents were asked to state the taxes they have registered for on ITax. This sought to establish the Means of livelihood of the respondents selected for the study. The results showed that 75% of online users are registered for PAYE, This means that they are employed and earn a salary. 11.1% registered for VAT, this means that they provide/sell a product or services. 2.8% registered for no income (NIL returns) which basically means they have no registered income. While 2.8% registered for Corporate Tax, PAYE and income tax foreigner. Corporate tax is levied on companies while income tax foreigner is Payee paid by foreigners working in Kenya. Another 2.8% for PAYE, VAT and withholding taxes. Withholding taxes are taxes levied on interest, dividends, commissions, royalties and professional fees i.e. consultation fees. Another 2.8% were registered for income tax foreigner. Finally 2.8 % were registered for vat and withholding taxes returns. From this analysis we can therefore deduce that the majority i.e. 75% of taxpayers that participated in the research are employed, 11.1% run businesses that either provide goods or services 2.8% have not registered any income source and another 2.8%are foreign owned companies.

Respondents were then asked to state the advantages they consider of I-Tax. This was an open ended question. Among the reasons stated as the benefits of being registered on Itax, the most popular benefits were that it is easy to use and its also fast to do as compared to manual filing. Both reasons had a rating of 19% each. Convinience of ITax was also popular with a rating of 17%. Cost saving had a rating of 8% whereas the benefit of itax of making loan accessibility easy had a rating of 8%. 3% of the

respondents stated that among the benefit of ITax is that its easy to obtain a TCC when you are registered on ITax. Another 3% stated that its beneficial because it acts as proof of tax payment. 6% find ITax to be time effective as it saves time and lastly 17% do not find ITax beneficial at all. From the responses only 17% of the respondents find nothing beneficial in ITax. This could be the percentage that has a negative attitude in regards to ITax and only file because it's a requirement and they do not bother to know why filing of their returns is important. They are closed minded in matters ITax and do not find anything beneficial in ITax. However the other 83% all cited something positive about ITax and its benefits. This is the percentage that has embraced ITax and has sought to be informed about its benefits and how the taxpayer stands to gain by being tax compliant. Most of the benefits cited of Itax amount to cost saving in terms of convinience, time saving and fastness of the system. The reliability of Itax makes its easy to file own returns therefore reducing the queues and therefore saving time and money.

Respondents were asked to agree or disagree with the statement that use of ITax saves filing cost considerably. This statement sought to find out the level of the respondents agreement with the cost effectiveness of the ITax system. 88% of the respondents agreed that costs have been reduced considerably by online filing as opposed to just 8% who were not sure and 4% who disagreed. From the massive positive response on agreement to the cost effectiveness of the ITax system, it can therefore be concluded that ITax system has helped to bring down the cost of tax compliance considerably. The cost of compliance can be determined by the number of hours one spends in the task of filing returns or meeting other tax obligation at the expense of something more productive for the business. Meaning that the task of tax return filing has eaten into business profits by consuming more time than is set apart for it. Compliance costs could also be money paid to a consultant to do the tax filing for an individual or money paid to a cyber-attendant to assist in returns filing, by doing

individual tax returns at the comfort of one's home or office the cost of tax compliance is reduced as it saves on time and money that would otherwise be used to comply.

Respondents were asked to agree or disagree with the statement that 'use of IT-tax saves time'. This question sought to find out the time cost of the ITax system to the users. From the results, out of 36 respondents, 22 strongly agreed that ITax saves time, 12 agreed, 2 were not sure and 1 disagreed. From this information, we can conclude that indeed use of the ITax system saves time as 94% of the respondents agreed with this statement compared to only 3% who disagreed. The time saving aspect of ITax is in regard to how much work or business time is spent outside of the business or the work place in order to comply with tax requirements. If more time is sacrificed outside the business or workplace in order to comply with tax requirements this means that tax compliance is affecting the productivity of the workplace as it is eating into business hours. On the other hand, if less time than was previously used is now being spent on tax compliance, then we say that ITax saves time.

4.4.4 Effect of training on tax compliance

Table 4.7

Training versus tax compliance

Frequency	Percent	Cumulative percent
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<hr/>			
Never missed a deadline			
Strongly agree	18	72	72
Agree	2	8	80
Not sure	1	4	84
Disagree	1	4	88
Strongly disagree	2	8	96
Total	24	96	96
Ever missed a deadline			
Strongly agree	1	10	10
Agree	6	60	70
Not sure	1	10	80
Disagree	1	10	90
Strongly disagree	1	10	100
Total	10	100	100
<hr/>			

Source: research findings

Two questions were asked about training, the first question sought to establish how many of the respondents had attended training on ITax and the other comparison question sought to establish the taxpayers that were tax compliant. This question sought to establish the effect of training on tax compliance as training is considered a major contributor to tax compliance.

As shown in table 4.7 an analysis was done comparing those that attended training and their answer to the question of whether they file their returns on time versus those that have never attended training and whether they file their returns on time. 80 % of those who stated that they had ever attended a training on ITax also stated that they had never missed a filing deadline. Whereas 70% of those that had never attended any ITax training also stated that they had never missed a filing deadline. 30% had missed a filing deadline and been penalized. Of the respondents that had ever attended ITax

training, 12% stated that they had ever missed a filing deadline meaning they are not tax compliant. 20% of those that had never attended Itax training also stated that they had at some point missed a filing deadline meaning they are not also tax compliant. There is a high number of respondents that have received ITax training and are tax compliant and only few respondents who have received ITax training are tax noncompliant. It can therefore be concluded that training has a positive effect on compliance as 80% of those that have ever attended training on ITax file their returns on time as opposed to 70% of those that have never been trained that file their returns on time.

Respondents were also asked to agree or disagree with the statement 'ITax system is easy to use. This question sought to determine the usability of the ITax system and also the Friendliness of the ITax system to the user. From the results, 50% strongly agreed, 42% agreed, 5% were not sure and 3% disagreed. From the analysis it can be concluded that ITax system is relatively user friendly as an overwhelming majority (92%) agreed to the statement against 3% who disagreed. This proves the user friendliness of the system. KRA have put effort in taxpayer education in sensitizing taxpayers on the aspects of the ITax system and what is needed in order to effectively file returns. Those that have taken interest and attended the training or used the self-help manuals posted on the website are most probably the ones who find it easy to use and effectively use it. Those that have not taken the time to learn how to file their returns on the ITax system or attend training on the same are probably the ones who have no idea on how to use the ITax system and find it difficult to use,

When asked to state the reasons for registering on ITax, where the respondents were asked to tick on the box representing their reason for being registered on I-Tax or state in the box for 'Others' if they had a different reason for registering. All the respondents selected for the survey were all required to be registered on I-Tax. When asked to state their reasons for registering, 13.9% registered because of the fear of being caught, 44.4% because of their own willingness, 33.3% because of the benefits arising from I-Tax and 8.3% for other reasons which included to have a clean record with KRA, to avoid

penalties, to easily invest, for others, registering on ITax is a requirement in the work place and by KRA, and to know if the employer submits returns. From the survey report, only 13.9% registered because of fear of being caught. The remaining 87% registered because they understood the benefits associated with ITax and the importance of being tax compliant. From these results, we can deduce that tax education might have served the purpose it was meant for as taxpayers are now well informed of why they should file tax returns and meet all their tax obligations on time.

4.4.5 ITAX system functionality

Under this question, respondents were asked to rate the functionality of the I-Tax system. This involved both the system and the process of tax return. The bar graphs below show the responses in response to respondent's attitude towards filing, the effect of ITax on cost and the ease of use of the ITax system. The descriptive statistics showing each of the study question which were to be rated as Strongly Agree (1), Agree (2), Not Sure (3), Disagree (4) and Strongly Disagree (5) are also shown below.

Respondents were asked to rate their level of agreement with the above statement. This statement sought to establish the reliability of the ITax system especially during peak seasons or close to the deadline. From the responses given, 10 out of 36 respondents strongly agreed, 11 agreed, 7 were not sure, 5 disagreed and 3 strongly disagreed. From this frequency table results, it can be concluded that ITax system is highly affected by network glitches as 22 of the 36 respondents responded to the affirmative. Only 8 of the respondents disagreed with the statement. 7 were not sure and these are probably those that do not file their returns themselves and so they have not encountered the ITax system. The KRA Itax server experiences network hitches from time to time but this is normally at the worst when it is very close to the deadline. At the beginning of the filing period which is normally in

January the traffic on the network is minimal and filing is easy and very fast. However increased bandwidth could solve the network problem once and for all in order to facilitate compliance.

Respondents were asked to state their agreement with the statement ‘I-Tax system downtime is worst close to deadlines. This statement sought to establish the dependability of the ITax system throughout the filing period as experienced by ITax users. Out of the 36 respondents, 18 strongly agreed, 11 agreed, 3 were not sure, 2 disagreed and 2 strongly disagreed. From this information we can therefore conclude that the statement is true as 29 out of the total 36 affirmed the statement as compared to only 4 who disagreed. ITax system is not dependable especially during peak seasons and more specifically close to deadline. This is however made worse by the fact that Kenyans rush to file their returns when it’s only days or even hours to the deadline. This causes overcrowding of traffic in the ITax system resulting into network glitches which sometimes last for hours on end inconveniencing taxpayers and sometimes causing them not to file their returns resulting into noncompliance.

4.5 inferential results of research variables.

4.5.1 Regression analysis

Table 4.8

	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.072 ^a	.005	-.098	.30587

a. Predictors: (Constant), Online filing

b. Dependent Variable: tax compliance

Linear regression was done in order to determine the explanatory power of independent variables (online filing in the variance of dependent variable (tax compliance)). Adjusted R squared is the coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in the above, the value of R squared was 0.005, an indication that there was a variation of 0.5% on tax compliance due to change in online registration, filing and payment at 95 confidence interval. R is the correlation coefficient which shows the relationship between study variables. From the finding shown in the table above, there was very weak positive relationship between the study variables as shown by the value of R 0.072

4.5.2 Regression coefficient

Table 4.9

Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	1.085	.250		4.334	.000
	Attitude	-.003	.045	-.015	-.071	.944
	Cost	-.014	.068	-.040	-.199	.844

Fines and penalties	.270	.086	.236	3.128	.002
Training	.013	.038	.064	.343	.734

Source: research findings

Regression analysis helps to describe the statistical relationship between one or more predictor variables and the response variables. From the research findings, the attitude of taxpayers has a negative and insignificant relationship with tax compliance as shown by the figure -0.03. This means that a negative attitude towards ITax does not necessarily cause noncompliance. It could result in lack of interest to do self-assessment thus paying someone to do the filing but the taxpayer still files on time. Cost of compliance also has a negative and insignificant relationship with tax compliance with -0.14 .this means that even though some taxpayers may incur costs in terms of money or time, this does not prevent them from filing their returns although they may become inconvenienced in the process. Training has a positive and insignificant relationship with tax compliance with a figure of 0.270. We can say that training could positively influence tax compliance although not to a very large extent. This could mean that it could influence those that don't comply to comply, but lack of training will not necessarily prevent those not trained not to comply. Lastly, Fines and penalties have a strong and significant positive relationship with tax compliance with a figure of 0.270, this could mean that the knowledge that one would be fined for not complying could strongly influence the decision of a taxpayer to comply

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter presents the summary of the findings, makes conclusions and presents the recommendations for further research in the subject area.

5.1 Summary of Findings

This study aimed at establishing the influence of IT-ax on tax return compliance among taxpayers of Nakuru town central business district. There were four research questions answered by this study: what is the rate of tax return compliance amongst Nakuru residents, what is the taxpayer's attitude towards the use of I-Tax and its effect on filing of returns, does ITax reduce the cost of tax compliance, and what is the relationship between taxpayers training on the use of I-Tax and the rate of tax return compliance? Taxpayers that were registered on ITax were the target of the study.

The first question sought to establish the rate of tax compliance among the respondents of my research study. Supported by figure 6 in the research question analysis 'do you meet your tax obligations before the deadline?' it was established that 88.9% stated 'Yes' while 11.1% stated 'No'. This is extrapolated to mean that 89% of Nakuru Town CBD taxpayers are Tax compliant. This could indeed be so because Nakuru town KRA offices are within the CBD and Domestic Taxes employees are known to conduct surveillance within and outside the area to enhance compliance. In relation to ITax contributing to then rate of tax compliance, as supported by figure 5 on the research question 'what are the advantages of being registered on ITax' 83% of the respondents identified positive aspects of the ITax system among them aspects portraying user friendliness of the system, time and cost saving. This are aspects that work for the system and help to boost compliance among taxpayers. The finding of this research objective supported the findings of David wasao (2014) who in his research in East of Nairobi found that there is a positive correlation between online system and tax compliance among taxpayers. As supported by

The second area of the study was concerned with finding out about the taxpayer's attitude towards tax compliance. Several questions were administered to try and read the attitude of the respondent in regards to tax compliance. From the analysis made, the mean for the question, I file my own returns was 1.2. Meaning most of the respondents answered that they file their own returns. From this analysis it was established that the taxpayer is willing and capable to do their tax assessments by themselves and file their own returns on time. The mean response to the question ITax system is very difficult to use was 1.6. Most of the respondents also answered to the affirmative that the system is very difficult to use. From this response by majority of the respondents, KRA need to put more emphasis on taxpayer training to address the issue of system use. To the question, I don't need to be reminded to file my returns, the mean response was 1.9 meaning most of the respondents also answered 'strongly agree' to the question. This means that the taxpayer has embraced tax return filing and does not require to be pushed to do so. Finally to the question, given a chance I would not file my returns, the mean response was 3.2. Most of the respondents were not sure on whether they would file or not if given a chance not to. From this response, it is evident that the respondents do not necessarily like the concept of filing but they are forced to file anyway because it's a requirement. They have not totally embraced filing as beneficial to them but view it as a task that must be performed. As shown by the regression coefficient table, the attitude of respondents has a negative and insignificant relationship with compliance with a score of -0.003. Attitude of the taxpayers towards the ITax system does not therefore influence their compliance levels.

The third question sought to find out whether online filing had reduced filing costs for the respondents. From the responses represented in figure 7 on the question 'online filing has reduced filing costs considerably' 88% of the respondents agreed that indeed it had reduced filing costs considerably while only 4 % disagreed. While asked to state the benefits of Itax, 17% of respondents stated the cost saving aspect of ITax in figure 5. The convenience of the system was also stated as a

major benefit which also translate to cost saving as one does not have to pay anyone else to do filing for them as they can be done at the comfort of one's home or office in the least time. Online filing therefore can be said to be cost effective and compliance enhancing for the tax payers.

Finally the last question sought to establish the effect of tax payers training on tax compliance. As shown in Table 4.7.1 A comparison was done among those respondents that answered to having attended training versus those that have never attended training and their answer to if they meet their tax obligations on time(compliance). For those that have attended training 80% agreed that they meet their obligations on time, 4% were not sure and 12% do not meet their obligations on time. For those that have never attended training, 70% agreed to meeting tax obligations on time, and 20% do not. From this analysis, respondents that have attended taxpayers training on ITax have more compliance level than respondents that have never attended training. This is also echoed in the regression coefficient table 4.9.2.1 where training has a weak positive correlation with a score of 0.013 with tax compliance. Therefore it can be concluded that training does affect tax compliance even if by just a small margin.

Since this study employs quantitative data analysis, two statistical values were checked to assess the normality of the distribution of the variables: Skewness and kurtosis. The Skewness and kurtosis statistics for all variables in this study were within these acceptable ranges of normality. Linear regression was done in order to determine the explanatory power of independent variables (attitude, cost of compliance, training and fines and penalties in the variance of dependent variable (tax compliance).The value of coefficient of determination (R squared) was 0.05, an indication that there was a variation of 0.05% on tax compliance due to taxpayers attitude, tax of compliance, training and fines penalties at 95 confidence interval. R is the correlation coefficient which shows the relationship between study variables.

5.2 Conclusions

In conclusion, it was established that majority of Nakuru town taxpayers are willingly registered online with ITax. 77.8% file their own taxes individually at their own convenience. The rate of compliance is relatively high at 88% of tax payers meet their tax obligations before the deadline. Among those that have ever requested for a tax compliance certificate from KRA, 76% were given while 24% were denied. Those denied TCC confirmed that the reason for denial was because of pending penalties from periods of not filing returns. Among the taxpayers that have ever suffered a penalty, 100% of them do not need to be reminded to file their returns anymore. This can be concluded to mean that the fines and penalties have increased the level of tax compliance by deterring noncompliance. Taxpayers are aware that not complying will result in fines and penalties and are therefore more vigilant in ensuring that they meet all their tax obligations on time.

Taxpayers' attitude was found to have a negative correlation with tax compliance. Even though the taxpayer is dissatisfied with the ITax system and its network hitches, the taxpayer has no choice but to comply with tax requirements among them being filing of taxes and meeting other tax obligations on time. A bad attitude does not necessarily result into noncompliance as the taxpayers are aware of the consequences of noncompliance. Majority of taxpayers have attended an ITax training which has been shown to have a positive correlation with compliance and this could be the reason as to why the attitude of tax compliance is not very negative and many have embraced tax compliance.

From analysis of the study data, it can be concluded that ITax system has really reduced the cost of compliance. Taxpayers can file their returns and other tax obligation at the click of button at the convenience of their homes and offices. It can therefore be concluded that the Itax system has helped to reduce the cost of compliance for taxpayers and also for the Tax authority ITax has enabled data to be sent online therefore saving the authority the cost of personnel to handle manual returns, and storage space for manually filed returns. ITax is therefore cost effective for both the tax payer and the tax body.

According to the study information, training has a weak positive correlation with tax compliance. This would mean that training might help to increase the level of compliance even if it's by a small margin. However training could be concluded to be an important aspect as majority of the respondents that had received ITax training were tax compliant. Training could therefore be a contributing factor in tax compliance.

5.3 Recommendations for policy and Practice

Based on the findings and the analysis of the research done, the recommendation for policy and practice are as follows:

Recommendations on increasing tax compliance on the part of KRA should involve focusing on deterrence measure in order to increase tax compliance as taxpayers are afraid of fines and penalties. The high rate of compliance evidenced by the research data collected within the CBD could have been caused by the presence of KRA in the CBD causing businesses and employees to endeavor to meet their tax obligations in order to avoid fines and penalties. KRA should also increase their system bandwidth to accommodate more traffic into their system to solve the issue of inaccessibility to ITax system when it's close to the deadline. The unreliability of the system might deter willing taxpayers from filing their returns as people might not have so much time to spend on just one activity.

In regards to influence of taxpayers attitude towards tax compliance. The government bodies involved in matters of tax administration should increase awareness on the reasons as to why it is important to annually file ones returns. Taxpayers reasoning as to why KRA needs them to declare how much they have paid yet KRA has all that information could be the hindrance to tax compliance in annual filing. Taxpayers also have a preset mindset that the ITax system Is difficult to use because their previous encounters with the system have proved so. KRA therefore need to make their system as user friendly as possible in order to attract more users and improve the attitude of the users.

On the question of influence of ITax on cost of compliance, majority of the taxpayers that were able to do the filing by themselves agreed that indeed ITax has reduced the cost of compliance. However 22% of respondents said that they do not do filing themselves. Most of them cited network glitches whenever they try to do their own filing such as the system denying them access despite imputing the correct password, others said that the system keeps hanging whenever they are about to submit causing frustrations and giving up. All this 22% are still paying cyber business people who still cash in on this major KRA inefficiency, making money from a service that is generally supposed to be free. This makes tax compliance a costly experience for the taxpayer and only those that have something extra to spare end up complying. KRA should therefore offer several desks to help those that are unable to file for themselves instead of telling them to go and get help in the cyber.

Finally on the influence of training on tax compliance, it was established that training has a positive correlation with tax compliance. KRA should therefore increase training in order to create awareness on why filing of returns is important and necessary. Work places visits for KRA teams should be done in order to educate and also train users on tax compliance. Majority of Kenyans that are registered on ITax have access to the internet and KRA should therefore consider internet tutorials on using ITax in order to reach out to the taxpayers at their convenience. Emphasis should be put on the need for a TCC to taxpayers in various circumstances such as while seeking for employment, for tender application, while applying for a loan, etc. This will emphasize to the taxpayers the need to meet their tax obligations on time so that they can remain tax compliant and can get a TCC at any time they need it.

5.4 Suggestions for Further Research

1. This study recommends further research on factors affecting tax compliance by Nakuru town taxpayers as this study has established only fines and penalties improve tax compliance.

2. A study should be done on the challenges of online filing as experienced by Nakuru taxpayers as this challenges are contributing factors to noncompliance.

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APPENDICES

Appendix 1: Letter of transmittal

Liz Priscilla Mwihaki
University Of Nairobi
P.O Box 30197-00100
Nairobi

Dear Sir/ Madam.

This is to kindly inform you that I am a student at The University of Nairobi pursuing a Master of Arts degree in Project Planning and Management, at the Nakuru Learning Centre. As a requirement, I am expected to conduct a study for purposes of attaining my degree. I am therefore carrying out a research on 'The influence of ITax system on tax return compliance by tax payers, a case of central business district of Nakuru Kenya. The findings from the study will be useful to the Tax authority as they will highlight the challenges faced by tax payers while using the ITax system. They will also assist the authority in knowing which areas to address in order to maximize the benefits of ITax which include revenue collection. To the government and policy makers, the findings may provide additional information useful in policy formulation and implementation especially in the area of tax reforms in Kenya to improve tax administration. To the taxpayers, the findings will enable their voice to be heard on the challenges they might be facing while using ITax system and also give suggestions on how the tax authority can better improve their services. I therefore wish to request you to respond to the questionnaire attached as honestly as possible to assist in the integral part of my research.

Your co-operation will be highly appreciated

Yours Faithfully

Liz Priscilla Mwihaki

Appendix 2. Questionnaire.

RESEARCH QUESTIONNAIRE FOR INDIVIDUAL TAXPAYERS.

Introduction.

Kindly receive my greetings, hoping that you are fine. My name is Liz Priscilla Mwihaki Ng'ang'a.

I am a student at The University of Nairobi pursuing a Master of Arts degree in Project Planning and Management, at the Nakuru Learning Centre. As a requirement, I am expected to conduct a study for purposes of attaining my degree. I am therefore carrying out a research on 'The influence of I-Tax system on tax return compliance by tax payers, a case of central business district of Nakuru Kenya. The findings from this study will be beneficial to you as a taxpayer as they will enable you to be heard on the challenges you might be facing while using I-Tax system and also give suggestions on how the tax authority can better improve their services. The findings from the study will also be useful to the Tax authority as they will highlight the challenges faced by tax payers while using the I-Tax system therefore assisting the authority in knowing which areas to address in order to maximize the benefits of I-Tax. I therefore wish to request you to respond to the questionnaire attached as honestly as possible to assist in the integral part of my research. The information provided will be treated with utmost confidentiality. Your co-operation will be highly appreciated

SECTION A: YOUR BIOGRAPHICAL DATA.

This section is based on your personal data which will help to analyze data on I-Tax users among individual taxpayers. It has 4 questions, kindly put a tick (√) in the box that accurately represents your opinion

1. What is your Gender?

Female

Male

2. What is your Age bracket?

25 – 30years

18 – 24years

31 – 35years

36 – 40years

41 – 45years

46& above

3. What Is your Education Qualification?

Primary education Secondary education

College education University degree

Master's degree PHD

4. What is your Occupation?

Civil servant Private sector employed

Self-employed Casual laborer

Unemployed

SECTION B: TAX COMPLIANCE.

This section is based on tax compliance. It will help to analyze data on the level of compliance among individual taxpayers. It has 5 questions. Kindly put a tick (√) in the box that accurately represents your opinion

1. Have you registered as an online user with KRA?

No

Yes

1a. If you answered No in 1 above, kindly state why you are not registered.

.....

1b. if you answered yes in 1 above, do you handle your tax returns yourself?

- Yes
- No

2. Different people have different tax obligations depending on their source of income. Please put a (√) on the obligation/obligations you are currently registered for with KRA?

Taxes levied by KRA	(please tick√)
Turnover Tax (TOT)	
Pay As You Earn (PAYE)	
Value Added Tax (VAT)	
Withholding Taxes	
Income Tax Company (Corporate Tax)	
Income Tax Individual	

3. Are you registered on the ITax platform?

- Yes
- No

3a. if you answered Yes in 3 above, what is the advantage of being registered on ITax?

Kindly State

.....

.....

.....

3b. What influenced your decision to register with I-Tax?

- Fear of being caught
- Own willingness
- Benefits arising from Itax
- Any other reasons?.....

3c. If you answered No in 3 above, kindly select the statement that best explains why.

- I have never been trained on how to use the I-Tax system.
- KRA Servers are always experiencing downtime.
- Registration is still not a priority for me.
- The use of I-Tax requires computer skills which I am lacking.
- Use of Online system will be too costly for me.
- Any other reason? Please state below.
.....
.....

4. Have you ever requested KRA to issue you with a TCC (Tax compliance certificate)?

- Yes
- No

4a. If you answered YES in 4 above, what was the outcome of the request?

- Denied
- Approved

4b. If your request was denied, what reasons did KRA give? Kindly

state.....
.....
.....

5. Do you meet all your tax obligations before the deadline given?

Yes

No

5a. If you answered NO in 5 above, what consequences have you suffered as a result of not meeting your tax obligation on time? Kindly state

.....
.....
.....

SECTION C: ITAX SYSTEM

This section is based on the efficiency of the I-Tax system. It will help to analyze data on the user friendliness of the I-Tax system. This section has 2 tables. The scale ranges from Strongly Agree (1), Agree (2), Not Sure (3), Disagree (4) and Strongly Disagree (5). Please state your level of agreement or disagreement with the following statements

Statement	1	2	3	4	5
1. I find using ITax system quite friendly					

2.I do not need to be reminded to file any returns					
3. Given a chance I would not file tax returns					
4. my individual filing and payment of taxes is always on time					
5. The headache of long queues experienced at tax offices are no more.					
6. Online filing has reduced filing costs considerably.					
7.Considerable time is saved because of use of ITax					

2.

Statement	1	2	3	4	5
1. Access to ITax system is always easy for our company.					
2. ITax system downtime is quite high during deadlines					
3 I have ever attended training on online filing					
4. ITax system is highly affected by power					

outages.					
5. I have never missed any filing deadline					

SECTION D: ITAX SYSTEM CHALLENGES.

This section is based on challenges affecting taxpayers while using the I-Tax system. It will help to analyze data on the challenges faced by users and device possible solutions. This section has 2 questions, kindly put a tick (√) on the box/boxes that accurately represent your opinion

1. Which of the following challenges to do you frequently experience with on-line filing services?

- KRA server is always experiencing downtime.
- Lack of internet affordable connectivity.
- On-line filing is too slow due to unreliable internet.
- Online filing is too costly for me.
- I am not well trained on how to use I-Tax.
- State any other reason.....

2. Which aspect of the I-Tax system would you want improved and why? Kindly state.....

SECTION E: ITAX EXPERIENCE.

This is a general questions segment that will generally highlight your experience with the I-Tax system. It has 4 questions. Kindly give your answer in narrative form.

1. What are the benefits of online tax filing as compared to manual filing?

State.....
.....
.....
.....

2. Have you attended any training done by KRA on I-Tax? If yes how was the training beneficial?

.....
.....
.....

3. Have you ever failed to file your returns for a certain year? If Yes, why? Kindly state

.....
.....
.....

4. In your own opinion, what is the importance of annual filing of tax returns?

State.....
.....

Thank you very much for your patience, cooperation, and support for my research

Appendix 3: Research permits

UNIVERSITY OF NAIROBI
Open, Distance & e-Learning Campus
SCHOOL OF OPEN AND DISTANCE LEARNING
DEPARTMENT OF OPEN AND DISTANCE LEARNING
NAKURU LEARNING CENTRE

2210863
UoN/ODeL/NKRLC/1/12

P. O Box 1120, Nakuru
1st August 2018

To Whom It May Concern:

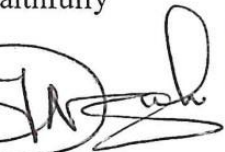
PRICILLA MWIHAKI NG'ANG'A – L50/66049/2013

ve named is a student of the University of Nairobi, Nakuru Learning Centre Pursuing a
degree in Project Planning and Management.

he course requirement is that students must undertake a research project during their
of study. She has now been released to undertake the same and has identified your
on for the purpose of data collection on **“Influence of I-Tax System on Tax Return
ance by Taxpayers. A Case of Central Business District of Nakuru.”**

istance accorded to her will be highly appreciated.

faithfully



JOHN OURY NYAEGE
COORDINATOR NAKURU LEARNING CENTRE

**THIS IS TO CERTIFY THAT:
MISS. LIZ MWIHAKI NGANGA
of UNIVERSITY OF NAIROBI, 73664-200
NAIROBI, has been permitted to conduct
research in Nakuru County**

**on the topic: INFLUENCE OF ITAX
SYSTEM ON TAX RETURN COMPLIANCE
BY TAXPAYERS. A CASE OF CENTRAL
BUSINESS DISTRICT OF NAKURU**

**for the period ending:
7th August, 2019**

**Applicant's
Signature**

**Permit No : NACOSTI/P/18/65573/24546
Date Of Issue : 7th August, 2018
Fee Received :Ksh 1000**




.....
**Director General
National Commission for Science,
Technology & Innovation**

Telephone:+254-20-2213471,
2241349,3310571,2219420
Fax:+254-20-318245,318249
Email: dg@nacosti.go.ke
Website : www.nacosti.go.ke
When replying please quote

NACOSTI, Upper
Office Waiyaki Way
P.O. Box 30623-00100
NAIROBI-KENYA

Ref: No. **NACOSTI/P/18/65573/24546**

Date: **7th August 2019**

Liz Mwhaki Nganga
University of Nairobi
P.O Box 30197-00100
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on *“Influence of the current tax system on tax return compliance by taxpayers. A case of Central Business District, Nakuru”* I am pleased to inform you that you have been authorized to carry out research in **Nakuru County** for the period ending **7th August, 2019**.

You are advised to report to **the County Commissioner and the County Director of Education, Nakuru County** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit a copy of the final research report to the Commission within **one year** of completion. The report of the same should be submitted through the Online Research Information System.



DR. STEPHEN K. KIBIRU, PhD.
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
Nakuru County.

The County Director of Education
Nakuru County.

Ref. No. **CC.SR.EDU 12/1/2 VOL.III/(141)**

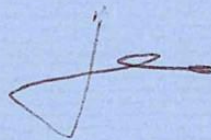
13th August, 2019

TO WHOM IT MAY CONCERN

RE: RESEARCH AUTHORIZATION – LIZ MWIHAKI NGANGA

The above named student has been given permission to carry out research on "***Influence of itax system on tax revenue compliance by taxpayers. A case of Central Business District of Nakuru***" in Nakuru County for the period ending **August, 2019.**

Please accord her all the necessary support to facilitate the success of her research.



**Patrick Omuse
For: COUNTY COMMISSIONER
NAKURU COUNTY**

MINISTRY OF EDUCATION
STATE DEPARTMENT OF EARLY LEARNING OF BASIC EDUCATION

Telegrams: "EDUCATION",
Telephone: 051-2216917
When replying please quote
Email: cdenakurucounty@gmail.com
Ref.CDE/NKU/GEN/4/1/21 VOL.VII/74



COUNTY DIRECTOR OF EDUCATION
NAKURU COUNTY
P. O. BOX 259,
NAKURU.

14th August, 2018

TO WHOM IT MAY CONCERN

RE: RESEARCH AUTHORIZATION -LIZ MWIHAKI NGANGA
PERMIT NO. NACOSTI/P/18/65573/24546

Reference is made to letter NACOSTI/P/18/65573/24546
dated 7th August, 2018.

Authority is hereby granted to the above named to carry out research on
*"Influence of itax system on tax return compliance by taxpayers. A case of
Central Business District of Nakuru"* for a period ending 7th August, 2019.

Kindly accord her the necessary assistance.




G.N.KIMANI
FOR: COUNTY DIRECTOR OF EDUCATION
NAKURU

Copy to:

- University of Nairobi
P.O Box 30197-00100
NAIROBI