DETERMINANTS OF RESIDENTIAL RENTAL INCOME TAX COMPLIANCE

BEHAVIOR AMONG LANDLORDS IN KISUMU CITY, KENYA
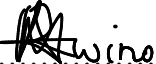
BY

ROSELYN AWINO AGENG'A

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DECLARATION

The research paper is entirely my original work, and it has not been presented for any academic award. All contributions to its development have been recognized.

Sign……………………………………… Date :22/11/2022

Roselyn Awino Ageng'a

Reg No: D61/10628/2018

This research project has been submitted for examination to the School of Business the University of Nairobi (UON) with my approval as the student's supervisor.

signature …………………………………………………. Date: 22/11/2022

Dr. Nixon Omoro

Lecturer, School of Business

University of Nairobi

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DEDICATION

My wonderful father, Mr. Andrew Oriwa and Mother, Mrs. Beatrice Oriwa, as well as my siblings, have supported me financially and emotionally during my education, and this research paper is dedicated to them. God's blessings be upon you all.

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DEFINITION OF TERMS

IIT- INDIVIDUAL INCOME TAX

ITR-INCOME TAX REVENUE RECEIPTS

KRA- KENYA REVENUE AUTHORITY

MRI-MONTHLY RENTAL INCOME

RRA -RWANDA REVENUE AUTHORITY

SBT- SMALL BUSINESS TAX PAYERS

TOT-TURN OVER TAX

TRA- THEORY OF REASON ACTION

ABSTRACT

Government stresses a great challenge in the provision of services to its citizens. Reliance on revenue collected from taxes aggravates the problem because of low tax compliance. Rental property owners are needed to submit taxes and file their tax returns on an annual basis. Through the Finance Act 2015, the government differentiated premises and structured and initiated a streamlined tax regime for residential premises known as the Monthly Rental Income (MRI) tax, which went into effect on January 1, 2016. The introduction of this tax regime was intended to address the issue of low compliance among Kenyan residential rental taxpayers and increase revenue generated from the sector. The goal of this study was to look into the factors that influence landlords' compliance with residential rental income taxes in Kisumu, Kenya. The study was guided by economic theory which states that taxpayers are compliant with taxes only if noncompliance decreases their rental income or expands its riskiness and behavioral theory which emphasizes shifting people's perception towards the taxation system as a remedy to compliance. It was conducted through descriptive research, the factors considered were economic, psychological, social, institutional, and personal factors and the action was tax compliance. and a questionnaire was used to collect data A total of 186 people were chosen from a population of 2039. Purposive non-probability sampling was used in the study. The data was coded and compiled into a computerized system to allow descriptive statistical analysis of the data to be performed using SPSS. Spearman's rho correlation and a multinomial logit regression analysis were used to determine the extent to which various determinants affect landlord tax compliance in Kisumu City. The study also sought to determine whether there is a significant relationship between compliance level and the independent factors mentioned above. The findings of the study showed the undecidedness of the respondents regards to residential rental income tax compliance clearly showing that most of the landlords in Kisumu City are not fully compliant. The results of the study indicated that economic factors, institutional factors, and individual factors affected residential rental income tax compliance. This was demonstrated by positive correlation values between the various determinants of residential income tax compliance and the tax compliance level. The researcher recommends that KRA needs to employ a robust all-inclusive information system that will be able to assess and monitor remittances and taxpayers 'compliance enabling them to predict rental revenue trends and make follow-ups on defaulters. Regular and impromptu audits should also be conducted. It also needs to adopt proper management and enforcement strategies. Furthermore, collaboration between the tax authority and other public sectors is required in terms of landlord registration in order to not only broaden but also formalize the residential rental income tax.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Modern times have experienced a widespread realization of the relevance of tax generally as an instrument of growth and development in states and its ability to boost self-sustenance in countries that are hugely reliant on aid. Steadily, but persistently, property taxation is emanating from the global development plan despite being broadly underemployed in revenue generation, the building of local governments and urbanization (Brautigam and others, 2008). Tax compliance is a multi-dimensional metric that can be explained by considering three particular forms of compliance. This includes reporting compliance, filing compliance, and payment compliance. Registration compliance is also crucial, thus, the first step in adhering to tax law is to be registered as a taxpayer before complying with other conditions which include the preparation of an income report that shows how much tax you are supposed to pay, filing the returns with the KRA and make payments due. Compliance by taxpayers, therefore, denotes the extent to which those with tax obligations conform with the policies of a tax system in terms of registration, reporting, filling, and paying tax due (Brown and Mazur, 2003).

This research adopted Economic theory, in which case landlords are compliant with taxes only if noncompliance decreases their rental income or expands its riskiness. The theory advances that compliance is influenced by the effectiveness of tax administration. In line with this argument this research also adopted Behavioral theory which advances that property owners are persuaded to conform with the tax policies and regulations by psychological and sociological factors, they center on the landlords' ethos. The behavioral theory emphasizes shifting people's perception towards the taxation system as a remedy to compliance (Das-Gupta, 2004).

Animosity toward conforming with tax policies started since the inception of taxation. In America, noncompliance is a major problem for federal tax authorities (Director, Tax world Organization, April 7[th,] 1999). Moreover, Falanni (2015), notes that for so long, the noncompliance behavior of taxpayers has been a major problem in various countries such as Indonesia that are still developing, this, therefore, makes a remarkable outcome to the nation's development, since taxes account for the largest portion of the government's revenue.

Lumumba et al. (2010), stated that the major challenge that KRA was faced with was low tax compliance levels among Kenyan taxpayers. Since time in memorial, no one likes paying taxes and if given an option to choose, very few people would elect to pay of their own volition, and Kenyan taxpayers are no exception. Kenya is positioned among countries with minimal income and low compliance with an uphill duty of ensuring effective and efficient tax administration. Because of a myriad of problems facing KRA in its quest to collect all taxes due, it has initiated several amendments aimed at addressing issues that affect tax collection. Rental income tax was introduced with an aim of increasing government revenue as more people venture into the real estate sector (Mwangi, 2018). However, compliance has always been an issue as taxpayer's refuse or avoid paying tax (Waruiru, 2016).

1.1.1 Residential Rental Income Tax Compliance

Residential rental income tax is a tax payable by residents on residential rental income accrued or derived in Kenya for the purpose of using or occupying a property when the rent revenue ranges between Kshs. 288,000 (that is 24,000 per month) and Kshs.15 million per year (KRA, 2020). Any money obtained from allowing someone else to utilize property that you own or have rights to is known as residential rental income. (Waruiru, 2016).

Initially, rental property owners needed to submit taxes and file their tax returns on an annual basis. Later, the government differentiated premises, structured and initiated a streamlined tax system for residential property through the 2015 Finance Act, called MRI tax which came into effect on 1st January 2016. Institution of this tax regime was meant to deal with the issue of low compliance levels within the residential rental income taxpayers in Kenya and improve the revenue generated from the sector. In this establishment, residential property owners are expected to pay10 percent of the gross rent collected to the KRA monthly (Waruiru, 2016) or annually.

Early this year, Paul Mutuku a KRA commissioner stated that they are introducing a block management system that uses geographical information system which maps urban areas and this enables them to tell which landlord is not complying. He further stated that rental income is a work in progress and that the authority is working towards bringing all the landlord to the tax net (Business daily, 2022). Despite the introduction of a simplified tax regime for residential premises there is still noncompliance and therefore this underscores the need to ascertain the determinants of residential rental income tax compliance among landlords.

Tax compliance is a wide concept and there are various ways and proposals that have been used to measure it. By defining tax compliance as the proportion of actual income tax revenue receipts (ITR) to the total amount of taxes owed to the government, an aggregate index was created (Das Gupta, Lahiri and Mookherjee, 1995). While in another study which was analyzing the extent of compliance in thirty countries globally, four parameters, namely: high economic freedom state, equity markets importance, essential laws of competition and high moral standards was used to assess tax compliance in each country (Riahi-Belkaoui, 2004; Palil, 2010).

Berhane& Yesuf (2013) in their study established compliance based on the amount of tax collected and filing of accurate returns. In addition to that, Lucinde (2017) measured residential rental

income compliance by looking at whether there was an increase in revenue collected and new registration of landlord in the rental income tax system. Moreover, Waithira (2016) ascertained compliance based on the monthly payment of tax and tax returns submission. Additionally, Karanja (2014) measures compliance basing on prompt submit-ion of tax returns and paying taxes. A different study also uses prompt and precise submitting of tax returns and making correct payments of taxes to measure compliance (Thanaga et al., 2013).

1.1.2. Determinants of Residential Rental Income Tax Compliance

Determinants are the factors that influence landlords as tax payers to comply or not-comply with residential rental income tax the requirements. Keen (2013) in his paper note that to increase revenue collected from property tax in the EU Key elements of reforms should take place and this include: Political will that encompasses adequate resourcing, appropriate tax policy design, that should cover the base rates exemptions and coordinating issues, detailed planning of administrative reforms and finally reducing or replacing transactions taxes.

A study conducted by Gupta (2017) revealed that some determinants such socio demographic factors, economic factors, reciprocity, culture and peer pressure significantly impacts on the attitude of tax compliance in both developing and developed nations. While determinants such as direct democracy, age and gender had a direct relationship with tax compliance actions in developed countries, these determinants did not impact tax compliance attitude in developing countries. Furthermore, a determinant such as tax know how only influenced compliance attitude in developing countries. On the other hand, income levels produced mixed results both in developed and developing nations. He continued by stating that while factors like national pride and religiosity have been found to have a favorable relationship with compliance attitude in wealthy countries, nothing has been studied about their influence in emerging countries.

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Good fellow (2015) in his working paper taxing the urban boom identify economic, political and technical difficulties as some of the factors influencing compliance in Rwanda and Ethiopia. He also argues that there are inadequate personnel to deal with tax collection.

Berhane & Yesuf (2013) identified poverty as one of the determinants that influence compliance. In addition to that they also mentioned that the existence of inefficient and inadequate number of tax administration officers for business house rent in the region of their study, and lack of technical skills as factors that deter tax compliance. According to Thanaga et al. (2013) tax payers Knowledge, attitude and perception towards taxation influence compliance but it varies from one individual to another. In addition to that he notes that the most popular mode of noncompliance was through reduction of the net taxable pay and amount of tax through overstatement of statutory deductions and expenses. Likewise, understatement of incomes was also popular. Noncompliance was also occasioned by most landlords who did not remit taxes or submit returns at all, rather opting for tax reduction and irregular payment

Additionally, Waruiru (2016) stated that the overall taxpayers' perception and cost of compliance influences whether the tax payer was to be comply or not to comply. Stating the reasons of non-compliance are the tax being punitive, the taxpayers do not understand their tax obligation, cost of compliance being high and they believe that the taxes collected are usually not used efficiently. This perceived lack of trust demonstrates the genesis of non-compliance by tax payers.

Lucinde (2017) notes that tax rates, fines, penalties, revenue amounts and tax knowledge determine conformity levels. Kinyua (2014) States that the tax compliance is determined by financial and family obligation attitude, peers and awareness that politicians misuse taxes. Furthermore, he notes that the level of conformity to tax policies by the rental property owners in Kenya is greatly influenced by social norms and respondent's income level.

1.1.3 Landlords in Kisumu

A landlord is an individual who owns a house (s) and rents it to other people at a cost. Like many other fast growing urban and sub-urban towns in Kenya, Kisumu City is likely to form a lucrative tax base (Broadening tax base) due to the rampant increase of rental houses that caters for the increasing urban population, thereby giving KRA increased revenue (PAI, 2015).

Despite this, the majority of Kisumu landlords violate the rental income tax policy, and the taxman was compelled to obtain information from KPLC regarding taxpayers who had asked to have electricity provided at their rental properties (Mwangi, 2018). Accordingly, in the financial year 2020/2021 revenue from rental income in Kisumu decreased from 31.9 million to 30.9 million a difference of 1million (KRA, 2022).

Landlords being big time proprietors are required to make appropriate payment for their annual incomes along with the full disclosure of gross revenue while filing returns. The problem of non-compliance among landlords has existed for quite some time. Muiru (2012) noted that KRA has be unable to bring all the landlords to the tax net. Despite the initiation of TOT in 2007 that was extensively expected to bring the landlords into the tax net under this tax regime did not occur, some landlords are still non-compliant. The year 2012 saw the then finance minister outlining various measures that ensured all landlords were adequately brought into the tax net and all rental income tax were submitted. One vital measure was mapping out all residential and commercial area, that involved collecting data from the various government sectors and comparing this with the tax returns filed by KRA. The minister's proclamations were an indicator of the state's dedication to amass taxes from the informal sector whose contribution to the tax was very low.

Noncompliance on rental income tax policy is still an issue and recently KRA stated that they started tracing landlords who are not fully transparent with information regarding their income that

they receive from their rental property (Wairimu, 2019). Against such a background the research seeks to identify the determinants of residential rental income tax compliance among landlord in Kisumu city.

1.2 Statement of the Problem

Taxation is the primary source of revenue in many nations, which governments utilize to deliver goods and services to its population. However, low compliance has always been an issue as taxpayers' refuse or avoid paying tax (Waruiru, 2016).

According to Tan and Braithwaite (2017), SBTs might take more than one approach to taxpaying. Depending on the conditions, they will sometimes collaborate and sometimes defy. Compliance is influenced by their ideas of authority, power, sanctions, fairness, and trust. They urge future research on the motivational features of other taxpayer subsets, in addition to relation among the factors and consequences of noncompliance.

A study carried out in Brazil reinforces the concept that individual's intrinsic stimuli together with behavioral and economic factors influences dishonesty (Pereira and Silva, 2020). Goodfellow (2015) identifies economic, political and technical difficulties as some of the factors influencing compliance. According to Berhane & Yesuf (2013) poor tax attitude by both the taxpayer and the house rentees, poor training and awareness, inadequate tax administration personnel and lack of dedication of tax officers are the issues of business house rent income taxation in Ethiopia.

Sritharan and Salawat (2019) study express explicitly that there still exists a gap, relating to economic factor impact on the individual taxpayers' tax compliance behavior. According to Palil (2010), in Malaysia tax compliance is determined particularly by, tax knowledge, likelihood of being audited, government's expenditure, influence of referent group penalties and personal

financial constraints. In contrast Putu and Asmara 2019 in the analysis of their study indicate that whilst distributive justice and service quality have a positive impact on hotel and restaurant taxpayer compliance in Bali's Tabanan Regency, tax sanctions enforcement together with moral obligations have no impact on hotel and restaurant taxpayer compliance.

Engida and Baisa (2014) notes that tax compliance studies have offered proof propounding that conformity to tax policies is influenced by a variety of aspects and in order to alleviate the issues of nonconformity, there is need to comprehend the elements that influence a person's choice of complying with the tax policies. The study's outcome indicated that, changes in current government policy, chances of being audited and financial constraints impact tax compliance. Other parameters such as the knowledge of government expenditure, perception of tax system equity and objectivity, fines, penalties, tax regime and tax know-how were insignificantly associated with tax compliance at the study time.

In Kenya, Thanaga et al. (2013) study showed that compliance level was low to the provisions regarding residential income tax. This also concurs with the findings of (Waruiru, 2016). Karanja (2014) recommends the conduction of a further study on the different aspects that could affect the volitional adherence to tax rules and regulations by landlords.

A study by Lucinde (2017) proposed future study on the levels of tax compliance by residential rental income earners in a town or city besides Nairobi County, or a cross-sectional study in Kenya. Waithira (2016) also proposed that additional research be undertaken on several postures that influence compliance with residential rental income tax, and that the research be expanded to include areas other than Thika Town.

Several studies on tax and tax compliance have been conducted in general; nevertheless, the conclusions of the studies have been conflicting. Most studies conducted outside of Africa have

focused on general property taxes rather than residential rental income taxes. Furthermore, there have been very few studies in Kenya that have sought to explore the behavioral dimensions of the tax compliance, Local studies on taxation have concentrated more on various taxation issues and tax compliance on different economy sectors. In Kenya the few studies that have been done on residential rental income tax were conducted during the reign of old taxation system and they concentrated only on a select geographical area. Additionally, there haven't been much research done since the inception of the current simplified tax regime of 10% on gross rental income. Understanding the determinants of residential rental income tax compliance is a prominent concern, however there has been little research on determinants of residential rental income tax compliance among landlords, notably in Kisumu. Aside from these points, this study tries to address a knowledge deficit by providing information on this critical subject. The study's goal was met by addressing this research question: what are the determinants of residential rental income tax among landlords in Kisumu City?

1.3 Objectives of the Study

The objective of this study was to establish the determinants of residential rental income tax compliance among landlords in Kisumu city

1.4 Value of the Study

This study is important among various stakeholders they include: the Kenya Revenue Authority, the Academic circle, Landlord among others.

The outcomes and proposals of this study are envisaged to be of great significance in the academic circles. These forms a strong and firm foundation for further investigations and a basis of future research.

It is envisaged that the study's data and information to be valuable to the KRA in proper policy creation and formulation at the highest management level, as well as in the organization of a structure for reform implementation. Furthermore, the researcher hopes that the study's findings and recommendations to be valuable to Kenya Revenue Authority executives and administrators. The land lords have gain insight through interaction with the researcher who hopes to fruitfully discuss the purpose of taxation thereby instill self-interest, sense of responsibility, duty and obligation hence attract and win their hearts to register as tax payers, report on tax correcting and constantly comply as tax payers.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In this chapter, the researcher analyzed pertinent literature on the factors influencing Kisumu city landlords' compliance with the residential rental income tax and defined certain fundamental terms.

2.2 Theoretical Literature Review

The study explored economic theory and behavioral theory to explain the concepts of tax compliance. Research has indicated that understanding of the behavior of compliance exceeds economic and deterrent factors as outlined in preceding researches. It is necessary for a government to have a multi-dimensional approach to tax compliance focusing on both coercive and consensual aspects of tax compliance, these theories are interrelated and some are developments of the other (Sandmo, 2005).

2.2.1 Economic Theory

The principle of this theory was developed in the 1960s by Becker, who looked at criminal behavior through an economic lens. Becker advanced an opinion that hindrance factors such as economic sanctions, chances of being detected and penalties were within the power of community (Devos, 2014). Later in 1972 following Becker's contention, Allingham and Sandmo deduced a theory that assumes that taxpayers are moral profit maximisers in that they are affected by economic factors such as increase in income and risk averseness (Devos, 2014). They therefore weigh the pros and cons of various compliance options, including decision to pay taxes or forego, the likelihood of being discovered, and the consequences of their behavior, before deciding on the one that will maximize their anticipated net profits after taking risk into account. Some people refer to this as "playing the audit lottery" (Trivedi and Shehata, 2005). Kolm's (1973) study

examined economic theory from the standpoint of the taxpayer, where the tax payer utility rather than gross tax revenue serves as the unknown variable. The study also sought to determine how to maximize a taxpayer's profitability in light of shifting tax rates and income levels. Some of the critique of economic theory is that it places emphasis on heightened audits and penalties as remedies to compliance problems, although empirical studies that have been done in support of the economic theory use of audits and penalties indicates that the uses are ineffective, inefficient and shaky (Kirchler et al., 2008). Additionally, this model tries to describe the shift in complying behavior instead of compliance level (Devos, 2007). In addition to that Kornhauser (2007) notes that economic theory, lacks explanatory capacity because it only gives a justification for only a small proportion of actual levels of compliance by assuming that compliance decision is based entirely on assessing the cost in comparison to the benefits in which individuals logically consider the gains of not complying against detection and penalties costs. Tax morale is depicted as a factor that explains compliance rates by another line of research therefore serving as a greater key criticism of the standard economic approach

2.2.2 Behavioral Theory

These theories were developed in an attempt to address the shortcomings of economic theory. Ajzen & Fishbein advanced the Reasoned Action theory (TRA) in 1980's, demonstrated that compliance behavior of tax payer's is determined by their perception of subjective norms and attitude towards the tax. That is the taxpayer's compliance behavior will be determined by whether their social network would accept their planned course of action in terms of compliance and noncompliance (Devos, 2014). Therefore, TRA indicate that taxpayer's compliance behavior is determined by the nature of a person and the other reflecting social factors (Ajzen & Fishbein, 1982).

In 1980 with a view of understanding compliance behavior Lewis examined the attitudes and perception of tax payers in line with TRA. His findings stated the three parameters that determine compliance behavior specifically tax evasion include: age, one's norms and values and assessments of the number of persons involved in tax evasion.

In addition, Smith & Kinsey (1978) stated that circumstantial factors were essential in determining compliance and noncompliance decisions, case in point, information accessibility and cost of compliance. In the approach of Sandmo and Allingham (1972), tax morale spells out the level of tax compliance with placing into consideration the tax regulation and action of government administrations which is line with the perspective that key social norms, like civic duty or religion, mould tax motive. In comparison to this purportedly policy-autonomous ethos, the psychological tax commitment is influenced by government policy, tax authorities' actions and government organizations. Tax morale becomes intrinsic instead of offering an explanation to the extent of tax compliance.

In summary Behavioral theories stresses more on shifting a persons' attitudes and perception towards tax systems, moreover the theory states that tax education can be used as a tool in changing tax payer's perception and that improved education will lead to increased tax compliance.

2.3 Determinants of Residential Rental Income Tax Compliance Behavior

Generally, tax compliance has been an issue in the real property sector especially the residential rental sub sector. Determinants are categorized in four classes grounded on an integrative outlook constituting a broader point of view on determinants of tax compliance. The four classes are: economic, social, personal, and institutional factors, (Kirchler, 2007 and Loo, 2006).

2.3.1 Economic Factors

Economic factors include Tax rates, tax audits, compliance cost, penalties and fines, and perceptions of government spending. Helhel and Ahmed, (2014) conducted a study, and results showed that tax rates and unjust tax system determines compliance behavior. Tax rate can be high or low, when the tax rate is low it encourages compliance and when the tax rate is high it encourages non -compliance. Masud, Aliyu & Gambo (2014) in their paper demonstrated that tax rate and tax compliance have a significant negative correlation.

Setiawan and Harnovinsah (2019) state audit tax has a direct and significant correlation with Taxpayer's Compliance. In addition, Helhel and Ahmed, (2014) notes that inadequate auditing of tax; little dampening impact of tax penalties and tax amnesties laid down regularly affected taxpayers' compliance decision. According to OECD report (2010) audits might be considered to improve compliance while it does not necessarily result in improved compliance and can even result in less compliance. This is an indication that the relationship between audits or the threat of audits and compliance is not as simple and straightforward as was assumed earlier.

According to Mlay (2015) penalties may be vital in imposing compliance among taxpayers who are adamant in conforming to the provisions of the tax policy as responsible citizens. Even so, there are threats in using such a method on a broad extent. It is advised that taxation as a method of revenue generation throws off enforcement of harsh measures similar to those used in certain states as it throws off the entire activity of generating money for the public benefit. Furthermore, such strict measures can lessen the willingness of trustworthy persons to be compliant because they view the tax system as biased. An equilibrium between promoting volitional compliance as well as impeding willful non-compliance has to be established.

Gemmell and Ratto (2012) state that even though logically, more enforcement for tax evasion, and heavier penalties could be introduced to reduce non-compliance in China and Hong Kong. Whilst they do not disagree with this view, they argue that the use of heavy penalties and more emphasis on enforcement might prompt taxpayers to either be creative with compliance, or find more sophisticated ways to evade their taxes. This is because such actions do lack moral legitimacy and motivation for individuals to adhere to their tax obligations apart from the avoiding prosecution from tax authorities. Finally, on whether their recommendations will work, they propose further empirical research to be done.

In conclusion Batrancea et al. (2012) stated that, a government that is viewed to be squandering public resources and providing inadequate public goods and services make taxpayers to contemplate on whether or not to pay tax. Evidence from a study note that those who were more contended with the services provided with the government more apparently backed the state in its pursuit of taxing the citizens in all the four countries, consequently promoting the concept of the fiscal exchange theory. Tax compliance behavior, however, was influenced by the type of service offered and this varied between the countries. Some countries like Kenya were motivated to comply by infrastructure such as roads and electricity, Tanzania and Uganda respondents were inspired to comply by education and health services offered by their various governments. Supply of identity cards and police services by the South African government influenced compliance. The study proposes a future study to be done on the objectivity towards revenue collection and relative treatments of taxpayers to determine circumstances for developing conformity in African countries without a lengthy and expensive enforcement apparatus (Ali et al., 2020).

On the other hand, Imam and Jacobs (2014) and Sen-Gupta (2007) revealed that government transparency has zero impact on tax compliance.

2.3.2 Institutional Factors

Institutional factors include the tax authority's accountability, the administration's efficiency, and the likelihood of detection. Mlay (2015) noted that issues such as a burdensome tax system, challenging tax payment procedures, and the effect of customer service desks, a compromised tax administration system and the complicated system rendered tax compliance unmanageable. In most counties they have inadequate personnel to assist in the collection of tax. Berhane & Yesuf (2013) cited that lack of competent tax administrative personnel in the regional state of Tigray Finance and Economic Development Bureau led to tax evasion by taxpayers of business rental income.

Additionally, Castro and Scartascini, (2013) in their paper on the tax compliance and enforcement in the Pampas, Argentina identifies probability of detection as a determinant of compliance behavior. They state that fines as a likely legal consequence that tax payers may encounter in the case of non-compliance and it leads to an increase in compliance by more than four percent. Slemrod et al. (1988) study also supports the findings. However, it does not clearly state the level of correlation (positive or negative).

Furthermore, Batrancea et al. (2012) in their paper they stated that the complex-ness of tax law, tax system and the fiscal policy are the key political predictors of tax compliance acts. Complexity of the tax system may make a taxpayer evade or avoid to pay tax. In addition, the design of a tax system can also hamper the taxpayers' willingness to comply, if it is burdensome and cumbersome the taxpayers will fail to comply. IRS (1996) also supports the view that compliance is affected by tax policy, enforcement and IRS responsiveness.

2.3.3 Social Factors

Social influences primarily include referent groups, political affiliation, changes in government policy, attitude, ethics, and perceptions of equity and fairness. Decision to fully comply with existing tax laws is influence by the social norms and culture in ones' society. Although, various existing literature have not been able to depict the correlation between tax morale which is the intrinsic motivation to pay tax without incentives is related with tax compliance (Tagat, 2019). Otieku (2011) notes that the tax authority in Ghana needs to change their tax administration method from an enforcement model that accommodates a vast number of individuals to an approach that is need specific building on the knowledge of tax morale which advocates for custom making tax authority approaches to suit the regulated individuals as an enforcement strategy that will elicit maximum compliance from the self-employed. According to Young et al. (2020) social norms and ethical beliefs the most critical elements influencing IIT tax non-compliance in China and Hong Kong.

More so, Setiawan and Harnovinsah, (2019) conducted a study and the results depicted a direct correlation between the comprehension of tax objectiveness and Taxpayer's Compliance, this is consistent with study results of Siahaan (2005). Palil (2010) disagrees with these and argues that taxpayers' apprehension about the fairness and equity of a tax system and its like hood of affecting tax evasion are still vague and arguable when existing literature is put into consideration.

Political interference is also another aspect that keeps on cropping when compliance issues emerge in discussion. Good fellow, (2015) in his working paper taxing the urban boom identify economic and political as some of the factors influencing compliance in Rwanda and Ethiopia. He further states that in both Rwanda and Ethiopia the problem of non-compliance is seen as most tax payers pay nothing because they have not register for tax and also any attempt by the government to bring

tax reforms is usually resisted or stalled. Furthermore, Tilahun (2019) asserts that an individual's reference group, which may include relatives, neighbors, friends, and political allies, may have an impact on a person's compliance behavior. While Waiganjo (2018) reveals that reference groups positively influences Tax Compliance. Hageman and Alon (2012) and Inasius (2015) findings indicated that increased dependence on reference groups negatively influences tax compliance.

2.3.4 Individual Factors

Individual considerations include personal financial limitations, knowledge of offenses and consequences, and more. Financial hardship may prevent taxpayers from paying their taxes because they prioritize other necessities over their tax obligations, which is thought to have an impact on tax evasion (Mohani and Sheehan, 2004). Palil (2010) study notes that financial constraints influence tax evasion, though the extent of compliance is unknown. Its further states that although some researchers depicted that taxpayers who are encountering economic hardships during inflation period are likely to be less compliant, other researchers found that financial hardships influence compliance even during normal economic situations.

In addition to that, Palil (2010) in his study established that awareness and education on tax varies greatly among respondents, and that tax conformity is determined specifically by Knowledge on tax in Malaysia. Rahayu et al. (2017) findings indicated that knowledge and understanding of tax regulation on tax compliance influences tax compliance. Additionally, indirectly, awareness on tax policy lacks a great impact on tax compliance.

Kiring'a and Jagongo (2017) in their study identified technical knowledge of filing tax returns and using internet as factors that influences the tax compliance in Kibwezi. In Widanaputra et. al. (2019) Regression analysis of their study, education and awareness of taxation and accounting information systems have a direct impact on compliance by taxpayers.

2.4 Summary of the Literature Review and the Research gaps

Comprehension of compliance surpasses economic factors and deterrent factors as outlined in various studies. To exhaustively apprehend tax compliance; novel elements like psychological, moral and social factors that impact tax compliance have to be considered by analysts in their research designs (Nguyen et al. , 2020). Determinants of tax compliance emanates from these theories in one way or the other. These theories will therefore be fundamental in comprehending tax compliance decisions and actions(Tilahum, 2019).

Kirchler (2007) and Loo (2006) categorizes determinants of tax into four groups. These are: economic factors, institutional factors, social factors and personal factors. Helhel and Ahmed, (2014) and Masud, Aliyu & Gambo (2014) studies revealed a significant negative correlation between that tax rate and tax compliance. While Goodfellow (2015) depicts that introduction of a low tax rate property to be having an inverse correspondence with compliance.

Setiawan and Harnovinsah (2019) notes that tax Audit have a direct and a notable effect on Taxpayer's Compliance. However, OECD report (2010) states that audits do not necessarily result in improved compliance and can even result in less compliance. Mlay (2015) stipulates penalties to be imperative in enforcing compliance by those taxpayers who are adamant in meeting their tax liability. However, there are threats in using such an approach more extensively. This was also supported by (Gemmell and Ratto, 2012).

Tax compliance attitude and supply of public goods and services banks on a particular service in question and vary between states. Ali et al. (2020) proposes future research on fairness of tax administration and enforcement policies to determine conditions in which compliance can be developed in African states without a lengthy and expensive enforcement machinery.

According to Young et al. (2020) social norms and ethical beliefs influence IIT tax non-compliance in China and Hong Kong. However, Tagat (2019) asserts that it remains uncertain from a range of studies whether tax morale is notably linked with tax compliance

Karanja (2014) who also supports social norms as a factor influencing compliance recommends future on other aspects that might affect the volitional tax compliance by landlords on their rental income. Moreover, further studies should be conducted on a similar topic but the locality should be outside of Nairobi.

Good fellow (2015) details that data on property taxes is so sketchy and scarce in Kigali. Therefore, this made it difficult to assess whether introduction of RRA had improved efficiency in administration and bolstered compliance

Theoretical and empirical reviews of the literature discussed above show that there is still debate on what causes people to abide by or break tax laws. Economic considerations, institutional factors, social factors, and human factors all have an influence. Despite the fact that tax compliance research studies have used a combination of experimental methods, empirical data, and, to some extent, surveys, they have yet to explain the diversity in study outcomes. As a result, there is a study gap in variables influencing tax compliance behavior among Kenyan landlords.

In order to fully understand tax compliance behavior, few studies have considered both economic and non-economic aspects. The study attempted to fill this information vacuum by investigating the economic, social, institutional, and personal aspects that impact tax compliance among Kenyan landlords.

Research literature on residential rental income tax is not nearly as abundant as the literature on tax compliant in general and other sectors of the economy. Not only have there been relatively few empirical studies showing residential rental income tax compliance determinants, but those studies

that have been done typically were based on the previous tax regime whereby the tax rate was 30 percent of the gross residential rental income. According to a review of studies done in Kenya, little study has been conducted among landlords to determine the factors that impact one's tax compliance behavior. Consequently, the aim of this study was to fill information gaps.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The goal of this part was to detail study design, target population, sample size and sampling method, data gathering methods, and data analysis method

3.2 Research Design

This study adopted descriptive research design. A descriptive research design was best for this study as it described characteristics linked with the population in question, and specifically factors that lead to their action. In this case, our target population was landlords in Kisumu city. The factors considered were economic, psychological, social, institutional and personal factors and the action was tax compliance. Schindler and Coopers (2003), state that descriptive design explores and determines the correlation between variables. The descriptive design was chosen in this research due to its ability to provide both quantitative and qualitative data that enabled the researcher evaluate the connection between the variables. It also allowed the researcher to gather huge volumes of extensive details about the target population. As a result, the researcher to generate statistical data on determinants of residential rental income tax compliance behavior among landlord in Kisumu city.

3.3 Target Population

Population is the whole category of people that have one or more attributes in common that are of concern to the researcher in formation of their opinion. The target population was comprised of 2039 active rental income paying taxpayers/landlord, (KRA, 2021).

3.4 Sampling Size and Procedures

The research adopted purposive non-probability sampling technique. A total sample of 186 was selected based on the formula by (Cochran, 1963). This was a perfect figure considering the duration and resources at hand and also factoring in huge population.

At a level of significance of 7%

N=N/[1+N(e)2]

Where

n is the sample size

N is the population size.

e is the level of significance

n = 2039 / 1+ 2039(0.07)2 = 185.5.

Sample size equals to 186 landlords

3.5 Data Collection

Primary and secondary sources were used to collect data. Secondary data was obtained from the KRA website, which provided the actual number of landlords who have signed on. Semi-structured questionnaires with qualitative and quantitative questions were used to collect primary data. Structured items were placed on a Likert scale. The structured questionnaire was the primary research instrument distributed to respondents. The questionnaire was separated into two sections. Part A seeks information on the respondents' demographics, while Part B focuses on the determinants of residential rental income tax compliance behavior.

3.6 Data Analysis and Presentation

After conclusion of data gathering, data was compiled using a computerized system to allow for execution of descriptive statistical data analysis. The Statistical Package for the Social Sciences (SPSS) computer software will be employed in the assessment. Data was coded, presented in a thematic way and categorized on the foundation of similar features and attributes. Thereafter, the raw data was congregated and presented in form of statistical tables to allow for further evaluation while bearing omission and errors recognition in mind.

Accordingly, the data was broken down using descriptive statistics- (provides valuable insights on the prevalence of phenomenon among a given population captured by specific indicators); Measure of central tendency, standard deviations, frequencies, percentages and cross tabulation model was applied in outlining and reporting research conclusions. The results are displayed in tables and cross tabs

3.6.1 Analytical Model

The study sought to assess the determinants of residential income tax compliance level that were categorized in four including Economic, Social, Institutional and Individual factors. A multinomial logistic regression model was used to examine the relationship between the dependent and independent variables. This is because the model allows interaction of dependent variable based on multiple categorical independent variable. To assess the relation between the variables Spearman's rho was used. This correlational analysis model was used as it allows assessment of two ordinal variables and also when the data was not normally distributed.

3.6.2 Measurement of the variables

The compliance level with the Residential Income Tax was measured by taking four specific forms of compliance into account. Registration compliance, reporting compliance, filing compliance, and payment compliance are examples of these. The

extent to which those with tax obligations follow a tax system's policies in terms of registration, reporting, filing, and paying tax due was evaluated. To assess tax compliance, respondents were asked if they pay all rental income tax accurately and on time, if they correctly file and declare all rental income tax, if they have no debt or penalty on rental income tax, if they fully comply with all residential rental income tax requirements imposed by KRA, and, finally, if they comply with all residential rental income tax requirements. Economic, social, institutional, and individual factors were rated on a scale of 1=strongly disagree to 5=strongly agree to determine the extent to which they affect residential rental income tax compliance.

Table 3. 1:Measurement of the Variables

Variable	Measurement
Dependent Variables	
Residential Income Tax Compliance Level	Payment of all residential income due promptly and timely, declaring and accurate filing of rental income tax, having no debt and penalties on rental income tax, fully complying with KRA requirements.
Independent Variables	
Economic Factors	10% tax rate, penalties and fines, audit probability, cost of compliance and provision of public goods and services
Social Factors	Norms and values, religion, culture, perceived fairness, politics, government policy, family members and friends
Institutional Factors	KRA enforcement mechanisms, simplicity of the tax system, detection probability and audit probability
Individual Factors	Financial constraints, tax knowledge and skills and awareness of offences and penalties related to residential rental income tax.

3.6.3Test of Significance

T tests was performed to determine the levels of significance. The T-test was used to determine the statistical significance of regression coefficients at a confidence level of 95%. The Chi-test was also used to determine the degree of significance in the presented data.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The results and interpretations of data collected from the sampled population were discussed in this chapter. The descriptive statistical method was used for quantitative data analysis in this section, which includes numerous tables illustrating various variables. The data was also qualitatively analyzed. The information was divided into three categories: social demographic factors, tax compliance level, and factors determining residential rental income tax compliance. According to research, 50% response rate is deemed sufficient, a 60% rate good, and a rate of more than 70% exceptionally good (Mugenda, Mugenda, 2003). As a result, the researcher proceeded with data analysis because 166 of the 186 questionnaires were completed.

4.2 Demographics Analysis

The social and demographic characteristics of the sample under study are covered in this section. This includes gender, age professional qualification and time frame of being a landlord of the respondents.

4.2.1 Gender of Respondents

The results are reported in table 4.1. The respondents were asked to indicate their gender, which was then compared to their degree of tax compliance using spearman correlation (p).

Table 4. 1: Gender of Respondents

Gender	Frequency	percent	(ρ)Correlation Sig. (2-tailed)	P-value Level of Sig= α 0.001
Male	107	64.5	-0.054	0.490 (Not significant)
Female	59	35.5		
Total	166	100		

Source: researcher, 2022

The results showed that, as previously mentioned, 35.5% of respondents were women and 64.5% of respondents were men. This suggests that men made up the majority of the respondents. To determine whether a connection existed between gender and tax compliance, Spearman's rho was utilized in a correlation analysis. The p-value of 0.490 and negative coefficient of -0.054 show absence of a statistically significant relationship between respondent gender and tax compliance behavior. Our tax compliance level model's final iteration therefore did not account for gender.

Table 4.2.2 Age Respondents
The respondents were asked to provide their ages, which were categorized into four age brackets, namely, 18-25, 26-35, 36-45, and above 45, and the response is displayed in table 4.2.

Table 4. 2 Age of Respondents

Age	Frequency	Percent	(ρ)Correlation Sig. (2-tailed)	P-Value Level of Sig= α 0.001
18-25	6	3.6	0.094	0.230 (Not significant)
26-35	14	8.4		
36-45	43	25.9		
>45	103	62.0		
Total	166	100		

Source: researcher, 2022

According to the results, 25.9% of respondents were between the ages of 35 and 45, 8.4% were between the ages of 25 and 45, and 3.6% were between the ages of 18 and 25. Most of participants (62.0%) were over the age of 45.

The relationship between respondent age and compliance level was examined using correlation analysis. Findings show absence of any observable relation between respondents' tax compliance behavior and their age, indicated by a spearman's rho coefficient of 0.094 and a P-Value of 0.230. Age therefore has no bearing on tax compliance level.

4.2.3 Professional Qualification of the Respondents

The respondents' educational and professional backgrounds were requested. In table 4.3, the responses were displayed.

Table 4. 3 Professional Qualifications of Respondents

	Frequency	Percent	(ρ)Correlation Sig. (2-tailed	Remarks Level of Sig= α 0.001
No Certificate	32	19.3	-0.45	0.565
Financial Related	32	19.3		(Not Significant)
Religious Related	10	6.0		
Science Related	22	13.3		
Others	70	42.2		
Total	166	100.0		

Source: Researcher, 2022.

A majority of the respondents (42.2%) did not specify the certificate they hold, 19.3% had no certificate, 19.3% had financial related certificate, 13,3% science related and 6.0% religious related. As per the correlation analysis that was done using spearman's correction it gives a P-value of 0.565 and spearman's rho -0.45 which is not significant. From the data it shows that professional qualification of the respondents does not determine tax compliance behavior of respondents.

4.2.4 Period of Land lordship of Respondents

The purpose of the survey was to ascertain the respondents' length of time as landlords. Data from the respondents, which was divided into four-year brackets (i.e., 0-2, 2–5, 5–10, and above 10), was requested; the analysis of this data against tax compliance level is portrayed in table 4.4.

Table 4. 4:Period of Landlorship of Respondents

	Frequency	Percent	(ρ)Correlation Sig. (2-tailed	Remarks Level of Sig= α 0.001
0-2 years	25	15.1	0.086	0.271 (Not significant)
2-5 years	16	9.6		
5-10 years	48	28.9		
Above 10 years	77	46.4		
Total	166	100		

Source: researcher, 2022

According to the results, 15.1% of participants have possess their buildings for less than two years, 9.6% have owned them for between two and four years, 28.9% have owned them for between five and ten years, and 46.4% have owned them for more than ten years. According to the study carried out using the spearman's correlation, the rho and p-value was 0.086 and 0.271 respectively, which does not indicate any significance. Therefore, the respondents' tax compliance behavior is not influenced by the length of time you have been their landlord.

4.3 Tax Compliance Levels by Landlords in Kisumu Town

The respondents were asked to rate how well Kisumu Town landlords adhere to tax laws. Results are as indicated below in table 4.5.

Table 4. 5: Tax Compliance Level by Landlords

	N	Mean	Standard deviation	Rank
I declare all the rental income that is taxable accurately.	166	3.77	.934	1
I have no penalty related to rental income tax	166	3.57	.974	2
I fully comply with all the residential rental income tax requirements	166	3.52	.886	3
I have no debt on rental income tax	166	3.48	.952	4
I completely pay all the residential rental income taxes (correctly and promptly)	166	3.28	1.007	5
I am fully contended with all the residential rental income tax requirements imposed by KRA	166	2.02	.911	6
Total		3.27	.61636	

Source: researcher 2022

From the findings of the tax compliance level, we had a mean of 3.27 this indicate that most people who responded were undecided about their tax compliance level. The respondents strongly agreed that they *"declare all the rental income that is taxable accurately"*. This was shown by a mean of 3.77. Moreover, the respondents concurred *"that they have no penalty on rental income", "they fully comply with all the residential rental income tax requirements"* and that *"they have no debt on rental income",* this was illustrated by a mean of 3.57, 3.52 and 3.48 respectively. However, the respondents were either undecided or disagreed with a mean of 3.28 and 2.02 that *"they completely pay all the residential rental income taxes (correctly and promptly)"and "they are fully contended with all the residential rental income tax requirements imposed by KRA"* respectively. Based on a Likert scale, where 1 means strongly agree and 5 means strongly disagree.

The compliance level had a standard deviation of 0.61636, this indicate that all respondents were exactly the mean value of 3.25 emphasizing the fact that the vast majority of responses were indecisive about their tax compliance level. The individual responses deviated to a very negligible extent from the mean.

4.4 Determinants of Residential Rental Income Tax Compliance by Landlords in Kisumu Town

The study's goal was to identify the factors that affect Kisumu Town landlords' compliance with the residential rental income tax laws. This descriptive statistic was generated using data gathered on numerous aspects of Kisumu landlords' tax compliance, as shown below:

4.6 **4.4.1 Economic Factors**

These indicates all the data on economic factors that influence tax compliance as shown.

Table 4. 6:Economic Factors

ITEM	N	Mean	Standard deviation	Rank
Probability of being audited intensively in the next years would deter people from evading tax if KRA detects evasion.	166	3.84	0.887	1
Paying fines would deter people from evading tax if KRA detects tax evasion	166	3.67	1.086	2
Provision of effective and efficient public goods and services by the government inhibits tax evasion.	166	3.64	1.027	3
Low Cost of compliance would deter tax evasion	166	2.78	1.303	4
The tax rate of rental income tax deters tax evasion	166	2.56	1.203	5
Total mean score		3.3	0.76555	

Source: Researcher, 2022

The findings established that a majority of the respondents agreed that probability of being audited intensively in the next years, paying fines and provision of effective and efficient study would deter them from evading tax, based on a mean of 3.84,3.67 and 3.64 respectively. It is consistent with the findings of Waiganjo (2018) stated that KRA's tax audits and penalties had a great impact on compliance. However, the respondents were undecided or disagreed that low cost of compliance and the tax rate of rental income would deter tax evasion justified with a mean of 2.78 and 2.56 respectively. The research by Nzioki and Osebe (2014) confirms our findings that compliance costs have a detrimental impact on tax compliance levels. Similarly, the level of tax compliance was positively impacted by fines and penalties. Generally, majority of the respondents were undecided on whether economic factors affect tax compliance levels or not.

4.4.2 Social Factors.
This describes all the data on social factors that affect tax compliance by landlords as shown in table 4.7.

Table 4. 7:Social Factors

	N	Mean	Standard deviation	Rank
Perceived fairness of the rental income tax policy would influence your decision to pay tax	166	3.51	1.008	1
Current government policy would influence your decision to pay tax	166	3.39	0.92	2
Norms and values (ethicality and morality) would influence your decision to pay tax	166	2.92	1.495	3
Your religion would influence your decision to pay tax	166	2.77	1.25	4
Your political affiliation would influence your decision to pay tax	166	2.64	1.349	5
Family members and friends would influence your decision to pay tax	166	2.33	1.304	6
Your cultural background would influence your decision to pay tax	166	2.2	1.109	7
Total		2.82	0.81524	

Source: Researcher, 2022

The results indicated that the respondents agreed, with a mean of 3.51, that perception of fairness of rental income tax influences their decision to pay tax. Moreover, participants concurred to a moderate level that current government policy affect their tax payment decisions, this is illustrated by a mean of 3.39. On the other hand, they were indifferent on the issue of the respondents Norms and values (ethicality and morality), religion and their political affiliations   influencing their tax paying decision, marked with a mean of 2.92, 2.77 and 2.64 respectively. However, the respondents disagreed that family members and friends and their cultural background affect their tax payment decision, illustrated with a mean of 2.33 and 2.20 respectively. Waiganjo (2018) even though states that reference groups highly influence tax compliance. In general, the respondents somewhat disagree that social factors affect their compliance levels, marked by a mean of 2.82. The results of this study support Perstein et al (2019) assertion that social norms about paying

business taxes greatly reduce expected tax compliance, but they do not support Huong and

Phuong's (2020) assertion that social standards influence the compliance rates of SMEs.

4.3.3 Institutional Factors

These indicates the institutional factors and the extent to which they determine tax compliance as

shown below 4.8

Table 4. 8:Institutional Factors

ITEM	N	Mean	Standard deviation	Rank
Probability of audit examination by KRA promotes complete payment of rental income tax	166	4.18	0.788	1
Detection probability of tax evasion by KRA supports compliance	166	3.75	1.06	2
Simplicity of the rental income tax system encourages compliance	166	3.26	1.101	3
KRA has placed efficient and effective mechanisms that encourage rental income tax compliance	166	2.9	1.145	4
		3.52	0.73948	

Source: Researcher, 2022

From the findings the most significant was Probability of audit examination by KRA, with average

of 4.18. Additionally, the respondents agreed that detection probability of tax evasion by KRA

supports compliance, supported by a mean of 3.75. The respondents would not tell whether the

rental income tax system simpleness encourages compliance justified with a mean of 3.26.

Deyganto (2018) discovered in his research that the likelihood of an audit and the ease of the tax

system were significant determinants of taxpayers' willingness to voluntarily comply with the law.

They also somewhat disagreed that KRA has placed efficient and effective mechanisms that

encourage residential rental income tax compliance, indicated by a mean of 2.90. Findings from

Abate (2019) support our finding by demonstrating through binary logistic regression that fairness

and equity of the tax system, official corruption, institutional strength of the tax authority,

participatory tax system, taxpayer knowledge of tax laws and regulations, and taxpayer attitudes toward the government are significantly related to Ethiopia's presumptive income tax collection. Generally, the respondents agree with a mean of 3.52 that social factors affect their tax compliance levels.

4.3.4 Individual Factors

The table below shows the extent to which individual factors influence tax compliance level

Table 4. 9: Individual Factors

ITEM	N	Mean	Standard deviation	Rank
Adequate knowledge and skills on the rental income tax would encourages compliance	166	4.19	0.648	1
Personal financial constraints would hinder you from paying all your rental income taxes	166	3.84	1.266	2
Awareness of offences and penalties related to rental income tax promotes compliance	166	3.54	1.273	3
Total mean score		3.86	,83395	

Source: Researcher, 2022

The respondents agreed that adequate knowledge and skills on the rental income tax would encourages compliance, personal financial constraints would hinder you from paying all your rental income taxes, and awareness of rental income offences and penalties promotes compliance. These were indicated with a mean of 4.19, 3.84, and 3.54 respectively. Alabede (2012) supports the notion of personal constraints by noting in his findings that financial situation significantly moderated the influences of the framework of the tax system, ethical principles, and occupation, as well as improved capacity of the compliance model to better predict taxpayers' behavior. Overall, the participants concurred agreed on a score of 3.86, indicating that several circumstances affect one's adherence to rental income tax laws. The results concur with those of Ali et al. (2012), they claim that tax awareness is highly connected to tax-compliant attitude in Tanzania and South

Africa. Our findings are supported by Osebe and Nzioki (2014), who claimed that tax knowledge and education had a favorable impact on the degree of tax compliance among real estate investors.

4.4 Residential Rental Income Tax Compliance Landlords in Kisumu Town

The primary goal of the study was to evaluate the factors that influence landlord behavior with regard to tax compliance in Kisumu City. Multinomial logistic regression was utilized to compare tax compliance to the variables influencing residential income tax compliance in order to come to this conclusion. The registration, reporting, filing, and payment of the outstanding tax were the criteria used to assess compliance with the residential rental income tax. A correlation was also conducted to establish the connection between Kisumu City's various residential income tax factors and landlord compliance with the tax. The outcomes are shown below.

Table 4. 10: Correlations

		Tax compliance	Economic Factors	Social Factors	Institutional Factors	Individual Factors
Tax compliance	Rho Spearman Correlation	1.000	.659**	-.503**	.540**	**.579**
	Sig. (2-tailed)	.	.000	.000	.000	**.000**
	N	166	166	166	166	**166**
Economic Factors	Rho Spearman	.659**	1.000	-.387**	.800**	**.913**
	Correlation	.000	.	.000	.000	**.000**
	Sig. (2-tailed)	166	166	166	166	**166**
	N	-.503**	-.387**	1.000	-.391**	**-.345**

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Social Factors	Rho Spearman	.000	.000	.	.000	**.000**
	Correlation	166	166	166	166	**166**
Institutional Factors	Sig. (2-tailed)	.540**	.800**	-.391**	1.000	**.653****
	N	.000	.000	.000	.	**.000**
	Rho Spearman	166	166	166	166	**166**
Individual Factors	Correlation	.579**	.913**	-.345**	.653**	**1.000**
	Sig. (2-tailed)	.000	.000	.000	.000	.
	N	**166**	**166**	**166**	**166**	**166**

The results show that tax compliance level is significantly and favorably influenced by economic considerations. In other words, adjustments in economic conditions can be credited with a 65.9% rise in tax compliance. It is consistent with the findings of Mannan et al. (2020), who contend that sustaining tax equity, optimum levels of punishment, allocating tax proceeds to public development initiatives, maintaining the lowest possible tax rates, and minimizing compliance expenses can all boost taxpayer compliance. Economic factors have a favorable impact on compliance behavior, according to Lucinde (2017). A strong negative connection between social characteristics and tax compliance is shown by a negative (p) rho value of -0.503. This was further reinforced by the finding of Mannan et al. (2020) showing, despite the relationship's negligible significance, referrals are negatively correlated with tax compliance rates. A spearman's rho value of 0.54 also shows that institutional factors have a sizable positive connection with tax compliance. Last but not least, individual factors positively correlate with tax compliance, which indicates that

at the 99% level of confidence, a change in an individual component causes a change in tax compliance of 57.9%. The results support those of Ali et al. (2012), who claim that tax compliance behavior among Tanzanians and South Africans is similarly highly connected with tax knowledge.

Table 4. 11: Likelihood Ratios

Effect	Criteria for Model Fitting -2 Log Likelihood of Reduced Model	Tests of Likelihood		
		Chi-Square	df	Sig
Intercept	191.435a	136.035	14	.000
Economic Factors	118.634a	63.234	14	.000
Social Factors	298.983a	243.583	14	.000
Institutional Factors	130.202a	74.802	14	.000
Individual Factors	99.586a	44.186	14	.000

Source: Researcher, 2021.

TCL =191.4+118.6EF+299SF+130.2IF+99.6INDF

Where, TCL=Tax Compliance Level

EF=Economic Factors

SF=Social Factors

IF=Institutional Factors

INDF=Individual Factors

Table 4. 12: Summary of Descriptive Statistics

Statistics					
	Tax Compliance Level	Economic Factors	Social factors	Institutional Factors	Individual Factors
N	166	166	166	166	166
Valid Missing	0	0	0	0	0
Mean	3.2721	3.3000	2.8210	3.5226	3.8554
Std. Deviation	.61636	.76555	.81524	.73948	.83395
Kurtosis	-.643	-.970	-.978	.118	-.243
Std. Error of Kurtosis	.375	.375	.375	.375	.375
Minimum	1.83	2.00	1.43	1.25	2.00
Maximum	4.33	4.40	3.86	4.75	5.00

Source: Researcher, 2022

The table demonstrates that each factor affecting tax compliance has a favorable effect on the remittance of residential rental income taxes. The positive mean values are the cause of this. Additionally, on a scale of 1 to 5, with 5 denoting a high agreement, the various determinants had an effect on Kisumu City landlords' compliance with the residential income tax.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter summarizes the findings, makes recommendations and suggestions for future research and discusses the study's limitations.

5.2 Summary of Findings

The goal of the study was to identify the factors that influence Kisumu City landlords' compliance with residential income tax laws. The majority of respondents were men, as indicated by the respondents' biographical data. An indication that men made up the bulk of the landlords in Kisumu City. Most of respondents had held the properties for more than ten years, and just a small fraction had owned them for less than two years, according to the number of years they had owned them.

More than 62% of landlords were over 45 years old, as evidenced by the respondents' ages, indicating that most respondents had sufficient competence in the research field. Most respondents choose not to say which certificates they held. Social and demographic variables often did not impact landowners' tax compliance behavior in Kisumu City. Respondents' ambiguity on the subject of residential rental income tax compliance demonstrates unequivocally that the majority of landlords in Kisumu City are not fully compliant. Thus, this is consistent with Mwangi's (2018) conclusions that the majority of Kisumu landlords violate the rental income tax policy. The taxman was compelled to obtain information from KPLC for taxpayers who had asked to have power installed at their rental property. This also explains the reason why revenue from rental income in Kisumu in the financial year 2020/2021 decreased from 31.9 million to 30.9 million a difference

of 1million (KRA, 2022). Wudeneh (2018) in her Study also depicted high noncompliance by a majority of respondents.

The study's conclusions showed that the compliance with residential rental income tax laws was influenced by economic, institutional, and individual factors. A Positive correlation values between residential income tax compliance variables and tax compliance levels served as evidence for this. Tilahun (2018) found that elements influencing taxpayers' voluntary compliance include tax system fairness, penalty, tax rate, perceptions of government spending, and cost of compliance. Despite the fact that tax rates have a statistically significant negative impact on the tax compliance behavior of small and medium-sized business taxpayers, Biru's (2020) findings support this claim. Gitonga and Memba (2018) found a favorable, albeit minor, relation between the tax system and tax compliance, demonstrating that institutional factors have a positive impact on compliance behavior. They also contend that the impact of economic conditions on tax compliance is statistically significant. Engida and Baisa (2014) claim that the likelihood of being audited and financial constraints influenced tax compliance. On the other side, social factors have a detrimental effect on tax compliance rates. Nguyen et al. (2020), however, assert that societal norms have a direct bearing to enforcement of tax compliance. In addition, according to the study's findings, compliance behavior is influenced by several elements, such as cash flow issues, high cost of living, location of rental houses, cost of financing the property, misreporting, corruption, business profitability, and opportunities for tax evasion, among others. The study also noted that finding an accurate proxy for taxpayer compliance was difficult because individuals' reporting of their own compliance was likely to be underreported.

5.3 Conclusion

Any regime must adhere to tax laws because taxes are how governments fund their operations.

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Tax compliance is affected by a number of variables, including economic, social, institutional, and individual factors. The many knowledge gaps that this research attempted to fill were identified after a thorough evaluation of earlier studies on the topic. The researcher performed a literature review to achieve this.

The objective was established using descriptive research methods. Both quantitative and qualitative methodologies were used in this investigation. Landlords in Kisumu City were the target population. Respondent data were gathered using questionnaires.166 out of the 186 questionnaires that were sent yielded responses, representing an 89% rate of response, which was highly significant for the research.

To ascertain how much the various determinants, influence tax compliance by landlords in Kisumu City, Information collected was evaluated using descriptive analysis, correlation, and multinomial logistic regression analysis. The research goal was to determine the factors that influence Kisumu City landlords' tax compliance behavior. Economic factors, social factors, personal factors, and institutional factors made up the determinants. The study's findings indicated that economic factors, individual factors, and institutional factors all had a favorable influence on landlords' tax compliance behavior in Kisumu City. Social norms, however, had a strong negative correlation with tax compliance behavior.

5.4 Recommendations

The study's conclusions led to the following policy and practice recommendations. KRA needs to employ a robust all-inclusive information system that will be able to assess and monitor remittances and tax payers' compliance enabling them to predict rental revenue trends and make follow ups on defaulters. Regular and impromptu audits should also be conducted. It also needs to

adopt proper management and enforcement strategies. There is also need of finding a reliable substitute for taxpayer compliance since self-reported compliance by individuals is likely to be inaccurate. KRA should consider introducing tax holidays to property developers who took loans to finance their projects.

The tax authority and other public sectors must collaborate on landlord registration if we are to legalize these players and grow the residential rental income tax. Government officials in particular should make sure that tax collection is always open and equitable and that all funds are accounted for in terms of expenditures and how they benefit Kenyans.

The government should keep creating stricter framework regulations to successfully tackle public sector corruption in order to boost taxpayer confidence and their desire to pay taxes. Because many landlords are unaware that they should be paying rental income taxes, more awareness-building and tax education efforts are needed. They also don't understand what it entails. Therefore, all taxpayers should receive adequate training from KRA officials on issues related to tax compliance.

5.5 Limitation of Study

This research project main limitation was its sole use of questionnaires as a tool for research. This made determining whether the study's participants were truly representative difficult. Furthermore, many respondents were not fluent in English, and even though the research assistant interpreted in some cases, there is a good chance that they did not understand all of the questions. Future studies, in addition to using questionnaires, researchers should also use interview guides and secondary data to triangulate the findings and produce solid and trustworthy study results.

Additionally, most respondents were hesitant to participate in the study, fearing that it was sponsored by the KRA and that they would be pursued by the government. Furthermore, majority

of those contacted were hesitant to provide information on their levels of compliance, making the research project difficult to complete. Secondary data obtained from KRA for the target population was a mix of both residential and commercial rental houses, making it difficult to determine the exact population of residential landlords.

5.6 Suggestion for further study

The research project provided suggestions for future research. It recommends future study into relationship between tax compliance levels and other factors that this study was unable to conclusively address. Other emerging issues should be considered as well.

Because most studies yield different correlation results, an in-depth study on the relationship of social factors with compliance behavior can also be conducted. Furthermore, the study's primary unit of analysis was individual taxpayers. As a result, when conducting tax compliance research, future studies should consider including non-individual taxpayers.

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Questionnaire

This questionnaire is designed to gather information on the determinants of residential rental income tax compliance behavior among landlord in Kisumu city. Please fill in the blank or check the boxes (√) where applicable. The information given will be kept with the utmost confidentiality.

PART 1: Profile of Respondents

1. Gender: Male ☐   Female ☐

2. Age: 18-25 ☐   26-35 ☐   36-45 ☐   >45 ☐

3. State any professional certificate you hold.

Please specify, _____

4. How long have you been a landlord?

0-2 years ☐   2-5 years ☐   5-10 years ☐   >10 years ☐

PART 2: The determinants of residential rental income tax compliance behavior

Rate the extent to which you concur with the following statements that determine residential rental income tax compliance behavior. The rating is on a scale of 1-5, where 1-represents strongly disagree, 2- disagree, 3- neither agree nor disagree, 4- agree, 5- strongly agree. Tick in appropriate box against each statement

TAX COMPLIANCE LEVEL

	1	2	3	4	5
I completely pay all the residential rental income taxes (correctly and promptly)					
I declare all the rental income that is taxable accurately.					
I have no debt on rental income tax					
I have no penalty related to rental income tax					
I am fully contended with all the residential rental income tax requirements imposed by KRA					
I fully comply with all the residential rental income tax requirements					

ECONOMIC FACTORS

The items in this category are intended to assess the rate at which tax rates, penalties and fines, tax audits, cost of compliance and perceptions of government spending affect tax compliance

ITEM	1	2	3	4	5
Tax rate of rental income tax deters tax evasion					
Paying fines would discourage individuals from tax avoidance if KRA discovers it.					
Probability of being audited intensively in the coming years, will dissuade people from dodging taxes. If the KRA identifies tax evasion.					
Low Cost of compliance would deter tax evasion					
Provision of effective and efficient public goods and services by the government inhibits tax evasion.					

SOCIAL FACTORS

The items in this category measures the effect ethics and attitude, perceptions of equity and fairness, political affiliation and changes on current government policy, referent groups have on tax compliance.

ITEM	1	2	3	4	5
Norms and values (ethicality and morality) would influence your decision to pay tax					
Your religion would influence your decision to pay tax					
Your cultural background would influence your decision to pay tax					
Perceived fairness of the rental income tax policy would influence your decision to pay tax					
Your political affiliation would influence your decision to pay tax					
Current government policy would influence your decision to pay tax					
Family members and friends would influence your decision to pay tax					

INSTITUTIONAL FACTORS

The items in this category measure the role of the tax authority, simplicity of the tax returns and administration and probability of detection on tax compliance.

ITEM	1	2	3	4	5
KRA has placed efficient and effective mechanisms that encourage rental income tax compliance					
Simplicity of the rental income tax system encourages compliance					

Detection probability of tax evasion by KRA supports compliance					
Probability of audit examination by KRA promotes complete payment of rental income tax					

INDIVIDUAL FACTORS

The items in this category measures the effect of personal financial constraints, tax knowledge,

awareness of offences and penalties on tax compliance

ITEM	1	2	3	4	5
Personal financial constraints would hinder you from paying all your rental income taxes					
Adequate knowledge and skills in the rental income tax would encourage compliance					
Awareness of offenses and penalties related to rental income tax promotes compliance					

In your own opinion, what other factors determine the residential rental income tax compliance

behavior?

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