

**DETERMINANTS OF VOLUNTARY RENTAL INCOME TAX COMPLIANCE BY
LANDLORDS IN KIAMBU TOWN, KIAMBU COUNTY, KENYA**


**MILLICENT GITAU
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DECLARATION

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

Signature..... Date.....19/11/2021.....

Millicent Gitau

D63/68592/2013

This research project has been submitted for examination with my approval as the university supervisor

Signature Date19/11/2021.....

Dr. Dominic Murage

Department of Finance and Accounting,

School of Business

University of Nairobi

This Research project has been submitted with my approval as the University moderator.

Signature Date

Prof. Cyrus Iraya

Chairperson, Department of Finance and Accounting,

School of Business, University of Nairobi

DEDICATION

I dedicate this project to my family, who inspired me to attain my academic potential

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I would like to express my deepest gratitude to my family members, friends and colleagues whose support and guidance has made me reach this far in academics.

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LIST OF ACRONYMS AND ABBREVIATIONS

ANOVA	Analysis of Variance
AS	Allingham-Sandmo
IRB	Inland Revenue Board
KRA	Kenya Revenue Authority
NACOSTI	National Commission for Science, Technology and Innovation
NBR	National Board of Revenue
SPSS	Statistical Package for Social science
TIN	Taxpayer Identification Number

ABSTRACT

Tax non-compliance stands a bigger problem and is prevalent in many economic sectors including housing and property developers. Despite the tremendous growth from real estate sector in Kenya from the past few years, the corresponding tax collection from the sector has remained very low. In 2017 rental income tax compliance rate was low at 40% in Kiambu Town. Kiambu Town lost an approximated Kshs.19 million in 2017 from non-compliant property owners and property developers. Rental income tax remittance by property owners has been largely low in spite all the energies employed to enforce rental income tax policies. The purpose of this study was to establish the determinants of voluntary rental income tax compliance by landlords in Kiambu County, Kenya; case of Kiambu Town. The study employed descriptive survey design. The target population was 789 rental property owners in Kiambu Town. However, a sample size of 265 rental property owners chosen using Yamane formula participated in the study. A structured questionnaire employed to collect primary data. The primary data collected using questionnaire was entered in an excel sheet and exported to SPS version 25.0 for analysis. Data analysis involved entailed the descriptive and inferential statistics. The descriptive included the mean scores, standard deviation and frequencies while inferential results entail multiple linear regression model. The study revealed that tax knowledge, attitude and perception, cost of compliance and tax rate levied on rental property explained 70.1% of the voluntary rental income tax compliance by landlords in Kiambu town. Regression of coefficients indicated that tax knowledge has a positive and significant effect on voluntary rental income tax compliance ($\beta=.205$, $p=0.004<0.05$), attitude and perception has a positive and significant effect on voluntary rental income tax compliance ($\beta=.307$, $p=0.000<0.05$), cost of compliance has a negative and significant effect on voluntary rental income tax compliance ($\beta=-.210$, $p=0.001<0.05$) while tax rate levied on rental property has a negative and significant effect on voluntary rental income tax compliance ($\beta=-.166$, $p=0.007<0.05$). The study thus concludes that tax knowledge is important in enhancing rental tax compliance. A conclusion is thus made that the nature of attitude and perception about tax by landlords may influence their level of rental income tax compliance. The study further concludes that costs of compliance significant affect voluntary rental income tax compliance and that tax rate levied on rental property influences the voluntary rental income tax compliance. The study recommends for the need for periodic workshop training, tax educational programmes organized by the Kiambu county governments and Kenya Revenue Authority to sensitize and about the importance of taxa compliance. Attitude and perception of the taxpayer influences voluntary rental income tax compliance. There is need to properly channel and utilize the income taxes collected to the benefits of those paying taxes. The costs of compliance significant affect voluntary rental income tax compliance. There is need for Kiambu county government and KRA to review the costs incurred by tax papers during their attempt to comply with taxation requirements. The process need to be simple requiring minimal expenditures and time to comply with taxation requirements. There is need for tax authorities to review the tax rates levied on rental property to ensure that the rates are favourable and do not burden the property owners. The tax rates need to align with the amount of rental income collected at particular period and as per the occupancy capacity of the rental property.

INTRODUCTION

CHAPTER ONE

1.1 Background to the Study

Property owners, residential owners and commercial owners are required to declare the size of income generated from renting the property for appropriate rental income tax calculation (Berhane & Yesuf, 2013). Paying rental income tax calls for voluntary payment without being compelled by the tax authority. Voluntary tax compliance entails, declaring size of income and paying taxes as required by taxation laws of the country (Adeniran, 2011). Voluntary tax compliance connotes taxpayers' readiness to oblige himself/herself with tax laws by remitting their rental income taxes willingly and honestly (Awa & Ikpor, 2015). Rental income tax remittance is dependent on the level of property owners' willingness to declare their income and remit taxes to the authority as required. The size of rental income tax remitted will consequently be high if the level of voluntary rental income tax compliance is higher (Jemaiyo & Mutai, 2016).

The study was guided by the Economic Model of Tax Compliance (EMTC), Institutional anomie theory and the Slippery Slope Framework. Allingham and Sandmo (1972) proposed the EMTC theory and states that behavior of taxpayers is influenced by elements like tax rate charged, probability of being penalized in case of tax evasion and the chances of tax fraud by under declaring actual income. Messner and Rosenfeld (1994) coined the Institutional anomie theory. The theory explains crime rate and its relationship with economic factors that trigger them. According to Bernburg (2002) crime rate in the society is linked to societal pressure to achieve once goals referred to as economic achievements. Kirchler, Hoelzl, and Wahl (2008) postulated the Slippery Slope Framework. According to the slippery slope approach, tax compliance is instilled only through two major methods that include penalties for evasion and cultivating trustworthy relationship with taxpayers (Prinz, Muehlbacher & Kirchler, 2010).

In Kenya, the Finance Act (section 6A of 2015) stipulates taxation policies on rental property of 10% on annual rental income of between 144,000 and Kshs. 10 million. Where annual rental income exceeds Kshs. 10 million, the tax rate is 30% (Finance Act, 2015). According to the Finance Act of 2015, the 10 percent taxation rate is on aggregate rental income earned by the property owner and that the total rental income earned does not surpass KES 10 million on annual basis. However, the finance act 2020 amended the minimum rental income thresholds of monthly rental income increasing the upper threshold from Kshs.10 million to Kshs.15 million per annum

while the lower threshold increased from Ksh.144, 000 to Ksh.288, 000 per annum. In addition, rent on non-residential buildings (Commercial) is taxable under the VAT Act (No. 35 of 2013) - Laws of Kenya. Despite these provisions, the level of rental income tax compliance remains low in the country. Tax non-compliance remains a major problem in Kenya and is prevalent in many economic sectors including housing and property developers (Karanja, 2015). Tax non-compliance occurs where taxpayers fail to compile tax files and pay actual taxes as stated by the law. Tax non-compliance also entails failing to pay tax at the right time, underreporting the actual tax due, underreporting actual size of rental income and exaggerating income expenses (Sani & Gbadegesin, 2015).

Data shows that 50% of rental property owners in Kenya comply with rental income tax obligations (KRA Rental Income Achievements, 2015). Basing on report by KRA rental income tax collection decreased from Ksh 5bn in 2007 to ksh 1bn. in 2009. During the 2015/2016, rental income tax collection as per KRA was Ksh. 6.074 bn slightly below target of ksh. 7.17 bn (KRA, 2017). From the report, an additional ksh. 1.5 bn worth of rental income was recovered from non-compliant property owners and landowners (KRA Rental Income Achievements, 2015).

1.1.1 Voluntary Rental Income Tax Compliance

Voluntary rental income tax compliance connotes full payment of all taxes accruing from use and rental of property (Braithwaite, 2009). Voluntary rental income tax compliance involves correctly declaring the tax due, compiling necessary tax documents and remitting the tax to the authorities at the right time (Jones, 2009). Voluntary rental income tax compliance describes taxpayers' readiness to remit rental taxes as stipulated by the laws. Likewise, voluntary tax compliance as viewed by authorities in charge of taxation describe it as willingness of tax-payers to abide with taxation guidelines, report actual rental income earned and also remit the actual tax owed within the agreed time of payment (Heenkenda, Weerasekara & Chaturangani, 2016). A wider perspective of voluntary rental income tax results to a problem where the quantity of rental income tax is very low because the level of compliance among the taxpayers is extremely low. Despite the fact the tax authorities try to seek alternative ways of enhancing tax compliance, rental tax paid remains very low as reported by various tax authorities (Geremew, 2017). Rental income non-compliance entails outright evasion to pay taxes and limited understanding of tax laws and what is required of the taxpayer.

Promoting voluntary tax compliance is necessary in increasing public awareness about taxation (Deyganto, 2018). Cultivating culture of tax compliance is fundamental in expanding the size of rental income collected from property owners (Berhane & Yesuf, 2013). It is important to note that taxes collected from rental income is one of major sources of income revenue for ruling governments and local jurisdictions across the globe (Ross & McGee, 2012). Voluntary rental income tax compliance will show the size of rental income collected by the tax authorities. Poor voluntary tax compliance slackens rental income tax management resulting to low revenue collected for the government (Fauziati, Minovia, Muslim & Nasrah (2016). According to Palil (2010) tax compliance calls for strict observance to laws guiding tax payment including tax payment on time and correctly declaring rental tax. Voluntary compliance is purely discipline dependent exercise where taxpayers are required to obey tax laws by remitting taxes on time. Likewise, the tax authorities, shows aspects of honest and truth when compiling payable taxes to the people (Kołodziej, 2011). Voluntary rental income tax compliance demands high level of honesty, sufficient understanding of tax requirements, correct and timely payment of taxes (Geremew, 2017).

1.1.2 Factors Influencing Voluntary Rental Income Tax compliance

Different authors have pointed out various elements affecting voluntary compliance to rental income tax earned (Palil, Akir & Ahmad, 2013; Vlachos, Bitzenis and Kontakos, 2015; Waithira, 2016). The factors include tax knowledge, taxpayers' tax attitude, taxpayers' perception, associated cost related with tax compliance, tax rate levied on rental property (Palil, Akir & Ahmad, 2013; Vlachos, Bitzenis & Kontakos, 2015). Tax knowledge describes the level of awareness regarding tax obligations. As noted by Hasseldine, Holland and Rijt (2009) tax knowledge entails proper understanding of tax laws, requirements and other obligations. Tax knowledge is instilled to taxpayers through tax education. Taxpayer education involves act of educating people on how, and why it is important to be tax compliant (Aksnes, 2011). Level of understanding and awareness regarding tax payment is critical in cultivating tax compliant citizens (Vlachos, Bitzenis & Kontakos, 2015). Sufficient tax understanding will allow taxpayers to correctly and honestly report tax dues and when paying them (Ross & McGee, 2012).

The attitude and perception of people about tax obligation is a critical determinant of tax compliance (Mukabi, 2014). Attitude often can be favorable or unfavorable towards tax compliance and will often influence taxpayers action as far as tax payment is concerned (Ngicuru & Muiro, 2017). Therefore, taxpayers with positive attitudes toward tax remittance and obligation are more compliant as compared to taxpayer with negative attitude about tax obligations (Nicoleta, 2011). It is perceived that taxpayers' attitudes and perception are largely influenced by fairness of tax rate levied. Ajzen (2011) argues favorable attitude towards tax obligation cultivates positive tax compliance. Individual taxpayers with positive attitude will correctly declare size on income and pay tax on time as compared to individuals with negative and unfavorable attitude (Cummings, Martinez-vasquez, Mckee & Torgler, 2015).

Compliance costs describe any expenses incurred as far as tax compliance is concerned. The costs may include time lost while filling tax information and hiring tax experts to compile tax returns (Berhane & Yesuf, 2013). Compliance cost include administrate costs, technical costs, record maintenance costs and other subsequent costs associated with tax payments. According to Thiga and Muturi, (2015) low compliance expenses results to high tax compliance. Technical compliance is visible mostly when trying to remit tax online and compile tax returns where most taxpayers are not aware (Wickramaarachchi, 2015). The costs of compliance to tax payment serves a critical role in enhancing taxpayers' readiness to be tax compliant. Compliant costs are incurred in acquiring and organizing information, compiling tax reports where external tax experts must be involved. According to Geremew (2017) lots of time is spent when computing and paying taxes. Extreme compliance costs may discourage property from paying taxes as stipulated.

Tax rate is a critical factor determining tax compliance. The tax rate should be fair to the taxpayers' pockets (Mas'ud, *et al.*, 2014). For example, progressive taxation energizes those with higher salary income to avoid instead of the lower pay bunch on the grounds that their (higher pay gathering) tax rates and taxable pay are high, hence, resulting to expense liabilities that are larger compared to the lower pay tier (Heenkenda, Weerasekara & Chathurangani, 2016). According to Dubin (2004), tax rates levied positively impacts level of tax compliance. Tax rates levied if fair can largely influence level of tax compliance. According to Deyganto (2018), income tax level may present ambiguous relationship with tax compliance. Progressive tax rates may make high-income earners escape tax exerting tax pressure on low-income earners.

1.1.3 Landlords in Kiambu Town

Kiambu town boasts number of residential and commercial property. Landlords earn rental income which also must be subjected to taxation by tax authorities including the Kenya revenue Authority and Kiambu County Government. However, many landloads in Kiambu town have been having a problem of willingly remitting tax income as stipulated in the Finance Act (section 6A of 2015) regarding taxation of rental property (Serem, et al., 2017). Rental income tax noncompliance is higher among landloads in Kambu town. It is not empirically clear through empirical studies on rental income tax compliance is low among landlords in Kiambu Town.

In 2017 rental income tax compliance rate was low at 40% in Kiambu Town. Kiambu Town lost an approximated Kshs.19 million in 2017 from non-compliant rental property owners and property developers (Serem, Kinanga & Ondiba, 2017; KRA, 2017). Rental income tax remitted by property owners has been dismal notwithstanding all the efforts to enforce rental income tax policies. There has been little improvement in rental tax compliance in the region. In 2017, Kenya Revenue Authority had targeted to collect Ksh. 47 million rental income taxes in Kiambu Town, however only Ksh. 27.9 million rental income taxes were collected. These represented a non-compliance rate of 60% (KRA, 2018). In 2019, only Ksh. 30.3 million rental income tax was collected out of projected Ksh. 53.1 million rental tax representing only 57.1% compliance rate. In 2020, Ksh. 29.34 million rental income tax was collected out of projected Ksh. 55.9 million rental income tax representing 52.5% rental tax compliance (KRA report, 2021).

1.2 Research Problem

Tax non-compliance stands a bigger problem and is prevalent in many economic sectors including housing and property developers (Karanja, 2015). Tax non-compliance occurs where taxpayers fail to file tax dues in time and correctly declare tax owed. Tax non-compliance also entails underreporting of tax dues and misstatements of tax expenses (Sani & Gbadegesin, 2015). Rental income taxes remain critical source of revenue for governments and local jurisdictions. Yet, low tax compliance remains a problem to tax authorities and governments. The size of rental income to be collected depends largely on the level of compliance from the taxpayers (Kenya Revenue Authority, 2015). Tax non-compliance makes government and local authorities loose revenue to run the activities mandated to do. Moreover, most public services rely on tax revenue for funding hence tax compliance plays a significant role in ensuring service continuity (KRA, 2015).

Despite the tremendous growth from real estate sector in Kenya from the past few years, the corresponding tax collection from the sector has remained very low. In 2017 rental income tax compliance rate was low at 40% in Kiambu Town. Kiambu Town lost an approximated Kshs.19 million in 2017 from non-compliant property owners and property developers (Serem, Kinanga & Ondiba, 2017; KRA, 2017). Rental income tax remittance by property owners has been largely low in spite all the energies employed to enforce rental income tax policies. There has been little improvement in rental tax compliance in the region. In 2017, Kenya Revenue Authority had targeted to collect Ksh. 47 million rental income taxes in Kiambu Town, however only Ksh. 27.9 million rental income taxes were collected. These represented a non-compliance rate of 60% (KRA, 2018). Because of this phenomenon, the study intends to examine the determinants of voluntary compliance of taxes on rental income in Kiambu Town, Kenya.

Globally empirical studies on rental tax compliance include a study by Geremew (2017) on factors influencing rental income tax payers' compliance among taxpayers in Ethiopia, however, the study failed to identify compliance costs as a significant determinant of rental income compliance presenting a conceptual gap. A research by Fauziati, *et al.* (2016) in Indonesia on tax knowledge and tax compliance revealed that tax knowledge does not influence compliance on tax obligations. However, the study focused on general tax compliance with little or no attention on rental income tax compliance presenting both conceptual and geographical gap. In France, Germany and Austria a study by Vlachos, Bitzenis and Kontakos (2015), on tax desire and tax compliance only focused on developed economies in Europe with established tax collection system unlike Kenya implying the need to undertake this study.

Locally, some of the empirical studies on rental tax compliance include a research by Osebe (2013) on factors affecting tax compliance among real estate firms in Kenyan showed that, tax education, knowledge, fines and taxpayers attitude determines the extent of tax compliance among taxpayers. However, the research failed to identify compliance costs as a significant determinant of rental income compliance presenting a conceptual gap. A study by Thananga, Wanyoike and Wagoki (2013) on factors influencing rental compliance on rental income taxes Nakuru municipal revealed that rental income tax compliance was low. The study did not highlight the factors causing rental income tax compliance. A study by Jemaiyo and Mutai (2016) to analyze factors influencing tax compliance and tax-compliance level in Eldoret town among real estate firms did not relate tax compliance to rental income. It is evident that various knowledge gaps that include conceptual

gaps, contextual gaps and methodological gaps exist in the literature. Because of the identified knowledge gaps, this study answered the fundamental question; what are the determinants of voluntary rental income tax compliance by landlords in Kiambu County, Kenya; case of Kiambu Town?

1.3 Research Objective

To establish the determinants of voluntary rental income tax compliance by landlords in Kiambu County, Kenya; case of Kiambu Town.

1.4 Value of the Study

The study findings are of significance to the tax authorities, policy makers and future research. The study findings are of significant to Revenue Authority policy makers, specifically by highlighting major factor that influence rental income tax compliance. In doing so, they can come up with policy measures to address the situation hence increasing the amount of revenue collected from rental income. It may enable the authority pinpoint elements that influence rental tax compliance and form policies to curb the menace. The tax policies may be reviewed particularly the tax rate imposed in order to encourage tax compliance.

The study findings are of significance to property owners especially on knowledge on taxation. Through extensive awareness on tax payment and compliance, landlords can better understand their role as far as tax payment is concerned and the need to comply with tax authorities. By paying rental income tax on time and complying with tax guidelines, the landlords and other property owners will have a smooth time to run their business without any interruptions from the Revenue Authorities. The findings in this study have added to the stock of existing knowledge and offer excellent sources of in-depth information and knowledge, acting as reference point for future researchers on factors influencing monthly rental income tax compliance.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The section highlights studies on tax compliance as studied by different researchers across the globe. Highlights of the theoretical underpinnings, journal empirical review and summary of the chapter are also presented in this chapter.

2.2 Theoretical Literature Review

This research investigated the Economic Model of Tax Compliance, Institutional anomie theory and the Slippery Slope Framework in order to understand tax compliance and the reasons that lead to tax noncompliance.

2.2.1 Economic Model of Tax Compliance

The Economic Model of Tax Compliance was advanced by Allingham *et al.* (1972). The Economic Model of Tax Compliance theory states that behavior of taxpayers is influenced by elements like tax rate charged, probability of being penalized in case of tax evasion and the chances of tax fraud by under declaring actual income. Basing on the traditional model of assessment consistence by Allingham and Sandmo (1972), both the punishment and the risk of the likelihood of a review compel individuals to settle their regulatory expenses of remitting taxes to the authorities. As per the economic model, the economic models it is accepted that the conduct of people while revealing their duties is essentially dependent on motivators of the assessment framework. As per the Economic Model of Tax, the citizen chooses how much pay to report by taking care of a normal utility amplification issue, consequently, the decision of whether and how much pay to proclaim is likened to a decision of whether and the amount to bet (Sour, 2004). This hypothesis avows that the conduct of a citizen is normally affected by the elements that dictate the advantages and cost associated with tax avoidance (Allingham *et al.*, 1972).

However, Economic Model of Tax Compliance model has been criticized for a number of reasons. The economic models of tax compliance have been dependent upon strict analysis (Bătrâncea, Nichita, Bătrâncea and Moldovan, 2012). The main purpose behind this analysis was that they expect citizens to be completely discerning utility maximizers whose conduct is translated as a response to various money related advantages and misfortunes (Fjeldstad, Schulz-Herzenberg and Sjursen, 2012). Other than the conflicting outcomes created by the use of the punishment to the

undeclared salary, another outstanding shortcoming is that it expects review likelihood to be steady (Walsh, 2012).

The relevance of the Allingham-Sandmo Theory in residential rental income whereby property owners will tend to remit their taxes if they feel there will be some form of punishment or penalties but reluctant to pay taxes if there is no propensity of punishment. Tax payment by landlords will thus depend on the perceived punishment in the fail of remitting rental taxes in time. Taxpayers will thus pay tax just because they are trying to avoid punishment. Many taxpayers wait to be compelled in order to remit taxes. It is for this reason that strict penalties and fines are employed to minimize noncompliance.

2.2.2 Institutional Anomie Theory

Messner and Rosenfeld (1994) coined the Institutional anomie theory (IAT). The theory highlights crime rate and its relationship with economic factors that trigger them. According to Bernburg (2002) crime rate in the society is linked to societal pressure to achieve once goals referred to as economic achievements. IAT battles that wrongdoing can be clarified to a great extent by the misrepresented accentuation on financial achievement natural in the general public, making "conning direction" that penetrates basic foundations (Kittleston, 2012). Foundations are significant on the grounds since they viewed as social norms that regulate human behaviour and conduct in the general public (Messner and Rosenfeld, 2001). Thusly, the four essential organizations inspected in Institutional anomie hypothesis are the economy, country, family, and training (Bjerregaard & Cochran, 2008). Every organization gives a different mechanism to meet their social demands.

Notwithstanding, various creators has censured Institutional anomie theorem. Messner and Rosenfeld (1995) withdraw from Merton in that they see the auxiliary wellsprings of this anomic social ethos in the idea of the entrepreneur showcase economy, all the more explicitly, in the connection between the economy and non-financial organizations. Messner and Rosenfeld (1995) contend that when the market economy is an uncommonly ground-breaking social organization comparative with fundamental non-monetary establishments, it upsets the ordinary working of different foundations.

Further, Messner *et al.* (1997) criticized institutional anomie theory arguing that the theory lacks of clarity of key concepts. Passas and Agnew (1997) investigated existing examinations guaranteeing current trial of Merton's hypothesis have been deficient and miss-indicated. According to Chamlin and Cochran (2007) institutional anomie theory is not readily amenable to direct falsification because of the inability to measure the main concepts of Anomie, culture, and institutional balance of power. Messner and Rosenfeld (1994) depict a somewhat mind boggling model of connections among profoundly unique ideas, giving little direction on how their hypothesis may be tried or how their key hypothetical develops may be operationalized. As per the pundits, Messner and Rosenfeld (1994; 2012) not just offer ambiguous thoughts of how to quantify social ethos in different nations, yet in addition are indistinct about what the job of Anomie really plays in their model of Institutional Anomie Theory.

Institutional anomie theory is relevant to the study by supporting the 'fundamental' features of social organization, namely, culture and social structure. Desire for material success encourages an exaggerated emphasis on monetary achievement while devaluing alternative criterion of success, it promotes a preoccupation with the realization of goals while de-emphasizing the importance of the ways in which these goals are pursued. In the context of the study, rental income owners, landlords and property owners will tend to underreport income earned from the property to the tax authorities undermining tax compliance.

2.2.3 The Slippery Slope Framework

Kirchler, *et al.* (2008) postulated the Slippery Slope Framework. According to the slippery slope approach, tax-compliance is instilled only through two major methods that include penalties for evasion and cultivating trustworthy relationship with taxpayers (Prinz, Muehlbacher & Kirchler, 2010). The slippery slope framework proposes intentional and implemented consistence as the two inspirations hidden assessment consistence conduct (Kogler, et al. 2015). As indicated by the 'dangerous incline' system, trust in specialists and intensity of specialists are two principle measurements molding charge consistence (Lisi, 2011). Both trust in specialists and intensity of specialists' increment charge consistence, however the nature of consistence varies: deliberate expense consistence is accomplished by expanding levels of trust; upheld charge consistence is accomplished by expanding levels of intensity (Prinz, Muehlbacher & Kirchler, 2010).

However, Slippery Slope Framework has been criticized having some inherent limitations. Power is assumed to be strongly related to an antagonistic interaction climate, causing enforced tax compliance (Kogler, *et al.* 2015). An antagonistic interaction climate is characterized by tax authorities perceiving taxpayers as “criminal robbers” motivated to evade whenever the opportunity arises (Kirchler, *et al.* 2008). Taxpayers, on the other hand, feel punished by those in power/tax authorities, perceived as “cops”, and search for possibilities to escape the pressure to obey. Contrary to power, trust is assumed to strongly relate to a synergistic climate, causing voluntary tax compliance (Lisi, 2011). If authorities are perceived as engaged for the good of the society, taxpayers are willing to cooperate by contributing their share to the community.

The Slippery Slope Framework is relevant to the study by advocating the significance of cultivating trust with intention of promoting tax compliance among taxpayers. This trust need to exist between taxpayers and those bestowed with the mandate of collecting taxes is significantly important in promoting tax compliance. At the point when trust in and intensity of specialists is at a low end, citizens have the penchant to expand their salary by participating in tax avoidance. Subsequently, consistence level is at its base. Along these lines, boosting trust in specialists produces willful consistence. In addition, the greatest degree of assessment consistence, paying little respect to its quality, is accomplished in the states of sufficient trust and additionally greater power. When discussing charge conduct, the disposition towards citizens is vital as it can upgrade either consistence or rebelliousness.

2.3 Empirical Review

Geremew (2017) did a study on components influencing rental personal citizens' consistence with duty framework the instance of Hawassa City Administration in Ethiopia. As indicated by the reaction of the respondents, certain components were seen as the significant determinants of non-private house rental personal citizens' deliberate consistence. These are: budgetary requirements, referent gathering impacts, familiarity with citizens, discernment on duty decency, modest representation of the truth of salary, instructive status, nonappearance of government motivations, trust in expense evaluation and accumulation method and rental assessment review.

In Indonesia, Fauziati, et al. (2016) investigated the effect of tax knowledge on tax compliance by utilizing survey research design to guide he study. The study found that tax knowledge did not impact tax compliance. However, Fauziati, *et al.* (2016) research studied only general tax compliance with little or no attention on rental income tax compliance.

Vlachos, Bitzenis and Kontakos (2015) undertook an empirical research on the effect of tax morale on tax compliance in Austria, Germany and France. The methodology used is that of descriptive analysis. It was found that tax compliance is dependent on personal economic gain and loss (except for the case of welfare dodging reported in France), conditional cooperation is also present (signifying the role of tax morale). However, the study focused on developed economies in Europe with established tax collection system unlike Kenya calling for the need to undertake this study.

Palil, Akir and Ahmad (2013) studied perception of taxpayers, knowledge on tax, tax education and tax compliance in Malaysia. The study was carried out through questionnaires. The variables employed include tax awareness training (education, knowledge), tax compliance and religiosity. From analysis, the research found that the participants' tax compliance level was low in comparison to their education and knowledge towards tax. Religion was also established to have a significant effect on tax compliance. However, the study focused on general tax compliance with little or no attention on rental income tax compliance.

Muehlbacher, Kirchler and Schwarzenberger (2011) conducted a study on voluntary against tax compliance by enforcement as illustrated by the slippery slope framework in Austria, the United Kingdom, and the Czech Republic. Age and education positively influence voluntary tax compliance; however, the effect of the element is only narrowly significant. Tax compliance is dependent on power exercised by the tax bodies. Ironically, trust has a relationship with tax

compliance. Education is negatively linked to enforced tax compliance. However, the study focused on general tax compliance with little or no attention on rental income tax compliance.

In Thika town, Waithira (2016) undertook a study to look at the determinants private rental annual assessment consistence by fixed asset owners by utilizing descriptive research design. Tax knowledge, tax rate was found to significantly influence tax compliance, however, tax payers' perception and attitude had insignificant relationship. The examination likewise revealed an inconsequential negative impact between pay rates, penalties, fines and private rental annual duty consistence by rental property owners.

In Eldoret town Kenya, Jemaiyo and Mutai (2016) conducted a study to analyze factors that impact tax compliance and how it influences tax compliance levels among real estate firms. The study employed after the fact research design. This research revealed that tax compliance is significantly influenced by costs of tax compliance cost, tax penalties, auditing and tax knowledge. High costs related to tax compliance costs reduces level of tax compliance among the property owners.

Thananga, et al. (2013) conducted an investigation on variables influencing consistence on rental annual duty strategy via proprietors in Nakuru Municipality. Rental income tax compliance was low. The most well-known type of resistance was through exaggeration of costs and findings that would thusly diminish assessable compensation and the measure of expense, comparatively modest representation of the truth of salaries was additionally normal. The majority of the landowners maintained a strategic distance from the altogether resistance where they didn't submit returns or make good on regulatory expenses at all rather they had sporadic installment and assessment decrease.

2.4 Conceptual Framework

The conceptual framework on how variables in the study relate is presented in this section. The conceptual framework on how variables in the study interact is shown in figure 2.1.

Independent Variables

Dependent Variable

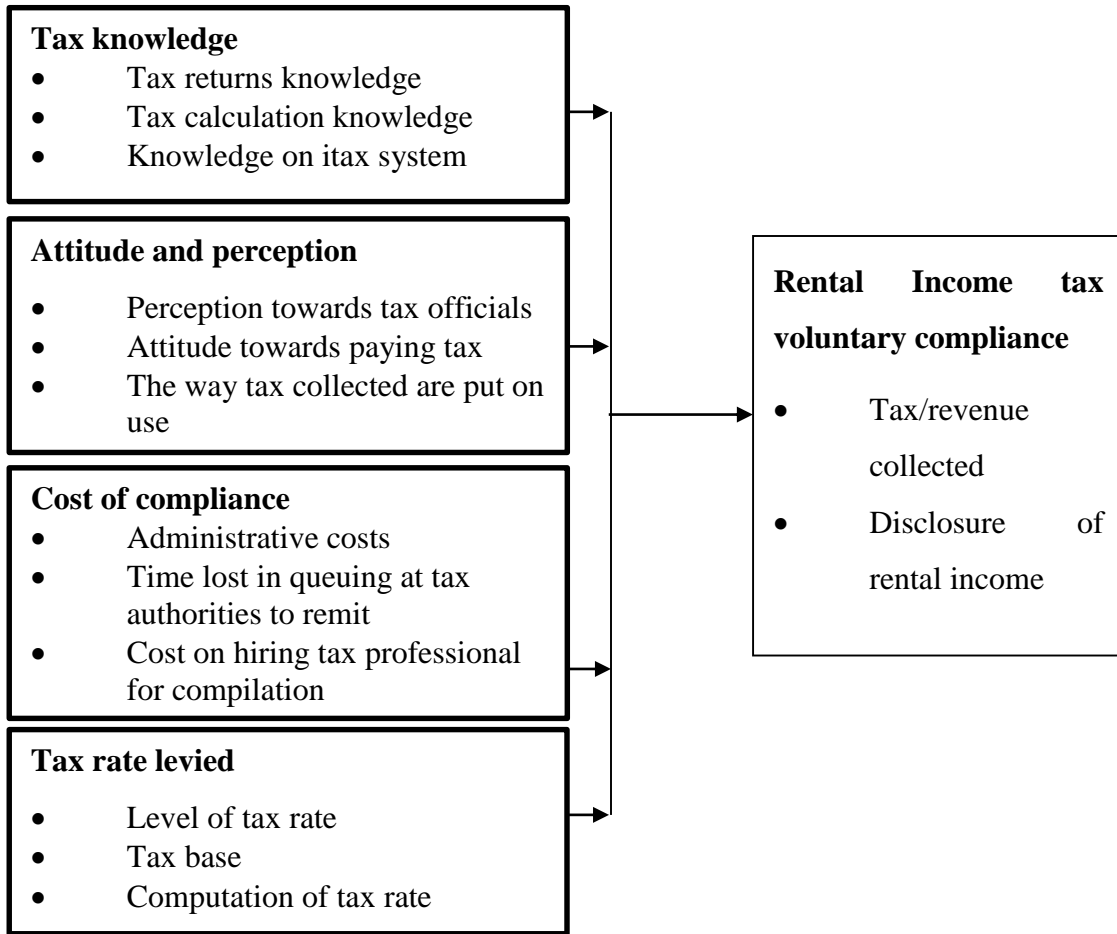


Figure 2.1: Conceptual Framework

The independent variables are tax knowledge, attitude and perception, cost of compliance and tax rate levied. How the independent variables have been operationalized is shown in the conceptual framework. The dependent variable is rental income tax voluntary compliance measured using the amount of rental income tax collected and voluntary disclosure of rental income by rental property owners. It is depicted from the conceptual framework that tax knowledge, attitude and perception, cost of compliance and tax rate levied influences rental income tax compliance, though this is yet to be empirically determined in this study.

2.5 Summary of Literature Review

From the review, conceptual, contextual and methodological gaps are identified. A study by Geremew (2017) established that taxpayers' awareness, taxpayers' attitude and perception, rate of tax, underreporting, low trust and tax collection guidelines affects tax compliance. However, the study was conducted in Ethiopia presenting geographical gap. An empirical investigation by

Fauziati, et al. (2016) only focused on general tax compliance with little or no attention on rental income tax compliance presenting a conceptual gap. A study by Serem, Kinanga and Ondiba (2017) was not exhaustive and did not list all factors influencing rental income tax compliance. The current study includes tax knowledge, tax rate, and technology use as additional factors influencing rental income tax compliance. A study by et al. (2013) did not highlight the factors causing rental income tax compliance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The methodology on how the research questions in the study were answered is presented in this section. Under this section, the research design, target population, sample size and sampling frame size, sampling technique, methods of collecting data, pilot study and data analysis are presented.

3.2 Research Design

Descriptive survey design was adopted in this study. In descriptive survey design, semi structured questionnaires are employed to gather data and findings used to predict the population (Orodho, 2005). Descriptive survey design allows the researcher to make conclusive observation about the study (Kothari, 2003). Descriptive survey design involves studying a large population by selecting the most appropriate sample (Yin, 2017; Creswell & Creswell, 2017). The study employed the descriptive survey design to establish the determinants of voluntary compliance of taxes on rental income in Kiambu Town, Kenya.

3.3 Target Population

The study focused on rental property in Kiambu Town. The target population was therefore the 789 rental property owners in Kiambu Town (Kiambu County Ministry of Land, Housing and Physical Planning, 2020). The units of observation were the rental property owners.

3.4 Sample Design

Best and Kahn (2016) defined sampling frame as the complete list of all elements or objects of the population that the researcher wants to study. The study investigated the determinants of voluntary compliance of taxes on rental income in Kiambu Town, Kenya. The study unit observations were the rental property owners. A sample is a portion of a population (Desu, 2012). Yamane (1967) formula was employed to calculate the sample size;

$$n = \frac{N}{1 + N(e)^2}$$

Where:

N = population size, n = sample size, 1 = Constant, e = the level of precision, CI was 95%.

$$n = \frac{789}{1 + 789(0.05)^2} = 265.43 \approx 265 \text{ rental property owners}$$

The sample size of the study was 265 rental property owners chosen using Yamane formula and selected using simple random sampling technique.

3.5 Data Collection

Structured questionnaire was utilized to collect primary data. Marshall and Rossman (2010) noted that questionnaires are suitable in measuring attitude, opinion and perceptions. The questionnaire was in a form of a likert scale of five choices of 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree and -Very great extent; 2- Great extent; 3-Moderate Extent; 4-Minimal extent; 5-Not at all for some statements. The questionnaires were structured in a way that to addresses the need of each objective guiding the study with the use of closed ended questions. Close-ended questions guided participants' responses within the range of choices provided.

Questionnaires were issued to the respondents (rental property owners) in person. Questionnaires that were filled immediately were collected. For those respondents who required more time to fill the questionnaire, their requests were granted and the questionnaires were collected later.

3.6 Validity and Reliability

Reliability describes whether the instrument is clear enough to collect viable data (Heale & Twycross, 2015). Creswell *et al.* (2017) and Castillo (2009) points out that a Cronbach alpha of 0.7 and above is an indication that the research instrument is adequate for data collection. This study adopted the 0.7 as the benchmark of ensuring that the tool is adequate for actual study. Any statement in the questionnaire bearing a Cronbach alpha of 0.7 or more was included in the analysis while any statement in the questionnaire bearing a Cronbach alpha of less than 0.7 was revised or excluded in the actual analysis. Validity is the accuracy relevance of the research tool (Sekaran, & Bougie, 2016). To promote content validity, supervisors in charge of the project development scrutinized it and made necessary suggestions to enhance it. Review comments from supervisors were utilized to enhance the content validity of the questionnaire. Table 3.1 shows the reliability tests results.

Table 3.1: Reliability Test results

Variable	Cronbach's Alpha	Comment
Tax knowledge	722	Reliable
Attitude and perception	754	Reliable
Cost of compliance	786	Reliable
Tax rate levied on rental property	807	Reliable
Residential rental income tax compliance	762	Reliable

The findings of the study shown in Table 3.1 indicated that the data instruments were reliable with a Cronbach alpha value of above 0.70. Castillio (2009) provided the following rules of thumb: >0.9 – Excellent, >0.8 – Good, >0.7 – Acceptable, >0.6 – Questionable, >0.5 – Poor and <0.5 – Unacceptable. The findings indicated that the Cronbach alpha for each of the variables was above the lower limit of acceptability thus reliable.

3.7 Operationalization of Variables

Table 3.2 shows how the variables were operationalized to ensure proper measurement of the variables.

Table 3.2: Variable measurement

Variable	Operational indicators	Source	Rating
Tax knowledge	<ul style="list-style-type: none"> ● Tax returns knowledge ● Tax calculation knowledge ● Knowledge on itax system 	Fauziati <i>et al.</i> (2016)	Ordinal
Attitude and perception	<ul style="list-style-type: none"> ● Perception towards tax officials ● Attitude towards paying tax ● The way tax collected are put on use 	Waithira (2016) Muehlbacher, Kirchler et al. (2011)	Ordinal
Cost of compliance	<ul style="list-style-type: none"> ● Administrative costs ● Time lost in queuing at tax authorities to remit ● Cost on hiring tax professional for compilation 	Mukabi (2014) Vlachos, Bitzenis and Kontakos (2015)	Ordinal
Tax rate	<ul style="list-style-type: none"> ● Level of tax rate ● Tax base ● Computation of tax rate 	Palil, Akir and Ahmad (2013)	Ordinal

3.8 Data Analysis

Data analysis involves manipulating data gathered to derive some meaning from it (Zikmund, Babin, Carr & Griffin, 2010). The primary data collected using questionnaire were entered in an excel sheet and exported to SPS version 25.0 for analysis. Data analysis involved entailed the descriptive and inferential statistics. The descriptive included the mean scores, standard deviation and frequencies while inferential results entail multiple linear regression model.

3.8.1 Test of Significance

The analysis of variance was utilized to attest the overall significance of the model. Multiple regression coefficients were employed to investigate the determinants influencing voluntary compliance of taxes on rental income in Kiambu Town. A 5% level of confidence interval was used to ascertain the significance of the model by comparing it against the p value calculated. The multiple regression model is shown as;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where;

Y = Rental income tax compliance

X₁ = Tax Knowledge

X₂ = Attitude and perception

X₃ = Cost of compliance

X₄ = Tax rate levied on rental property

β₀ = the constant term

β_i = Beta coefficient 1...4 measured the change in the dependent variable Y against the variables X₁, X₂, X₃ and X₄.

The error (ε) factor denotes other determinants of voluntary rental income tax not included in the model.

CHAPTER FOUR RESEARCH FINDINGS AND DISCUSSIONS

4.0 Introduction

This chapter represents the findings and discussions. The response rate, descriptive statistics and regression analysis have been presented in this chapter.

4.1 Response Rate

The number of questionnaires that were administered was 265 and a total of 207 questionnaires were duly filled and returned. The result on response rate is as shown in Table 4.1.

Table 4.1: Response Rate

Response	Frequency	Percent
Returned	48	96.0%
Unreturned	2	4.0%
Total	50	100%

Out of the 265 questionnaires administered, 207 questionnaires were properly filled and returned representing 78.1 percent response rate. This response rate is considered satisfactory to make conclusions for the study. Bailey (2000) stated that a response rate of 50% is adequate while a response rate greater than 70% is very good. This implies that based on this assertion, the response rate in this case of 78.1% is therefore very good. The data collection procedures used could have attributed to this high response rate. These included pre-notification of respondents and voluntary participation by respondents; drop and pick of questionnaires to allow for ample time to fill; assurance of confidentiality and anonymity and follow up calls to clarify queries from the respondents.

4.2 Period operating rental property

The study sought to establish the number of years the rental property has been operating. The results are presented in Figure 4.1.

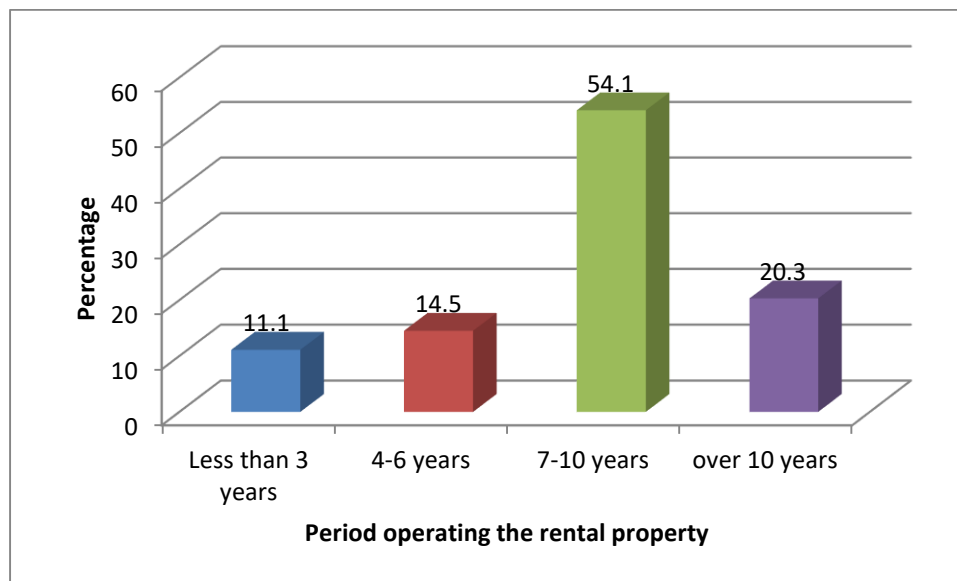


Figure 4.1 Period operating rental property

Results in figure 4.1 showed that majority 54.1% of the rental property owners operators have been operating rental property for 7-10 years. It was also established that 20.3 percent of the rental property have been in existence for over 10 years, 14.5 percent for 4-6 years while 11.1 percent for less than 3 years. The results imply that majority of rental property in Kiambu town were constructed one decade ago.

4.3 Descriptive Statistics

This section presents the descriptive results for the variables of the study that include tax knowledge, attitude and perception, cost of compliance, tax rate levied on rental property and residential rental income tax compliance. Results output are in form of percentages, means and standard deviations.

4.3.1 Descriptive on Tax knowledge

The study was to determine the level of tax knowledge among the rental property owners. A likert scale with options of 1-Very great extent; 2- Great extent; 3-Moderate Extent; 4-Minimal extent; 5-Not at all were used. The results are shown in Table 4.2.

Table 4.2 Tax knowledge

Tax Knowledge areas	Very great extent	Great extent	Moderate Extent	Minimal extent	Not at all	Mean	SD
Tax returns filing	18.8%	14.0%	40.1%	11.6%	15.5%	2.9	1.3
Income tax calculation	15.0%	19.3%	35.7%	16.4%	13.5%	2.8	1.2
i-tax platforms	16.9%	14.0%	44.0%	13.0%	12.1%	2.9	1.1
Tax laws	14.5%	14.5%	40.6%	16.9%	13.5%	3.0	1.2
Tax requirements and procedures	16.9%	13.5%	42.0%	12.6%	15.0%	3.0	1.3

Results revealed that majority of rental property owners were knowledgeable about tax returns filing to moderate extent as indicated by mean response of 2.9 and standard deviation of 1.3. The results also showed that majority of rental property owners were knowledgeable about income tax calculation to moderate extent as indicated by mean response of 2.8 and standard deviation of 1.2.

It was also found that majority of rental property owners were knowledgeable about i-tax platforms to moderate extent as indicated by mean response of 2.9 and standard deviation of 1.1. Further, majority of rental property owners were knowledgeable about tax laws to moderate extent as indicated by mean response of 3.0 and standard deviation of 1.2. Regarding tax requirements and procedures, majority of rental property owners agreed to moderate extent as indicated by mean response of 3.0 and standard deviation of 1.3. The results imply that majority of rental property owners are moderately knowledgeable about the various taxation services.

4.3.2 Descriptive on attitude and perception

The study sought to determine the extent does attitude and perception tax influences voluntary rental income tax compliance. A likert scale with options of 1-Very great extent; 2- Great extent; 3-Moderate Extent; 4-Minimal extent; 5-Not at all were used. The results are shown in Table 4.3.

Table 4.3 attitude and perception

	Very great extent	Great extent	Moderate Extent	Minimal extent	Not at all	Mean	SD
Good rapport with tax authorities	27.1%	43.5%	10.1%	8.2%	11.1%	2.3	1.3
Friendly tax officers	30.9%	37.7%	9.2%	11.6%	10.6%	2.2	1.1
The use of rental income tax collected	26.1%	41.5%	12.1%	10.6%	9.7%	2.4	1.2
Efficient and effective tax collection systems	26.1%	41.1%	8.7%	9.7%	14.5%	2.5	1.4
Theft of tax revenues collected	30.4%	39.1%	7.7%	10.1%	12.6%	2.4	1.3

Majority of rental property owners indicated that good rapport with tax authorities influences voluntary rental income tax compliance to great extent as indicated by mean response of 2.3 and standard deviation of 1.3. The results also showed that majority of rental property owners indicated that friendly tax officers influence voluntary rental income tax compliance to great extent as indicated by mean response of 2.2 and standard deviation of 1.1. Majority of rental property owners also indicated that the use of rental income tax collected influence voluntary rental income tax compliance to great extent as indicated by mean response of 2.4 and standard deviation of 1.2. Further, majority of rental property owners indicated that efficient and effective tax collection systems influence voluntary rental income tax compliance to great extent as indicated by mean response of 2.4 and standard deviation of 1.2. Regarding theft of tax revenues collected, majority of rental property owners indicated that the vice influenced voluntary rental income tax compliance to great extent as indicated by mean response of 2.4 and standard deviation of 1.2. The results imply that attitude and perception of taxpayers may influence the tax compliance in terms of tax payments, filling and compilation.

4.3.3 Descriptive on Cost of compliance

The study sought to determine the extent does cost of compliance influences voluntary rental income tax compliance. A likert scale with options of 1-Very great extent; 2- Great extent; 3- Moderate Extent; 4-Minimal extent; 5-Not at all were used. The results are shown in Table 4.4.

Table 4.4 Cost of compliance

	less than ksh 5000	ksh 5001- 10000	ksh10001- 15000	ksh15001- 20000	Over ksh 20000	Mean	SD
Tax consultant charges	10.1%	12.1%	10.1%	42.5%	25.1%	3.7	1.3
Administrative costs	9.2%	15.5%	12.6%	42.0%	20.8%	3.5	1.2
Opportunity costs lost while queuing at tax authority offices to remit my rental income tax	12.1%	7.7%	9.2%	48.8%	22.2%	3.6	1.3
Technical compliance costs of maintaining tax records	8.2%	13.0%	14.5%	39.6%	24.6%	3.7	1.2
Fines and penalties	9.7%	12.1%	13.5%	41.1%	23.7%	3.6	1.2

Majority of rental property owners indicated that tax consultant charges ranged between ksh15001-20000 as indicated by mean response of 3.7 and standard deviation of 1.3. The results also showed that majority of rental property owners indicated that administrative costs ranged between ksh15001-20000 as indicated by mean response of 3.5 and standard deviation of 1.2. Majority of rental

property owners also indicated that opportunity costs lost while queuing at tax authority offices to remit my rental income tax influence voluntary rental income tax compliance.

Further, majority of rental property owners indicated that technical compliance costs of maintaining tax records ranged between ksh15001-20000 as indicated by mean response of 3.7 and standard deviation of 1.2. Fines and penalties also influence voluntary rental income tax compliance as indicated by mean response of 3.6 and standard deviation of 1.4. The results imply that cost of compliance influence the level of tax compliance. More costs may derail the desire by rental taxpayers to comply with taxation requirements.

4.3.4 Descriptive on tax rate levied on rental property

The study sought to determine the extent does tax rate levied on rental property influences voluntary rental income tax compliance. A likert scale with options of 1 – Strongly Agree, 2 – Agree, 3 – Neutral, 4 – Disagree or 5 -Strongly Disagree were used. Table 4.5 shows the descriptive results.

Table 4.5 Tax rate levied on rental property

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	SD
The 10% residential rental income tax rate is fair me.	9.7%	15.9%	9.7%	29.0%	35.7%	4.5	1.4
I am willing to pay residential rental tax because the tax rate is well-structured	27.5%	40.1%	9.7%	8.7%	14.0%	2.4	1.3
The tax rate is favorable and I am willing to remit my rental tax income to the taxing authority	23.7%	45.4%	13.5%	9.2%	8.2%	2.3	1.2
The 10% tax rate on gross receipts lessens tax burden for me as compared to 30% tax rate on net rental income	27.5%	41.5%	8.7%	12.1%	10.1%	2.4	1.3
The lowered tax rate has influenced my willingness to pay residential rental tax in time	28.0%	38.2%	14.0%	9.2%	10.6%	2.4	1.3
The tax rate is high and I am likely to default on my rental income tax payment because my net income is low income	27.5%	39.6%	9.7%	11.1%	12.1%	2.2	1.2

The monthly rental tax to be levied to the authorities has significant impact on the cash flow of landlords	27.5%	39.6%	12.6%	12.1%	8.2%	2.3	1.2
Property owners that collect low rental income have higher propensity of not being tax compliant.	27.5%	35.3%	13.5%	13.0%	10.6%	2.4	1.3
Monthly rental income tax remitted monthly to tax authorities significantly increases administrative costs among the property owners.	28.5%	40.6%	7.2%	15.9%	7.7%	2.3	1.3

Majority of the rental property owners did not agreed that the 10% residential rental income tax rate is fair to them as indicated by mean response of 4.5 and standard deviation of 1.4. In addition, majority of the rental property owners agreed that they are willing to pay residential rental tax because the tax rate is well structured as indicated by mean response of 2.4 and standard deviation of 1.3. It was also established that majority of the rental property owners agreed that the tax rate is favorable and they are willing to remit their rental tax income to the taxing authority as indicated by mean response of 2.3 and standard deviation of 1.2. Regarding the statement that the 10% tax rate on gross receipts lessens tax burden for them as compared to 30% tax rate on net rental income, majority of the rental property owners agreed as indicated by mean response of 2.4 and standard deviation of 1.3.

The study also established that majority the rental property owners agreed that the lowered tax rate influenced my willingness to pay residential rental tax in time as indicated by mean response of 2.4 and standard deviation of 1.3. Regarding the statement that the tax rate is high and I am likely to default on my rental income tax payment because my net income is low income, majority of the rental property owners agreed as indicated by mean response of 2.2 and standard deviation of 1.2. Majority of the rental property owners agreed further agreed that that the monthly rental tax to be levied to the authorities has significant impact on the cash flow of landlords. Also, rental property owners agreed that property owners that collect low rental income have higher propensity of not being tax compliant and that monthly rental income tax remitted monthly to tax authorities significantly increases administrative costs among the property owners.

4.3.5 Descriptive on Residential rental income tax compliance

The study investigated the level of compliance influences voluntary rental income tax compliance. A likert scale with options of 1 – Strongly Agree, 2 – Agree, 3 – Neutral, 4 – Disagree or 5 - Strongly Disagree were used. The results are shown in Table 4.6.

Table 4.6 Residential rental income tax compliance

Residential rental income tax compliance	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	SD
I file my rental tax returns on monthly basis without fail	8.7%	7.7%	8.7%	40.1%	34.8%	3.5	1.2
I correctly declare my monthly rental income to the tax authorities	8.2%	6.8%	7.7%	42.0%	35.3%	3.9	1.1
I remit my rental tax dues at the prescribed date	10.6%	5.8%	6.3%	46.4%	30.9%	3.8	1.2
I document my rental tax file records with the tax authority	7.7%	7.7%	8.2%	44.4%	31.9%	3.9	1.2
I am always willing to pay rental income tax	7.2%	8.2%	7.7%	43.0%	33.8%	3.7	1.2
I have never forfeited to pay my rental income tax to the tax authority	8.7%	9.7%	6.3%	42.5%	32.9%	3.6	1.2

Majority of the rental property owners did not file rental tax returns on monthly basis without fail as indicated by mean response of 3.5 and standard deviation of 1.2. In addition, majority of the rental property did not correctly declare their monthly rental income to the tax authorities as indicated by mean response of 3.9 and standard deviation of 1.1. It was also established that majority of the rental property owners did not remit my rental tax dues at the prescribed date as indicated by mean response of 3.8 and standard deviation of 1.2. Regarding the documenting rental tax file records with the tax authority, majority of the rental property owners did not as indicated by mean response of 3.9 and standard deviation of 1.2. Results further indicated that majority of the rental property owners are not always willing to pay rental income tax as indicated by mean response of 3.7 and standard deviation of 1.2. Finally, majority of the rental property have ever forfeited to pay my rental income tax to the tax authority as indicated by mean response of 3.6 and standard deviation of 1.2. The results imply that rental tax compliance among rental property owners in Kiambu town is relatively high.

4.4 Regression

This section contains inferential analysis for how tax knowledge, attitude and perception, cost of compliance and tax rate levied on rental property influence voluntary rental income tax compliance

by landlords in the study location. Inferential statistics in this section include model fitness, ANOVA tests and regression coefficients. The results presented in Table 4.7 present model summary of the regression model.

Table 4.7 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.837 ^a	.701	.575	.71632

a. Predictors: (Constant), Tax rate levied on rental property, attitude and perception, tax knowledge, cost of compliance

Tax knowledge, attitude and perception, cost of compliance and tax rate levied on rental property were found to be satisfactory in explaining voluntary rental income tax compliance by landlords in Kiambu town. This is supported by coefficient of determination also known as the R square of .701. This means that tax knowledge, attitude and perception, cost of compliance and tax rate levied on rental property explained 70.1% of the voluntary rental income tax compliance by landlords in Kiambu town. The ANOVA results obtained are presented in Table 4.8.

Table 4.8 Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	24.448	4	6.112	11.912	.000 ^b
1	Residual	103.649	202	.513		
	Total	128.097	206			

a. Dependent Variable: Residential rental income tax compliance

b. Predictors: (Constant), Tax rate levied on rental property, Attitude and perception, Tax knowledge, Cost of compliance

The results indicate that the overall model was statistically significant. Further, the results imply tax knowledge, attitude and perception, cost of compliance and tax rate levied on rental property are good predictors of voluntary rental income tax compliance in Kiambu town. This was supported by an F statistic of 11.912 which was greater than the critical F-statistic of 2.6987 and the reported p value (0.000) which was less than the conventional probability of 0.05 significance level. Regression of coefficient results is presented in Table 4.9. To interpret the regression coefficient results, calculated p value is compared with 0.05 level of significance. If the p value is less than 0.05, then the relationship between variables is significant otherwise insignificant.

Table 4.9 Regression of coefficient

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.059	.350		5.878	.000
1 Tax knowledge	.205	.070	.211	2.932	.004
Attitude and perception	.307	.063	.343	4.868	.000
Cost of compliance	-.210	.061	-.256	-3.448	.001
Tax rate levied on rental property	-.166	.061	-.192	-2.741	.007

a. Dependent Variable: Residential rental income tax compliance

The beta coefficients of the regression model predicting voluntary rental income tax compliance in Kiambu town is presented as;

$$Y = 2.059 + .205X_1 + .307X_2 - .210X_3 - .166X_4$$

Where

Y = Voluntary rental income tax compliance in Kiambu town

X₁ = Tax knowledge

X₂ = Attitude and perception

X₃ = Cost of compliance

X₄ = Tax rate levied on rental property

The constant value of 2.059 indicated the level of voluntary rental income tax compliance in Kiambu town in the absence of tax knowledge, attitude and perception, cost of compliance and tax rate levied on rental property. Basing on the predictive model, attitude and perception ($\beta=.307$) had the highest positive effect on voluntary rental income tax compliance in Kiambu town, followed by tax knowledge ($\beta=.205$). Cost of compliance ($\beta=-.210$) had the highest negative effect on voluntary rental income tax compliance, followed by tax knowledge ($\beta=-.166$).

Regression of coefficients indicated that tax knowledge has a positive and significant effect on voluntary rental income tax compliance in Kiambu town ($\beta=.205$, $p=0.004 < 0.05$). The regression of coefficient implies that a one-unit change in tax knowledge results to .204 unit increase in voluntary rental income tax compliance.

The results also revealed that attitude and perception has a positive and significant effect on voluntary rental income tax compliance in Kiambu town ($\beta=.307$, $p=0.000<0.05$). The regression of coefficient implies that a one-unit change in attitude and perception of rental taxpayers results to .204 unit change in voluntary rental income tax compliance.

Model results also revealed that cost of compliance has a negative and significant effect on voluntary rental income tax compliance in Kiambu town ($\beta=-.210$, $p=0.001<0.05$). The regression of coefficient implies that a one-unit change in attitude and perception of rental taxpayers results to .210 unit decrease in voluntary rental income tax compliance.

Finally, model results showed that tax rate levied on rental property has a negative and significant effect on voluntary rental income tax compliance in Kiambu town ($\beta=-.166$, $p=0.007<0.05$). The regression of coefficient implies that a one-unit change in attitude and perception of rental taxpayers results to .166 unit decrease in voluntary rental income tax compliance.

4.5 Discussion of Research Findings

The study revealed that tax knowledge, attitude and perception, cost of compliance and tax rate levied on rental property explained 70.1% of the voluntary rental income tax compliance by landlords in Kiambu town. Rental income tax remittance is dependent on the level of property owners' willingness to declare their income and remit taxes to the authority as required. Voluntary rental income tax compliance has been established to be affected by factors like knowledge about taxation, attitude and perception by the rental taxpayers, cost associated with it and tax rate levied by tax authorities.

The study found that regression of coefficients of tax knowledge has a positive and significant effect on voluntary rental income tax compliance. The regression of coefficient implies that a one-unit change in tax knowledge results to 20.5 percentage increase in voluntary rental income tax compliance. Tax knowledge describes the level of awareness regarding tax obligations. Tax knowledge entails proper understanding of tax laws, requirements and other obligations. Level of understanding and awareness regarding tax payment is critical in cultivating tax compliant citizens. Tax knowledge is impacted to tax payers through tax education. Taxpayer education involves act of educating people on how and why it is important to be tax compliant. Level of understanding

and awareness regarding tax payment is critical in cultivating tax compliant. Sufficient tax understanding will allow taxpayers to correctly and honestly report tax dues and when paying them. The results are in agreement with Palil, Akir and Ahmad (2013) studied knowledge on tax compliance in Malaysia and found that the participants' tax knowledge has a significant effect on tax compliance. Likewise, the study concur with Waithira (2016) who undertook a study looking at the determinants private rental annual assessment in Thika and found that tax knowledge significantly influence tax compliance. However, the results do not agree with Fauziati, et al. (2016) who investigated the effect of tax knowledge on tax compliance in Indonesia and found that tax knowledge did not affect tax compliance

The coefficient of regression of the attitude and perception of the taxpayer has a positive and significant effect on voluntary rental income tax compliance. The results imply that a one-unit change in attitude and perception of rental taxpayers results to 30.7 percentage increase in voluntary rental income tax compliance. The attitude and perception of people about tax obligation is a critical determinant of tax compliance. Attitude often can be favorable or unfavorable towards tax compliance and will often influence taxpayers action as far as tax payment is concerned. Rental taxpayers with positive attitudes toward tax remittance and obligation is more tax compliant as compared to taxpayer with negative attitude about tax obligations. Favorable attitude towards tax obligation cultivates positive tax compliance while bad attitude and perception towards taxation hinders tax compliance. The results concur with that of Osebe (2013) who explored the factors affecting tax compliance among real estate firms in Kenyan and found that showed taxpayers' attitude determines the extent of tax compliance. Likewise, Palil, Akir and Ahmad (2013) who studied perception of taxpayers and tax compliance in Malaysia found that the participants' tax compliance level was low due to perception of taxpayers. Nonetheless the study do not concur with Waithira (2016) who undertook a study looking at the determinants private rental annual assessment in Thika and found that taxpayers' perception and attitude had insignificant relationship.

The coefficient of the costs of compliance has a negative and significant effect on voluntary rental income tax compliance. The results imply that a one-unit change in attitude and perception of rental taxpayers results to 21.0 percentage decrease in voluntary rental income tax compliance. Compliance costs describe any expenses incurred as far as tax compliance is concerned.

Compliant costs are incurred in acquiring and organizing information, compiling tax reports where external tax experts must be involved. The costs may include time lost while filling tax information and hiring tax experts to compile tax returns. Compliance cost include administrative costs, technical costs, record maintenance costs and other subsequent costs associated with tax payments. The costs of compliance to tax payment serve a critical role in enhancing taxpayers' readiness to be tax compliant. The results concur with that of Jemaiyo and Mutai (2016) who analyzed the factors that impact tax compliance and how it influences tax compliance levels among real estate firms in Eldoret town Kenya and found that tax compliance is significantly influenced by costs of tax compliance cost. High costs related to tax compliance costs reduces level of tax compliance among the property owners. Moreover, Thananga, et al. (2013) investigating factors that influence rental income tax compliance noted that numerous costs incurred in complying with taxation guidelines discouraged taxpayers in conforming with tax policies incurring tax payments.

Model results showed that tax rate levied on rental property has a negative and significant effect on voluntary rental income tax compliance. The results imply that a one-unit change in attitude and perception of rental taxpayers results to 16.6 percentage decrease in voluntary rental income tax compliance. Tax rate is a critical factor determining tax compliance. The tax rate should be fair to the taxpayers' pockets. Tax rates levied if fair can largely influence level of tax compliance. The results concur with Waithira (2016) who undertook a study looking at the determinants private rental annual assessment in Thika and found that tax rate significantly influence tax compliance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings of the previous chapter, conclusion, limitations encountered during the study. This chapter also highlights the policy recommendations. Lastly, the chapter presents suggestions for further research that can be useful by future researchers.

5.2 Summary of Findings

The study sought to establish the determinants of voluntary rental income tax compliance by landlords in Kiambu County, Kenya; case of Kiambu Town. The particular items studied included tax knowledge, attitude and perception, cost of compliance and tax rate levied on rental property. The study employed descriptive survey design. The results were analyzed using statistical package of social sciences (SPSS) software.

Model summary results revealed that tax knowledge, attitude and perception, cost of compliance and tax rate levied on rental property explained 70.1% of the voluntary rental income tax compliance. Rental income tax remittance is dependent on the level of property owners' willingness to declare their income and remit taxes to the authority as required. Voluntary rental income tax compliance has been found to be affected by factors like knowledge about taxation, attitude and perception by the rental taxpayers, cost associated with it and tax rate levied by tax authorities.

Attitude and perception of rental taxpayers had the highest positive effect on voluntary rental income tax compliance in Kiambu town, followed by tax knowledge. Cost of compliance had the highest negative effect on voluntary rental income tax compliance, followed by tax knowledge. The results imply that to enhance, positive attitude and educating about taxation is critical. In

addition, the tax rate and costs of compliance ought to be favourable for enhanced rental tax compliance.

5.3 Conclusion

The study found that tax knowledge has a positive and significant effect on voluntary rental income tax compliance. The study thus concludes that tax knowledge is important in enhancing rental tax compliance. Tax knowledge entails proper understanding of tax laws, requirements and other obligations. Proper understanding of issues related to taxation may promote rental tax compliance.

It was found that attitude and perception of the taxpayer has a positive and significant effect on voluntary rental income tax compliance. A conclusion is thus made that the nature of attitude and perception about tax by landlords may influence their level of rental income tax compliance. Rental taxpayers with positive attitudes toward tax remittance and obligation is more tax compliant as compared to taxpayer with negative attitude about tax obligations.

The study further concludes that costs of compliance significantly affect voluntary rental income tax compliance. Compliant costs are incurred in acquiring and organizing information, compiling tax reports where external tax experts must be involved. The costs may include time lost while filling tax information and hiring tax experts to compile tax returns.

Finally, the study concludes that tax rate levied on rental property influences the voluntary rental income tax compliance. Tax rate is a critical factor determining tax compliance. The tax rate should be fair to the taxpayers' pockets. Tax rates levied if fair can largely influence level of tax compliance.

5.4 Recommendations

The study established that tax knowledge affects voluntary rental income tax compliance. The study recommends for the need for periodic workshop training, tax educational programmes organized by the Kiambu county governments and Kenya Revenue Authority to sensitize and about the importance of tax compliance. Many taxpayers are not well knowledgeable about

various taxation items like tax compilation, filling and importance of tax compliance to the sustenance of rental property.

Attitude and perception of the taxpayer influences voluntary rental income tax compliance. Many rental income taxpayers are driven by attitude that the county government and the national government do not properly use taxes collected. As search, they avoid paying rental income tax as required by the revenue authorities. There is need to properly channel and utilize the income taxes collected to the benefits of those paying taxes.

The costs of compliance significant affect voluntary rental income tax compliance. These costs are incurred in acquiring and organizing information, compiling tax reports where external tax experts must be involved and include time lost while filling tax information and hiring tax experts to compile tax returns. There is need for Kiambu county government and KRA to review the costs incurred by tax papers during their attempt to comply with taxation requirements. The process need to be simple requiring minimal expenditures and time to comply with taxation requirements.

The tax rate levied on rental property influences the voluntary rental income tax compliance. Tax rate is a critical factor determining tax compliance. Tax rates levied if fair can largely influence level of tax compliance. The tax rate should be fair to the taxpayers' pockets. There is need for tax authorities to review the tax rates levied on rental property to ensure that the rates are favourable and do not burden the property owners. The tax rates need to align with the amount of rental income collected at particular period and as per the occupancy capacity of the rental property.

5.5 Limitations of the Study

The approach used in this study has limitations and the findings are not exhaustive; requiring further scrutiny. One of the limitations was that some rental property owners were unwilling to give out information about the rental tax compliance for fear that tax authorities may pursue them. However, the limitation was mitigated by making a solemn promise to the study population that the information provided would be used for purposes of academic research only.

5.6 Suggestions for Further Research

he researcher relied much information gathered from rental property owners. Further research should entail comprehensive analyses by combining both quantitative and qualitative data. Use of interview may be employed seek more in-depth information from tax officers at the Kiambu county government and Kenya Revenue Authority regarding rental tax compliances and what factors determine the level of rental tax compliance. The use of in-depth interview technique allows face to face conversation with employees where more critical information may be extracted from them. It also allows triangulation of findings by complementing quantitative data collected via questionnaire.

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APPENDICES

Appendix I: Letter of Introduction

Dear Sir/Madam,

RE: REQUEST TO COLLECT DATA FOR ACADEMIC RESEARCH PROJECT

I am graduate student from the University of Nairobi. I am doing a research project to **“Determinants of Voluntary Compliance of Taxes on Rental Income in Kiambu Town”**. This research is entirely for academic qualifications only and any data provided was held in confidence.

You are encouraged to be honest.

Thank you.

Yours faithfully,

Millicient Gitau

Appendix II: Questionnaire

I am a student pursuing a postgraduate student from the University of Nairobi conducting a study on **the determinants of voluntary compliance of taxes on rental income in Kiambu Town**. Information provided is for academic qualification only. You are encouraged to be honest.

Section I: Bio data

Please fill by ticking (√) where appropriate

1. Period operating rental property:

Less than 3 years 4-6 years 7-10 years over 10 years

Section II

Part I: Tax Knowledge

2. To what extent does you understand the listed taxation areas on a scale of 1-5 where 1-Very great extent; 2- Great extent; 3-Moderate Extent; 4-Minimal extent; 5-Not at all

Tax Knowledge areas	1	2	3	4	5
Tax returns filing					
Income tax calculation					
i-tax platforms					
Tax laws					
Tax requirements and procedures					

Part II: Attitude and Perception

3. To what extent does your attitude and perception tax influences voluntary rental income tax compliance tax on a scale of 1-5 where 1-Very great extent; 2- Great extent; 3-Moderate Extent; 4-Minimal extent; 5-Not at all

Item	Attitude and Perception	1	2	3	4	5
1	Good rapport with tax authorities					
2	Friendly tax officers					
3	The use of rental income tax collected					
4	Efficient and effective tax collection systems					
5	Theft of tax revenues collected					

Part III: Cost of compliance

4. Indicate costs of compliance as per the various compliance costs indicated in the table. The scale is 1: less than 5000; 2: 5001-10000; 3: 10001-15000; 4: 15001-20000; 5: Over 20000.

Cost of compliance in KES	less than 5000	5001-10000	10001-15000	15001-20000	Over 20000
Tax consultant charges					
Administrative costs					
Opportunity costs lost while queuing at tax authority offices to remit my rental income tax					
Technical compliance costs of maintaining tax records					
Fines and penalties					

Part IV: Tax rate levied on rental property

5. Evaluate the following statements on tax rate levied on rental property and tick where suitable under the choices provided

Where: 1 – Strongly Agree, 2 – Agree, 3 – Neutral, 4 - Disagree or 5 - Strongly Disagree

Item	Statements	1	2	3	4	5
1	The 10% residential rental income tax rate is fair me.					
2	I am willing to pay residential rental tax because the tax rate is well-structured					
3	The tax rate is favorable and I am willing to remit my rental tax income to the taxing authority					
4	The 10% tax rate on gross receipts lessens tax burden for me as compared to 30% tax rate on net rental income					
5	The lowered tax rate has influenced my willingness to pay residential rental tax in time					
6	The tax rate is high and I am likely to default on my rental income tax payment because my net income is low income					
7	The monthly rental tax to be levied to the authorities has significant impact on the cash flow of landlords					
8	Property owners that collect low rental income have higher propensity of not being tax compliant.					
9	Monthly rental income tax remitted monthly to tax authorities significantly increases administrative costs among the property owners.					

Part V: Residential rental income tax compliance

1. Evaluate the following statements on residential rental income tax compliance and tick where suitable under the choices provided

Where: 1 – Strongly Agree, 2 – Agree, 3 – Neutral, 4 – Disagree or 5 -Strongly Disagree

Item	Statements	1	2	3	4	5
1	I file my rental tax returns on monthly basis without fail					
2	I correctly declare my monthly rental income to the tax authorities					
3	I remit my rental tax dues at the prescribed date					
4	I document my rental tax file records with the tax authority					
5	I am always willing to pay rental income tax					
6	I have never forfeited to pay my rental income tax to the tax authority					

Thank you for the cooperation.

Appendix III: Plagiarism Report

DETERMINANTS OF VOLUNTARY RENTAL INCOME TAX COMPLIANCE BY LANDLORDS IN KIAMBU TOWN, KIAMBU COUNTY, KENYA

ORIGINALITY REPORT

14%	13%	4%	7%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

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