

**EFFECT OF ELECTRONIC TAX SYSTEM ON RENTAL INCOME TAX
COMPLIANCE BY LANDLORDS IN ELDORET CENTRAL BUSINESS
DISTRICT, KENYA**

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DECLARATION

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

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This Research project has been submitted for examination with my approval as University Supervisor

Signature Date.....

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DEDICATION

I dedicate this project to my family for their moral and financial support.

ACKNOWLEDGEMENT

I thank Almighty God for providing me with strength and insight for this project. I would like to appreciate my supervisor Dr. Bruce Ogaga for his constant guidance, advice and constructive criticism. My gratitude also goes to my family, my fellow students and the lecturers at Kenya School of Revenue Administration for the support they accorded me during the research project.

ABBREVIATIONS AND ACRONYMS

ICT	Information and Communication Technology
GOK	Government of Kenya
KRA	Kenya Revenue Authority
ITA	Income Tax Act
IRS	Internal Revenue Services
VAT	Value Added Tax
OECD	Organization for Economic Co-operation and Development
TRA	Tanzania Revenue Authority
SPSS	Statistical Package for Social Sciences
P2P	Person to Person

DEFINITION OF TERMS

Tax: A tax is a mandatory charge or some type of levy imposed on an individual or other legal entity by a governmental organization in order to fund various public expenditures.

Tax Payer: taxpayer refers to the workforce of a country who pays for government projects through taxation.

Financial year: is the period used by governments for accounting and budget purposes, which varies between countries. It is also used for financial reporting by business and other organizations.

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ABSTRACT

Taxation is a major source of revenue for most countries in the world. Therefore, governments and the revenue bodies continually put in place reforms and policies that seek to enhance revenue collection. In spite of many reforms by Kenya Revenue Authority, a lot of revenue still remains uncollected. This leads to failure by the authority to meet its annual revenue collection targets. The prime goal of this research was to determine the effect of electronic tax system on rental income tax compliance by landlords in Eldoret Central Business District. The specific objectives were to investigate the effect of electronic registration, to determine the effect of electronic filing and to find out the effect of electronic payment on rental income tax compliance by landlords in Eldoret central Business district. The study was guided by economic deterrence theory and Behavioral theory. An explanatory research design was adopted. The target population was 332 of which a sample of 181 was chosen using simple random sampling method. Primary data was collected using a questionnaire while secondary data was obtained from existing relevant sources of taxation. Regression analysis was conducted to analyze the collected data. The findings indicated a positive and significant relationship between electronic tax systems and rental income tax compliance by landlords in Eldoret Central Business District. It was established that the effect of electronic tax registration on rental income tax compliance by landlords in Eldoret Central Business District is positive and statistically significant. It was also established that the effect of electronic tax filing on rental income tax compliance by landlords in Eldoret Central Business District is positive and statistically significant. The findings also revealed that electronic payment systems have a positive and statistically significant effect on rental income tax compliance by landlords in Eldoret Central Business District. Based on the findings, the study recommends that Kenya Revenue Authority should create more awareness among the landlords in Eldoret Central Business District in order to enhance the understanding of using electronic tax systems which can in the long run improve rental income tax compliance thereby improving tax revenue. The study also recommends that Kenya Revenue Authority should hold workshops in Eldoret and train the landlords on the usage of electronic tax systems which can still improve rental income tax compliance thereby improving tax revenue in future.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Taxation is a major source of revenue for the government in both developed and developing economies (OECD, 2009). Thus, it has been of a much priority for many African countries to raise more revenue domestically. Rental income tax compliance is described as paying rental income tax, filing and submitting rental income returns as per the requirement of income tax laws (Kirchler, 2007). However, it has been very hard to convince taxpayers to be honest and to follow tax laws of a country. The method of dispensation of a tax framework results in major policy consequences that are related to various factors. These indicated factors include the rapid rise of a worldwide economy, the relatively recent growth of digital commerce and individual tax assessment.

Kenya Revenue Authority is a legally mandated section used to collect taxes for the operation of government since July 1995. There are different types of taxes levied on Kenyan citizens and among them is rental income tax. There are common objectives of tax systems; to generate income for governmental activities, to ensure equitable distribution of resources, discourage consumption of harmful substances, to protect local industries from local competition and to stabilize Kenyan economy by raising taxes to prevent inflation (Karingi *et al*, 2005). In addition to the above objectives, taxation can also be used as a stabilization tool, whereby various instruments are adjusted depending on the economic situation of the country. The extent to which these objectives are met differs from country to country.

1.1.1 Electronic Tax System

Electronic tax system is an automated tax administration system explicitly intended to deal with general duties of an organization from enrollment, evaluation, documenting returns, charge installment and handling of cases and discounts (Wawira *et al*, 2017). Section 28(4) of the Tax Procedures Act (TPA) (2015) requires a tax return to be completed and submitted electronically. Section 86(1) of the TPA provides that if a taxpayer through a tax law or by the Commissioner is to submit a tax item in electronic method, or to make payments of taxes electronically and fails to do so, the Commissioner shall by notice in writing request the reasons for the failure. Section 86(2) states the penalty charged for failing to comply with 86(1) above.

Electronic Tax System is worldwide and has been in existence for the last 30 years (Cobham, 2010). It came into existence in 1986 and it was tested on 5 taxpayers from Phoenix, Raleigh, Durham and Cincinnati. Ever since, electronic tax system serves millions of taxpayers yearly and thus has grown widely. Douglas (2012) states that automated tax framework is one of the changes by tax collection agency in Kenya meant to enhance the efficiency and collection of taxes. This has boosted revenue by a considerable amount and the country's increased economic progress has been caused by the new tax systems.

E-registration means electronic registration. This is where lodgment of document or instructions occurs in electronic format only and all registrations are made on the electronic register. According to Odede (2012), E-registration is a form of registration where lodgment of documents occurs in electronic format only with the exception of paper documents and all registrations are made on electronic register.

Use of E-registration system is only allowed for transaction purposes in all activities legally carried out. According to Harmonious (2017), E-registration is the creation and utilization of an online enlistment structure, online enrollment process, online enlistment format or advanced enlistment structure finished by an individual, gathering or association to apply to enlist for an office, subsidizing, bulletin, school, school, college, administration or different sorts of vital and fundamental administrations and purposes.

Electronic tax filing is an online platform where government forms are submitted through the web from time to time therefore eliminating manual submissions. Electronic returns started in America where Internal Revenue Services started providing assessment for rebates of tax only (Muita, 2010). The number of people filing returns has increased significantly and it is attributed to automated system. Automated filing has been spread to developed and developing economies (Ramayah *et al.*, 2006).

According to Andarias (2006), electronic filing is dependent on the use of technology. Technology used in e-filing constitutes a computer, internet and software applications. According to Fu *et al.* (2006), reducing inefficiency, increasing accuracy of systems and decreasing single task occupation of tax officers should be electronic filing measures.

Electronic payment system is helpful assured method used in settling dues and transmission of cash via automated methods, like M-pesa, Paypal and Skrill. This also provides buyers with an option of settling dues without using physical currencies and cheques (Wahab, 2012). online payment method aims to guide singular as well as organizations by wiping out, decreasing a portion from regular issues to do with installment and settlement.

There are several alternatives used in making electronic payment system. These incorporate; checks, Electronic Funds Transfer (EFT), cards (charge and credit), Electronic Purses/Wallets, mobile money, individual automated transactions, automated online payments and digital cheques (Wahab, 2012). The core of individual to individual transactions involves advanced money related tool, one of them being encrypted Visa figures, online cheques, and computerized currencies supported through financial institution a mediator, and by a lawful representative.

1.1.2 Rental Income tax compliance

Rental income is taxable under sec 6(1) of the Income Tax Act (ITA) (2015): ‘gains or profits’ includes a royalty, rent, premium or similar consideration received for the use or occupation of property. This may include: Advance rent, any amounts paid to cancel a lease, and Security deposits. Rental income comes from paying monthly charges for a house, apartments, rooms, space in an office building. Section 3(2) (a) (iii) of the Income Tax Act (ITA) provides that pay emerging from a privilege conceded to someone else for the occupation of property comprises income chargeable to tax.

Income from rental owners provides a major wellspring of income for countries from creating and created nations. Be that as it may, the measure of income. Revenue to be raised depends on the honesty and self-will of the taxpayers of a country to honour their tax (Kirchler, 2007). Rent is normally paid monthly. This depends upon the agreement signed with the landlord or rental agency (Duhaime, 2015). In Kenya this is mostly done monthly, but one can pay in advance.

1.1.3 Eldoret Central Business District

Eldoret is the fifth biggest city situated in the western part of Kenya and serves as a capital of Uasin Gishu county. Currently, it is the fastest growing city in the country. The town has a population of 289,380 (KNBS, 2009) and has a Central Business District of around 1.3 square kilometers. A Central Business District (CBD) is the core section in a town where major economic transactions are conglomerated evident in ancient cities with subway transport and is also referred to as “downtown” or the “City/Town Center,”

Eldoret central business district has high-end, multistoried buildings such as; KVDA, White Castle, Kiptagich House, Daima Tower among others. Also, offices of the big multinational corporations and banks (Barclays, Standard Chartered and I&M) are also located within Eldoret town.

1.2 Research Problem

Governments and the revenue bodies always come up with policies and reforms that seek to enhance revenue collection but there still exists a challenge of low revenue collection. According to Serhan (2016); tax system with low elasticity cannot take full advantage of economic growth. Accordingly, unlocking revenue potential is dependent on expanding the expense base, reinforcing organization, and rationalizing tax policy across all levels of the general government.

In spite of many reforms set up by Kenya Revenue Authority, a great deal of income still stays uncollected. This leads to failure by the Kenya Revenue Authority to achieve its annual revenue collection targets. According to KRA report (2019), KRA had a shortfall of revenue collection amounting to 43.3 billion in the 5 months from July to November 2018. KRA collected Kshs. 633.7billion against a target of Kshs. 677billion. In the 2017/2018 financial year (FY), the annual collections as shown by the KRA report (2018) stood at 1.48 trillion against a target of 1.65 trillion and during financial year (FY) 2014/2015 the yearly revenue collection stood at 1.13 trillion against the target of 1.24 trillion (KRA , 2014).

Rental income came into force on June 1, 2016 but has registered low collections with most landlords failing to declare rental income. When the level of compliance is low, government revenue collections always fall behind targets (Serem et al 2017). Therefore, this study focused on answering the research question; what is the effect of electronic tax system on rental income tax compliance by landlords in Eldoret Central Business District, Kenya?

1.3 Research Objectives

The principle objective of the study was to establish the effect of electronic tax system on rental income rental income tax compliance by landlords in Eldoret Central Business District, Kenya

1.3.1 Specific Objectives

The specific objectives of this study were to:

- i. Establish the effect of electronic registration on rental income rental income tax compliance by landlords in Eldoret Central Business District, Kenya
- ii. Determine the effect of electronic filing on rental income rental income tax compliance by landlords in Eldoret Central Business District, Kenya
- iii. To find out the effect of electronic payment system on rental income rental income tax compliance by landlords in Eldoret Central Business District, Kenya

1.4 Research questions

The research questions of the study were:

- i. What is the effect of electronic registration on rental income rental income tax compliance by landlords in Eldoret Central Business District, Kenya?
- ii. What is the effect of electronic filing on rental income rental income tax compliance by landlords in Eldoret Central Business District, Kenya?
- iii. How does electronic payment system affect rental income rental income tax compliance by landlords in Eldoret Central Business District, Kenya?

1.5 Justification

The findings of the study are expected to be beneficial to various stakeholders as presented and explained below.

1.5.1 Kenya Revenue Authority Management

The findings can add value to managers especially the tax managers as they can utilize the findings of this study to improve on their skills and to adopt the best practices. Thus, the findings are expected to help them improve on their performances and enhance on the revenue collection.

1.5.2 Government Policy Makers

Policy makers are expected to be enlightened on the findings of this research and thus can be in a position to get solutions to the issues that will be raised. Kenya Revenue Authority (KRA) and the government can therefore formulate good policies that can improve and enhance tax collections in the organization.

1.5.3 Researchers

The research is expected to bring addition to the existing body of knowledge and may form a basis for further research in the field of taxation. It is additionally foreseen that the findings of this study can help in theory building.

1.6 Scope of the Study

The study was conducted to determine the effect of electronic tax system on rental income rental income tax compliance by landlords in Eldoret Central Business District, Kenya. This study focused mainly on the landlords within the Eldoret CBD. Eldoret CBD covers the following areas; Tagore and Mitaa Road to the west and north-west, the railway line to the north, Lumumba Avenue to the west and Sosiani River to the south. The time frame of the study was the year 2019. Secondary data on rental income tax compliance indicators was collected over a duration of three years between 2016 and 2018.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature thematically. The initial part talks about theoretical literature, the proceeding part involves empirical literature review, the next part is about conceptual framework, followed by research gaps while the last part is chapter summary.

2.2 Theoretical literature

Theoretical review provides a basis for selection of key measurable variables and the importance of their linkages in this research. Non-adherence theories comprise economic deterrence and behavioural theories. These two theories were used in this study. Behavioral theory involves social and fiscal psychological factors that influence tax behavior. Economic deterrence theory on the other hand, considers tax rate and penalties.

2.2.1 Economics Deterrence theory

This theory is conceivable through a lot of approaches which can be imposing and persuasive. The theory was developed by Becker in 1968 and is also known as the deterrence theory. Through higher rate of taxes, tougher punishment and very high detection rate (Deterrence by punishment). The usage of deterrence theory model was mostly common when it came to the study of tax evasion (Frey & Feld, 2002).

Deterrence theory is among the important theories of taxpayer compliance. The economic deterrence theory contains a fundamental structure that sees citizens as balanced financial operators, surveying financial implications (dictated through likelihood of discovery or punishments due to misrepresentation) , advantages (controlled via duty rate) of avoiding

assessments, in this manner decides to default in case advantage due to rebelliousness exceeds expenses (Walsh, 2012). The deterrence theory endeavors to clarify the adjustment in consistence conduct as opposed to the dimension of consistence. The theory assumes that citizens makes good use of tax avoidance provisions. This involves adjusting between expense deceiving gains against discovery or penalties (Sandmo, 2005). Essential reason being people normally participates in events which provide the option of maximizing gains just as decreasing costs. In the rare occurrence that penalties are adequately plausible, with negative financial implications more than the benefits of evasive actions, this action cannot be undertaken (Mengere, 2014).

This theory infers that adherence of rental income relies more on duty review and the punishments or fines. This suggests all the people of a country just settle their government expenses since they dread being authorized. In this way, an expansion in authorizations or fines and punishments will expand charge income (Awa and Ikpor, 2015). It is based on this presumption the theory supports harsher monitoring and substantial penalties for wrongdoers in justifying lessening rebelliousness (Fjeldstad et al, 2012). Economic deterrence theory is in this way linked with the research of adherence to rental pay in a low likelihood in review and punishments, increases inclination of avoidance of landlords. Whereas a high chance of discovery and punishments means that less property proprietors will sidestep rental income tax.

The study findings support this theory. The findings indicated that the use of electronic tax system reduces opportunity costs of not filing returns thus increasing rental income tax compliance. Through electronic tax systems, filing process is simpler which can otherwise reduce fines which could otherwise have been affected due to failure of filing

returns. Therefore, the taxpayers file returns since it's faster and easier and the chance of being fined is low.

2.2.2 Behavioral theory

It is also referred to as social-psychological theory. According to the theory, the activities of an individual shape their behavioral intent based on certain factors and social wellbeing (McKerchar 2010). The theory assumes that behavior of a someone (Personal variables) in tax collection is essentially stimulated by collective cooperation's (Ali et al., 2013).

Personal factors are personal ethics while social influences are and social morals. Studies have greatly focused on these factors based on the taxpayer conduct. These factors are noted to bring out the important roles in ascertaining rental income tax compliance (Sour, 2004; OECD, 2010). Ronan and Ramalefane (2007) particularly pointed out that factors like taint or alienation, standing and community beliefs exert influence on the decision of a taxpayer; whether to adhere or not to tax requirements.

Individual ethics or personal beliefs are ideas that people keep or grasp for themselves. With regards to lead of the citizen, individual standards reflect the conduct of the taxpayers that is; the integrity and dignity of taxpayers in handling their taxes. All these affects the perspective requirements of complying with tax. Sour (2004) satisfied that involvement in tax evasion acts might bring about the feelings of uneasiness, wrongdoing or gloomy self-esteem of the taxpayers.

A satisfaction that goes hand in hand with results of Taylor (2001), whereby inner phobia of undergoing guilty emotions, alongside the social stigmatization danger, have bigger disincentive impact than outside attributes such as probability of being found and receiving punishment thereafter.

Behavioral theory is thus linked to the study of landlords in Eldoret Central Business District in that owners of rental houses are probably going to be impacted by social gatherings, relatives, friends and other house residential and commercial owners to agree to monthly rental income tax. ECBD landlords will be compliant in order to maintain their reputation and honor their beliefs.

The theory has been backed through findings of the study. Compliance is improved through employment of digital methods as established. Through daily interactions, internet usage has socially influenced most people and it's hard to avoid the utilization of web in the modern era. Accordingly, I- tax usage is socially influenced thus improving rental income tax compliance.

2.3 Empirical Literature

This section reviews previous studies which are appropriate to the objectives of this study. In this case, the study has reviewed the effects of electronic tax system on rental income tax compliance in Kenya.

2.3.1 Electronic Tax Registration and Rental income tax compliance

Electronic tax system is a framework that was created to supplant the KRA electronic framework. It is a web-empowered and safe software framework that gives a completely coordinated and robotized answer for organization of household charges. It empowers Taxpayer web-based PIN enlistment, returns documenting, installment enrollment to take into consideration tax installments and status request with continuous checking of records (Waweru 2013).

As per Kun, et al (2008), for quite a while, taxpayer supported organizations have been viewed as one and the same with administration in industrialized and developing nations. The Webbers laws incorporate such elements as composed pecking order, advancement of institutionalized and generic systems, formal division of work and duty, and underlined productivity in all strategies.

In Uganda, Auyat (2013) completed a research study on E-tax administration framework including charge enrollment and its appropriation at Uganda Revenue Authority. This study found out that employment of E-tax framework by Uganda Revenue Authority prompted an increase in income in In Uganda.

In Kenya, taxpayers show varying levels of rental income tax compliance. As far rental property owners are concerned Rizal (2011) and Kuria (2013) discovered attitude, information distinction, out of line charge rate, deceptive nature of rental pay citizens, absence of mindfulness and intricacy of duty law which can be improved by presentation of innovation all the while.

2.3.2 Electronic Tax Filing and Rental income tax compliance

Ambali (2009), proposed that measures be taken to improve e-filing by Kenyan government departments to ensure conformity to the public e-filers' satisfaction. He noted that e-filing was marginal within taxpayers. The finding was like the e-Filing usage reported by Izatuna (2008). Perception concerning filing electronically by taxpayers is affected through the manner they identify usefulness of an e-Filing system, Zaherawati, et al (2009).

Muita (2011) completed similar research to do with components affecting reception, adoption of electronic submission methods in Kenya's major taxpayers. The research analyzed the abilities needed by clients of digital returns, infrastructure needed, also expense expert's readiness in improving the reception of rental pay charge. The investigation found that for electronic filing to practically be adopted in Kenya; abilities, good system plans and a supportive business condition are required.

Bobek et al. (2007), then again, went for a theoretical assessment condition in own studies investigating non-compliance behavior in United States, Austria, Switzerland. Results demonstrated that Switzerland had high compliance percentage rate of 27 . Austria non-compliance decreased by a percentage of 44. The study further proposed

high adherence being noteworthy in Switzerland (55 percent) with Austria at (35 percent). It was attributed to e-tax filing systems in those countries.

2.3.3 Electronic Payment System and Rental income tax compliance

Nyambo (2009) indicated that of electronic tax payment systems has enhanced compliance especially because there is a reduction in the time taken to manually make payments at KRA. In addition, Harold (2011), PC produced submissions, digitally relayed, prove commonly simpler in handling than physical submissions because data involving structures need not be entered singly to the network, consequently reducing mistakes.

Mugisha, (2001) bears witness to utilization of digital means upgrades opportune permission to exact important data, essential to proper arranging, encoding, execution, observing and assessment which shapes the key part being developed. Suluo (2013) demonstrates that ICT use has prompted abnormal state authoritative development. Crede, (2008) uncovers two realities; first; ICT can build profitability and make more savvy yield with the equivalent or less sources of info. Secondly, advancement of ICT applications for business use improve organizational services as well as products.

D'Arcy (2011) noted that tax behaviour in evolving economies remains under researched, available studies tries only to explore general elements that determine rental income tax compliance behaviour. There is scanty literature on factors that influence the tax payment behaviour among rental income earners. Carroll (2012) regarding revenue generation concerning ladies in the nonformal segment in Ghana discovered the greater part (65 percent) of the ladies reviewed knew that they need to cover regulatory expenses.

However, the time taken to conduct tax activities was more. Their argument was use of electronic tax systems enhances adherence rate.

2.4 Conceptual Framework

Conceptual framework highlights the relationships between the independent variables and the dependent variable. The conceptual framework for this study is shown in Figure 2.1. The independent variable will be Electronic Tax System measured by Electronic registration, Electronic filing and Electronic payment. The dependent variable will be rental income tax compliance measured by; number of registered tax payers, number of returns filed and the tax paid.

Electronic Tax System

Independent Variables

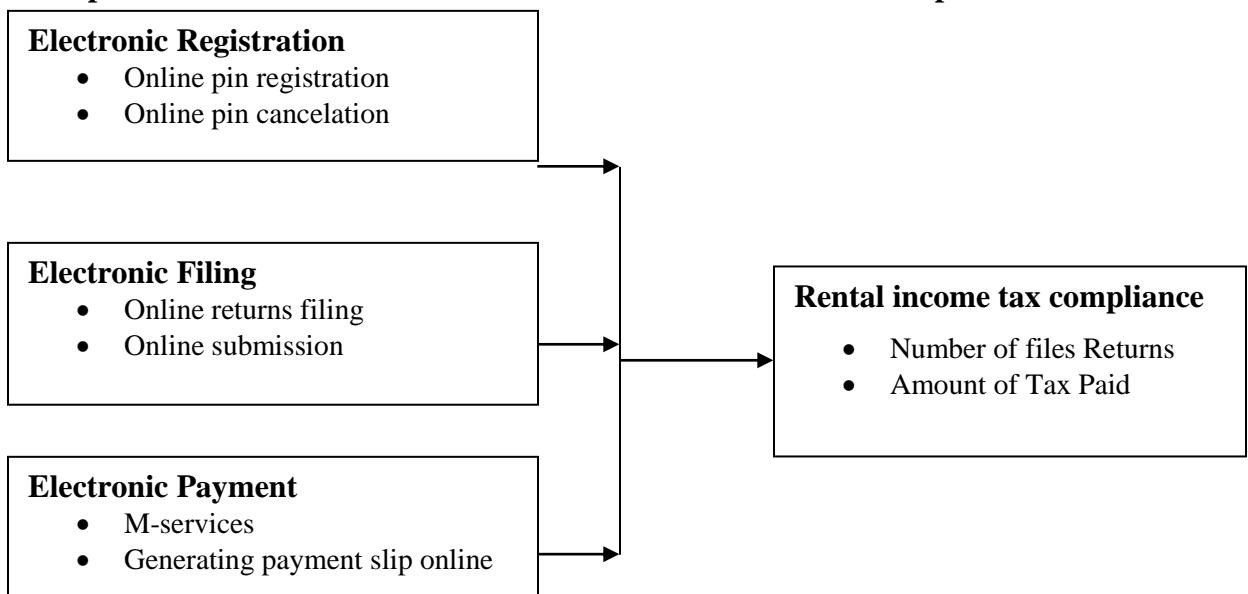


Figure 2.1 : Conceptual Framework

2.5 Critique of Existing Literature

The investigation by D'Arcy (2011) concentrated on electronic tax systems and rental pay charge consistence in the US; McKerchar and Evans (2009) and Cobham (2005) built up the connection between electronic tax frameworks and rental salary charge compliance among European countries and a study by Bobek *et al.* (2007) investigated electronic tax systems and taxpayers' non-compliance behaviour in the US, Australia and Singapore. These studies focused on other contexts other than Kenya.

The study by Auyat (2013) focused on Electronic tax service system and its acceptance at Uganda Revenue Authority while Carroll (2011) focused on taxation among women in the informal sector in Ghana.

The study by Wawira *et al* (2017) focused on the effects of Electronic Tax System on Tax Collection Efficiency in Domestic Taxes Department of Kenya Revenue Authority, Rift Valley Region while Kuria (2013) focused on factors affecting Rental income tax compliance among Landlords in Kilifi Municipality. These studies did not focus on Eldoret.

2.6 Summary of Literature Review

The chapter discussed the theoretical literature and empirical literature, illustrates the conceptual framework that has been designed. The independent variables are E-registration, E-filing and E-payment. The dependent variable was rental income tax compliance.

2.7 Research gaps

From the critique of literature, there were contextual and conceptual knowledge gaps. Some studies presented a contextual knowledge gap since they focused on contexts outside of Kenya and hence their findings cannot be generalized to Kenya. Such studies include D'Arcy (2011) which was conducted in the USA; McKerchar and Evans (2009) and Cobham (2005) which was conducted among European countries ; Bobek *et al.* (2007) which compared the US, Australia and Singapore ; Auyat (2013) conducted in Uganda and Carroll (2011) which focused on Ghana.

Other studies presented conceptual differences since the variables of choice were different from that of the current study although the contextual focus was Kenya. The study by Wawira *et al* (2017) focused on tax collection efficiency while this study focused on rental income compliance. Kuria (2013) focused on rental income tax but did not focus on tax systems.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter explains various methods used to generate data in this study. It discusses the methodology that was used or adopted in the study and procedures that were used to carry out the research. It outlines research design, target population, sampling frame, sample size and the sampling method. It continues to portray information gathering system, information accumulation instruments and information examination procedures that were required in the research.

3.2 Research Design

Research design is the strategy which governs data collection to attain the objectives of the research, that is, to come up with new knowledge established on an existing one. According to Kothari (2014), research design is the manner in which the research study is devised and describes the process and tools for collecting data, how to gauge the variables corresponding with the phenomenon, and the statistical analysis that were applied to the data obtained. The plan should logically answer the problem statement or research questions. The study utilized an explanatory research design. According to Sarma and Misar (2006) argues that explanatory research design is useful in establishing a cause effect relationship between variables. Since the study focused on establishing the effect of electronic tax system on rental income tax compliance, this research design was suitable.

3.3 Target Population

Target population is the total group of individuals from which the sample will be drawn. According to Mugenda and Mugenda (2013), Ngechu (2004), target population entails an entire group of persons or things which have similar features which are preferred by the investigator. The target population of this study comprised of 332 registered landlords within Eldoret Central Business District according to the KRA records for Eldoret Sub Station.

3.4 Sampling and Sampling technique

A sample consist a smaller but representative collection of units selected from the larger group and is used by the researcher to draw conclusions about the population of interest.

The sample frame is the group of individuals from the objective populace given the testing procedure utilized in the examination. The example may speak to just a segment of the objective populace, therefore; the researcher needs to examine carefully whether the selected sample frame fits the study objectives or hypotheses, and especially if there are strategies to overcome the sample frame limitations.

Sampling technique is a statistical method that a researcher uses in order to come up with an appropriate sample which will represent the population of interest (Cooper & Schindler, 2003). Subjects in the population were sampled by a random process known as simple random sampling, using either a random number generator or a random number table, so that each person remaining in the population has the same probability of being selected for the sample. The list of all subjects in this population is called the “sampling frame”. From this list of 332 rental income earners, Yamane (2004) sample size formula

was used to select a sample size of 181 individuals owning rental houses within Eldoret CBD.

$$\begin{aligned} \frac{N}{1+N(e^2)} &= \\ &= \frac{332}{1+332(0.05^2)} \\ &= 181 \end{aligned}$$

This technique is appropriate when the whole population is accessible and the investigators have a list of all subjects in the target population.

3.5 Data Collection Instruments

Data collection involves a process that is precise and entails systematic gathering of information relevant to the research sub-problems. The researcher used questionnaire as the primary instrument for data collection. The questionnaire was formatted to contain sections reflecting the study variables. Closed questions were employed in each section for collection of respondents' views, opinion and attitude. The questionnaire was self-administered through drop and pick method to the officers of the enterprises, via research assistants. Use of self-administered questionnaire is recommended for eliciting self-report on respondents' opinions, attitudes and values (Mugenda & Mugenda, 2013).

3.6 Data Collection Procedures

The study used both primary and secondary data. Primary data was collected from the correspondents using questionnaires whereas secondary data was collected from KRA periodic reports. The data collection period was between the year 2016 and 2018. This choice was appropriate because rental income tax was introduced in the year 2016.

3.6.1 Operationalization of the Study Variables

The section presents operationalization of the study variables.

Table 3.1 Operationalization of the Study Variables

Variable	Type	Indicators	Source	Instrument and Measurement Scale	Analysis Method
Electronic registration	Independent Variable	<ul style="list-style-type: none"> • Online pin registration • Online pin cancelation 	Kun, <i>et al</i> (2008), Auyat (2013)	<ul style="list-style-type: none"> • Questionnaire • Five point likert scale 	<ul style="list-style-type: none"> • Regression analysis • Correlation analysis
Electronic filing	Independent Variable	<ul style="list-style-type: none"> • Online returns filing • Online compliance certificate application 	Zaherawati, <i>et al</i> (2009); Izatuna (2008).	<ul style="list-style-type: none"> • Questionnaire • Five point likert scale 	<ul style="list-style-type: none"> • Regression analysis • Correlation analysis
Electronic payment	Independent Variable	<ul style="list-style-type: none"> • M-services • Generating payment slip online 	Nyambo (2009) ; Harold (2011)	<ul style="list-style-type: none"> • Questionnaire • Five point likert scale 	<ul style="list-style-type: none"> • Regression analysis • Correlation analysis
Rental Income tax Compliance	Dependent Variable	<ul style="list-style-type: none"> • Number of files Returns • Amount of Tax Paid 	Duhaim e (2015).	<ul style="list-style-type: none"> • Secondary data collection sheet • Secondary data 	<ul style="list-style-type: none"> • Trend Analysis

3.7 Pilot Testing

Pilot study was conducted before main research to establish validity and reliability of the instrument of data collection (Mugenda & Mugenda, 2013). It's carried out before the main study to test out the instrument among practitioners and professionals in the subject area. Adjustments and modifications were made to the questionnaire after the pilot study is done in preparation for the main exercise.

3.7.1 Reliability Testing

Reliability is the extent to which a test, measurement procedure, or a questionnaire generates common outcomes on repeated trials. It is the consistency or stability of scores across raters or over time (Sandelowski, 2000). It is the degree to which the measures yield stable results and are free from error that is the measurement procedure stableness (Hooley et al, 2008). Test questionnaire was administered to 10 individuals from the target population who won't be incorporated into the last examination test. The researcher used the most widely recognized inner consistency measure known as Cronbach's Alpha (α) which was created by appropriate statistical technique. It demonstrates the degree to which an arrangement test of things can be dealt with as measuring a solitary inert variable (Ritter, 2010). The suggested estimation of 0.7 was used as a cut-off of dependability for this study.

3.7.2 Validity Testing

Validity refers to the accuracy and meaningfulness of inferences, which are based on the research findings. Validity is the data's ability to be generalized across persons, settings, and times (Cooper & Schindler 2006). According to Bryman and Bell (2003), questionnaires are referred to always lack validity for many reasons. Several individuals may lie; give responses that are desired and so on. This study used content validity. The opinion of the respondents in the field of tax was sought to ascertain whether the questionnaire was relevant for the study.

Their opinion helped in revision and modification of the research instrument thereby enhancing validity. Face validity was also established through a review of the questions against the literature review.

3.8 Data Analysis and Presentation

This is the identification of significant patterns in the information that has been collected. According to Orodho (2005), it is simply the categorizing, operating and summarizing of the collected data so as to establish responses to the questions of research.

The study adopted a regression analysis whereby the Statistical Package for Social Sciences (SPSS) was used.

The regression model was:

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

$$Y = \beta_0 + \beta_1 X_1 + e$$

$$Y = \beta_0 + \beta_2 X_2 + e$$

$$Y = \beta_0 + \beta_3 X_3 + e$$

Where:

Y = Rental income tax compliance

($\beta_{i;1=1, 2, 3}$) = The coefficients for the various independent variables

X_1 = Electronic Registration, X_2 = Electronic Filing, X_3 = Electronic Payment System and

e = error term

3.9 Ethical consideration

This involves the moral standards that are considered by the researcher in all the research aspects during the research process. During the research process, the researcher encountered some challenges and setbacks from the suspicious respondents who did not voluntarily provide the requested information probably because of lack of trust and confidentiality. Some thought they were acting contrary to the organization's ethics and policies but researcher reassured them that the information is required for the purpose of research only and that there were no hidden intentions and agenda. The researcher also encountered constraint of time during the research process.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings from the collected data. The findings presented are descriptive and inferential findings. The chapter has presented and discussed the results per objective of the study.

4.2 Response Rate

A total of 181 questionnaires were issued to the landlords of rental houses within Eldoret CBD. Out of the number, a total of 141 questionnaires were properly filled and collected. This represented a response rate 78% as shown in Figure 4.1. According to Cooper and Schindler (2003), a response rate of above 50% is adequate for a descriptive study. This response rate was hence adequate for this study.

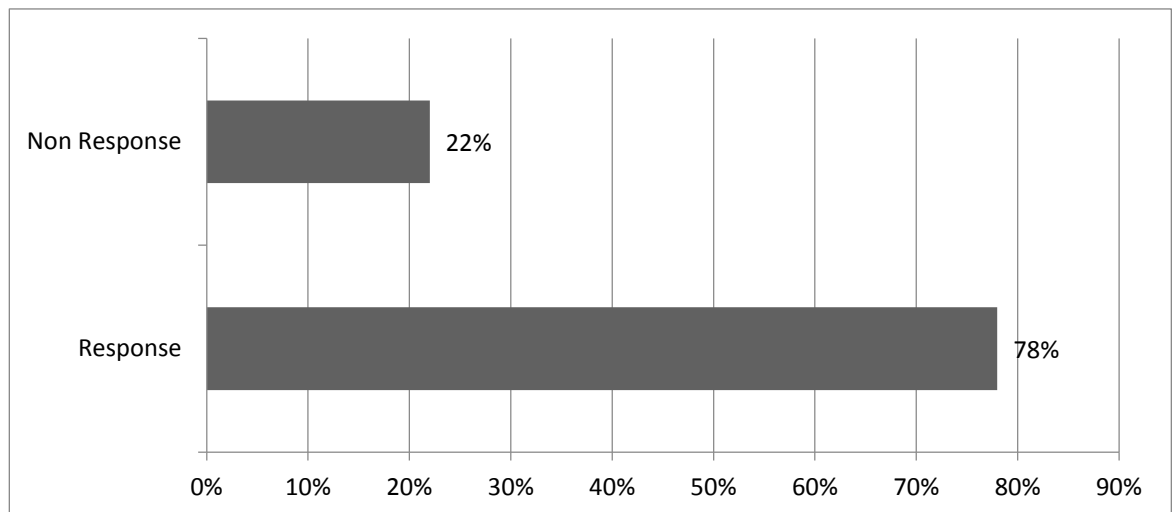


Figure 4.1: Response Rate

4.3 Pilot Test Results

The study conducted a pilot test to establish the dependability of the research instrument. Reliability test was carried out on a set of 10 respondents and the data was utilized to establish the internal consistency through Cronbach Alpha. The pilot test results indicated in Table 4.1 showed that all the variable constructs had Cronbach's Alpha above the minimum acceptable reliability coefficient of 0.7 which implied good internal consistency. Based on this analysis, all items measuring various variables were accepted and considered for the study. According to Sandelowski (2000), a Cronbach's Alpha value of at least 0.7 is recommended.

Table 4.1: Pilot Test Results

Variables	Cronbach's alpha	Number of Items	Comment
Electronic Registration	0.816	5	Reliable
Electronic Filing	0.721	5	Reliable
Electronic Payment System	0.883	5	Reliable
Rental Income Tax Compliance	0.768	5	Reliable

4.4 Descriptive Findings and Analysis

Descriptive findings were used to establish the mean and standard deviation of the responses on the Likert scales applied in the study. A scale of 1 to 5 was applied in the research whereby 1 = Strongly Disagree, 2 = Disagree, 3 = Uncertain, 4 = Agree and 5 = Strongly Agree.

The study weighed the rating and presented the average response per statement. The standard deviation was also presented to indicate the variations in the responses.

4.4.1 Descriptive Findings of Electronic Registration

The first objective of the study was to investigate the effect of electronic registration on rental income rental income tax compliance by landlords in Eldoret Central Business District, Kenya. The respondents were asked to rate statements on electronic registration on a five point likert scale and the responses were established and presented in Table 4.2.

It was established that the respondents agreed that they have Registered as a taxpayers in the KRA system (Mean = 3.74), it is easy to remember the registration number and password (Mean = 4.02) and that it is easy to use the online system (Mean = 3.91).

The findings also showed that the respondents agreed that using online registration has removed pressure and crowding at the KRA offices (Mean = 4.17) and that online registration is faster than the manual system (Mean = 4.57). On average, there was agreement on statements on electronic registration by the owners of rental houses within Eldoret CBD (Average Mean = 4.09). The standard deviation of 0.72 was smaller than the mean which implies that the variation in the responses was minimal.

Table 4.2: Descriptive Findings of Electronic Registration

Statement	Mean	Standard Deviation
I have Registered as a taxpayer in the KRA system	3.74	0.65
The electronic tax system makes it easy to remember the registration number and password.	4.02	0.81
It is easy to use the online system	3.91	0.84
Using online registration has removed pressure and crowding at the KRA offices	4.17	0.82
Online registration is faster than the manual system	4.57	0.50
Average	4.09	0.72

4.4.2 Descriptive Findings of Electronic Filing

The second objective of the study was to determine the effect of electronic filing on rental income rental income tax compliance by landlords in Eldoret Central Business District, Kenya. The respondents were requested to rate statements on electronic filing on a five point likert scale and the findings are presented in Table 4.3.

The findings established that the respondents agreed that they have someone else file for them their taxes (Mean = 4.00), they use E-filing because it is advertised as being more effective and efficient than manual filing (Mean = 4.01) and that they have network problems when filing during peak hours (Mean = 4.40). The respondents also agreed that KRA has offered an enabling environment for tax filing (Mean = 3.60) but were uncertain on the statement that using E-filing enhances their effectiveness in preparing their tax return resulting in fewer errors (Mean = 3.22).

On average, there was agreement on statements on electronic filing by the owners of rental houses within Eldoret CBD (Average Mean = 3.85). The standard deviation of 0.76 was smaller than the mean which implies that the variation in the responses was minimal.

Table 4.3: Descriptive Findings of Electronic Filing

Statement	Mean	Standard Deviation
I have someone else file for me my taxes	4.00	0.84
I use E-filing because it is advertised as being more effective and efficient than manual filing	4.01	0.83
I have network problems when filing during peak hours	4.40	0.49
KRA has offered an enabling environment for tax filing	3.60	0.49
Using E-filing enhances my effectiveness in preparing my tax return resulting in fewer errors	3.22	1.15
Average	3.85	0.76

4.4.3 Descriptive Findings of Electronic Payment System

The third objective of the study was to find out the effect of electronic payment system on rental income rental income tax compliance by landlords in Eldoret Central Business District, Kenya. The respondents were asked to rate statements on electronic filing on a five point likert scale and Table 4.4 shows the findings.

The findings indicated that the respondents agreed that they know the payment procedure (Mean = 4.17), someone else makes the payments on their behalf (Mean = 3.96) and that adopting online payments updates their ledger real time (Mean = 4.02). The respondents also agreed that they are able to pay their tax liability faster and easier since they started using E-payment (Mean = 4.52) and that they are satisfied with electronic payment procedure (Mean = 4.26).

On average, the respondents agreed with statements on electronic payment system (Average Mean = 4.19). The standard deviation of 0.71 was smaller than the mean which implies that the variation in the responses was minimal.

Table 4.4: Descriptive Findings of Electronic Payment System

Statement	Mean	Standard Deviation
I know the payment procedure	4.17	0.71
Someone else make the payments on my behalf	3.96	0.82
Adopting online payments updates our ledger real time	4.02	0.83
I am able to pay my tax liability faster and easier since I started using E-payment	4.52	0.50
I am satisfied with electronic payment procedure	4.26	0.69
Average	4.19	0.71

4.4.4 Descriptive Findings of Rental income tax compliance

The respondents were asked to rate statements on tax compliance on a five point likert scale from a scale of 1 = Strongly Disagree, 2 = Disagree, 3 = Uncertain, 4 = Agree and 5 = Strongly Agree. The mean response as well as the variation in the responses was established and presented in Table 4.5.

The findings indicated that the respondents agreed that sometimes, they forget to file their returns (Mean = 4.04) but at the same time they agreed that they file on time when they remember (Mean =3.99). They were however neutral on whether they always pay correct taxes for fear of being penalized (Mean = 3.44) or on whether they file accurate rental income tax to avoid penalties (Mean = 3.40). The respondents were also neutral on

whether they pay accurate rental income tax (Mean = 2.51). On average, the respondents agreed with statements on tax compliance (Average Mean = 3.59). The standard deviation of 0.80 was smaller than the mean which implies that the variation in the responses was minimal.

Table 4.5: Descriptive Findings of Tax Compliance

Statement	Standard	
	Mean	Deviation
Sometimes, I forget to file my returns	4.04	0.78
I always file my returns on time	3.99	0.83
I always pay correct taxes for fear of being penalized	3.44	0.85
I file accurate rental income tax to avoid penalties	3.40	0.50
I pay accurate rental income tax amount	2.51	0.50
Average	3.59	0.80

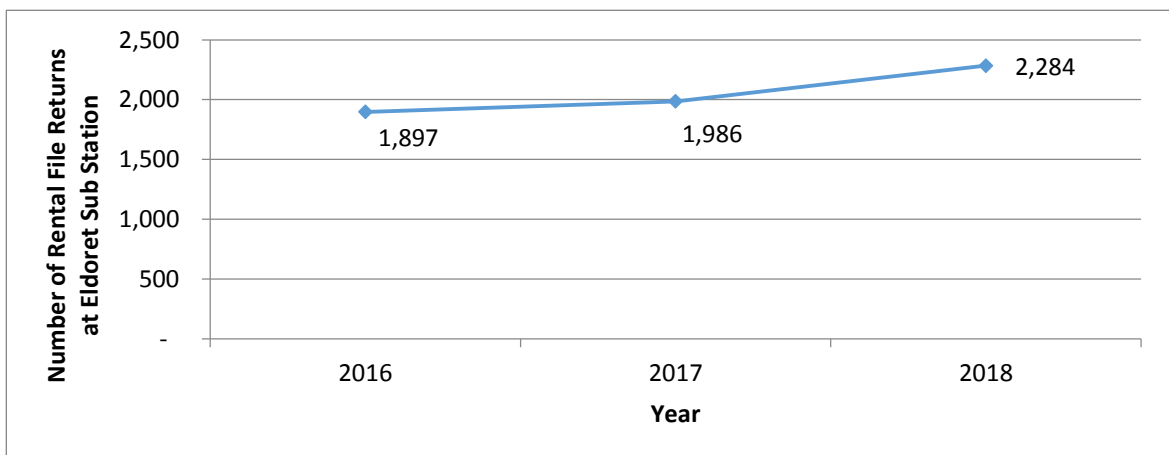
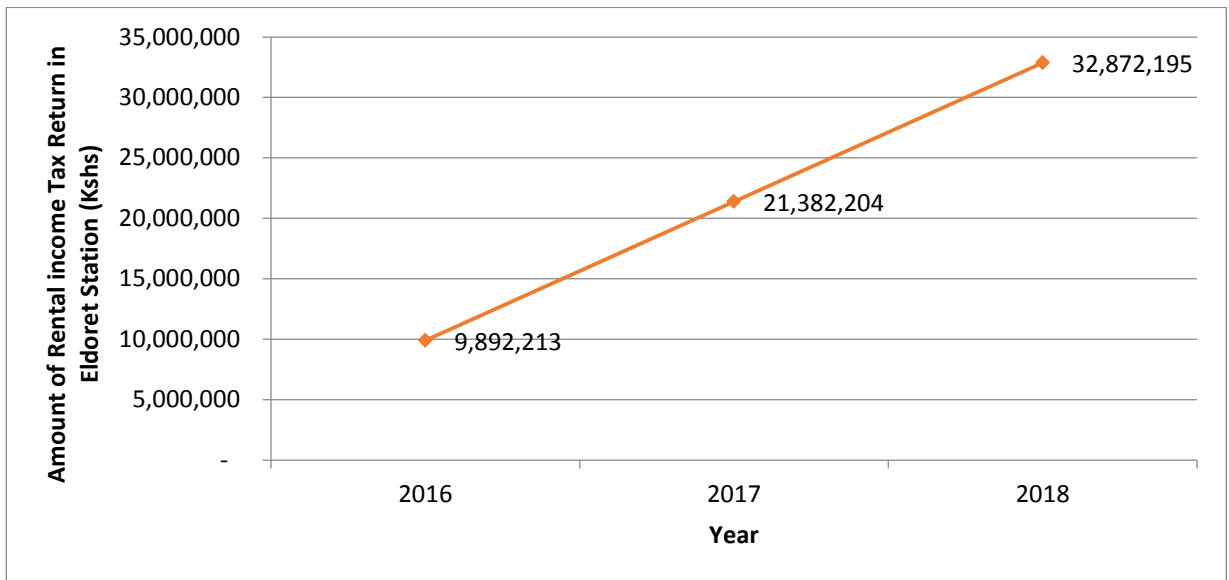


Figure 4.2: Number of Rental Income File Returns at Eldoret Substation

Secondary data on the number of file returns and the amount of tax paid was collected from the year 2016 and 2018 and used to draw trend analysis as shown in the figures below. The findings in Figure 4.2 indicated a growth in the number of rental income tax payers recruited in Eldoret between the year 2016 and 2018.



The study also established the trends of the amount of rental income tax in Kshs from the year 2016 to the year 2018 at Eldoret Sub Station. The findings in Figure 4.3 indicated a growth in the amount of rental income tax in Eldoret between the year 2016 and 2018. The amount increased from Kshs.9, 892,213 in the year 2016 to Kshs. 32,872,195. This implies that using electronic tax systems improves rental income tax compliance.

Figure 4.3: Amount of Rental Income Tax (Kshs) at Eldoret Substation

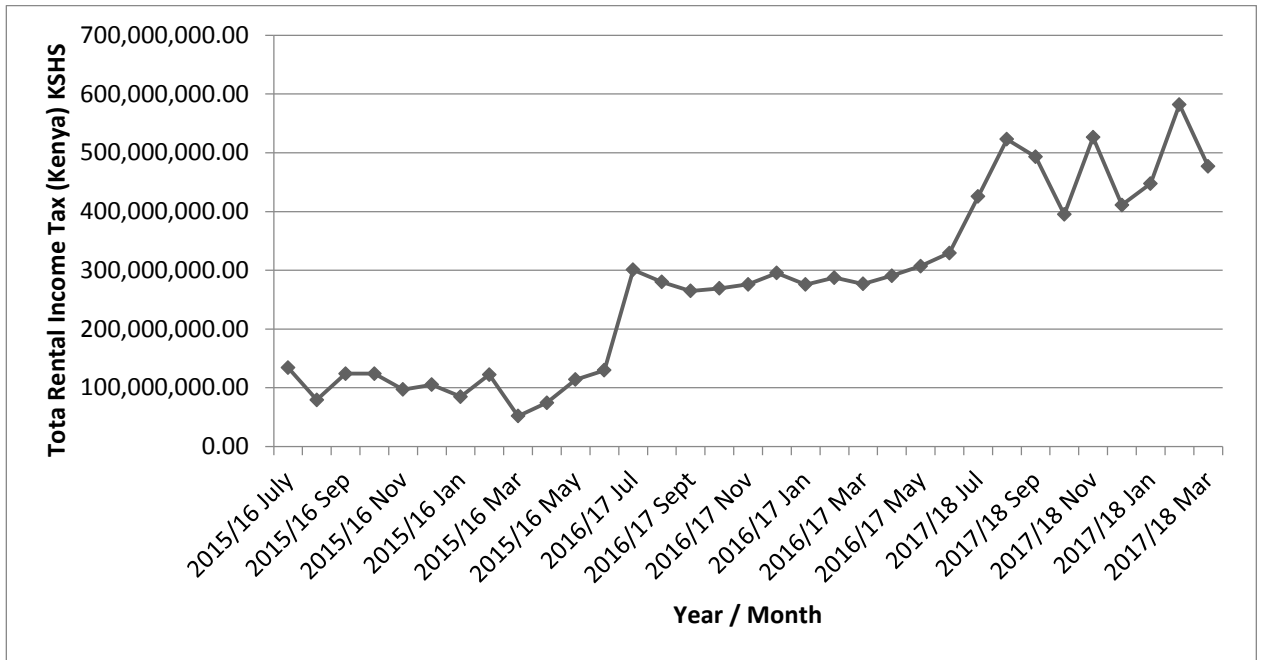


Figure 4.4: Total Amount of Rental Income Tax (Kshs) (Monthly) at KRA

The study also compared the Eldoret station rental income tax revenue collected to the total rental income tax revenue at KRA collected on a monthly basis from July 2016 to March 2018 as shown in Figure 4.4. 2018. The findings reveal unsteady but increasing total rental income tax revenue at KRA between the year 2016 and 2018.

4.5 Correlation Analysis

The study used correlation to ascertain the association between independent variables and dependent variables. Correlation analysis was used to indicate the change in rental income rental income tax compliance given a change in any of the electronic tax systems. The findings are presented in Table 4.6.

The findings indicated that electronic registration has a positive effect on rental income rental income tax compliance by landlords in Eldoret Central Business District, Kenya ($r = .145$, $\text{Sig} = .047$). This implies that an increase in electronic registration would lead to an increase in rental income rental income tax compliance by landlords in Eldoret Central Business District, Kenya. The findings also indicated that electronic filing has a positive effect on rental income rental income tax compliance by landlords in Eldoret Central Business District, Kenya ($r = .285$, $\text{Sig} = .001$).

This implies that an increase in electronic filing would lead to an increase in rental income rental income tax compliance by landlords in Eldoret Central Business District. It was also established that electronic payment system has a positive effect on rental income rental income tax compliance by landlords in Eldoret Central Business District ($r = .494$, $\text{Sig} = .000$). This implies that an increase in electronic payment would lead to an increase in rental income rental income tax compliance by landlords in Eldoret Central Business District.

Table 4.6: Correlation Analysis

		Electronic Registration	Electronic filing	Electronic payment System	Rental Income Rental income tax compliance
Electronic Registration	Pearson Correlation	1			
	Sig. (2-tailed)				
Electronic filing	Pearson Correlation	.177*	1		
	Sig. (2-tailed)	0.036			
Electronic payment System	Pearson Correlation	0.023	0.079	1	
	Sig. (2-tailed)	0.789	0.352		
Rental Income Rental income tax compliance	Pearson Correlation	0.145	.285**	.494**	1
	Sig. (2-tailed)	0.047	0.001	0.000	
	N	141	141	141	141
* Correlation is significant at the 0.05 level (2-tailed).					
** Correlation is significant at the 0.01 level (2-tailed).					

4.6 Regression Analysis

A regression model was used to establish the relationship between the study variables. This section has been presented to test the effect of each electronic tax system on rental income rental income tax compliance by landlords in Eldoret Central Business District. The section has been presented per objective.

4.6.1 Multivariate Regression Analysis

A multivariate regression analysis was conducted to establish the effect of electronic tax systems (electronic payment, electronic filing and electronic registration) on rental income tax compliance. A multivariate regression model was used, and the findings are presented in Table 4.7.

The findings indicate an R value (Correlation coefficient) value of 0.588 which indicates a joint positive effect of electronic tax system (electronic payment, electronic filing and electronic registration) on rental income tax compliance implying that an increase in electronic tax systems would lead to an increase in rental income tax compliance by landlords in Eldoret Central Business District.

The study findings indicated that the R-square was 0.346 which implies that 34.6% of the variation in rental income tax compliance by landlords in Eldoret Central Business District can jointly be explained by electronic tax systems (electronic payment, electronic filing and electronic registration). The remaining percentage (65.4%) can be explained by other factors other than electronic tax systems (electronic payment, electronic filing and electronic registration).

The study findings further confirmed that the three electronic tax systems (electronic payment, electronic filing and electronic registration) have a positive ($B = 0.430, 0.207$ and 0.170) respectively and significant ($Sig = 0.000, 0.000$ and 0.004) respectively. This implies that holding other factors constant, a unit increase in electronic payment leads an increase in rental income tax compliance by 0.430 units, a unit increase in electronic filing leads an increase in rental income tax compliance by 0.207 units and a unit increase in electronic registration leads an increase in rental income tax compliance by 0.170 units.

Table 4.7: Effect of Electronic Tax Systems on Rental income tax compliance

Model Summary					
R	R Square	Adjusted R Square	Std. Error of the Estimate		
0.588	0.346	0.332	0.2648		
ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Regression	5.089	3	1.696	24.18	.000
Residual	9.609	137	0.07	8	
Total	14.698	140			
Coefficients					
	Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.
	B		Beta		
(Constant)	0.730	0.417		1.749	0.082
Electronic Registration	0.170	0.058	0.206	2.932	0.004
Electronic Filing	0.207	0.051	0.284	4.033	0.000
Electronic payment	0.430	0.063	0.477	6.877	0.000

Dependent Variable: Rental Income Tax Compliance
Predictors: (Constant), Electronic Payment, Electronic Registration, Electronic Filing

Regression Equation

Rental income tax compliance = 0.730 + 0.170 (Electronic Registration) + 0.207 (Electronic Filing) + 0.430 (Electronic Payment System)

The regression equation indicates that rental income tax compliance is already at 0.740 (positive) before consideration of electronic tax systems (Electronic Registration, Electronic Filing and Electronic Payment System). However, when electronic tax payment System is considered, rental income tax compliance improves by 0.430 units, when electronic registration is considered; rental income tax compliance improves by 0.170 units and when electronic filing is considered, rental income tax compliance improves by 0.207 units.

4.6.2 Effect of Electronic Registration on Rental income tax compliance

The first objective of the study was to establish the effect of electronic tax system on rental income rental income tax compliance by landlords in Eldoret Central Business District, Kenya. A regression model was used to test the relationship. The findings are presented in Table 4.8.

The findings indicate an R value (Correlation coefficient) value of 0.145 which indicates a positive effect of electronic registration on rental income rental income tax compliance by landlords in Eldoret Central Business District implying that an increase in electronic registration would lead to an increase in rental income rental income tax compliance by landlords in Eldoret Central Business District. The study findings also indicated that the R-square was 0.021 which implies that 2.1% of the variation in rental income rental income tax compliance by landlords in Eldoret Central Business District can be explained

by electronic registration. The remaining percentage (97.9%) can be explained by other factors other than electronic registration.

It was also established that the regression model linking electronic registration to rental income rental income tax compliance was fit as shown by a significant value of F statistic (Sig = .047, < 0.05). The beta value was .120 which implies that electronic registration had a positive effect on rental income rental income tax compliance by landlords in Eldoret Central Business District. The effect of electronic registration on rental income rental income tax compliance by landlords in Eldoret Central Business District was also statistically significant (Sig = .047) which is less than a p value of 0.05 at 5% level of significance. This implies that a unit increase in tax registration would result to a statistically significant increase in rental income rental income tax compliance by landlords in Eldoret Central Business District by 0.120 units.

Table 4.8: Effect of Electronic Registration on Rental income tax compliance

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
	.145	0.021	0.014	0.3218		
ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	0.308	1	0.308	2.975	0.047
	Residual	14.39	139	0.104		
	Total	14.698	140			
Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig
	(Constant)	3.535	0.285		12.401	0.000
	Electronic Registration	0.120	0.049	0.145	2.449	0.047

Regression Equation

Rental Income Rental income tax compliance = 3.535 + 0.120 (Electronic Registration)

The regression equation indicates that rental income rental income tax compliance is already at 3.535 (positive) before consideration of electronic registration. When electronic registration is considered, rental income rental income tax compliance improves by 0.120 units.

4.6.3 Effect of Electronic Filing on Rental income tax compliance

The second objective of the study was to determine the effect of electronic filing on rental income tax compliance by land lords in Eldoret Central Business District. A regression model was used to test the relationship. The findings are presented in Table 4.9.

The findings indicate an R value (Correlation coefficient) value of 0.285 which indicates a positive effect of electronic filing on rental income tax compliance implying that an increase in electronic filing would lead to an increase in rental income tax compliance by land lords in Eldoret Central Business District.

The study findings indicated that the R-square was 0.081 which implies that 8.1% of the variation in rental income tax compliance by land lords in Eldoret Central Business District can be explained by electronic filing. The remaining percentage (91.9%) can be explained by other factors other than electronic filing.

It was also established that the regression model linking electronic filing to rental income tax compliance was fit as shown by a significant value of F statistic (Sig = .001). The beta value was .208 which implies that electronic filing had a positive effect on rental income tax compliance by land lords in Eldoret Central Business District. The effect of

electronic filing on rental income tax compliance by landlords in Eldoret Central Business District was also statistically significant (Sig = .001) which is less than a p value of 0.05 at 5% level of significance. This implies that a unit increase in tax filing would result to a statistically significant increase in rental income tax compliance by land lords in Eldoret Central Business District by 0.208 units.

Table 4.9: Effect of Electronic Filing on Rental income tax compliance

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
	.285	0.081	0.075	0.3117		
ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	1.195	1	1.195	12.3	0.001
	Residual	13.503	139	0.097		
	Total	14.698	140			
Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	3.224	0.23		14.049	0.000
	Electronic Filing	0.208	0.059	0.285	3.507	0.001

Predictors: (Constant), Electronic Filing
 Dependent Variable: Rental income tax compliance

Regression Equation

$$\text{Rental income tax compliance} = 3.224 + 0.208 (\text{Electronic Filing})$$

The regression equation indicates that rental income rental income tax compliance is already at 3.224 (positive) before electronic tax filing is considered. When electronic tax filing is considered, rental income tax compliance improves by 0.208 units.

4.6.4 Effect of Electronic Payment System on Rental income tax compliance

The third objective of the study was to find out the effect of electronic payment system on rental income tax compliance by landlords in Eldoret Central Business District. A regression model was used to test the relationship. The findings are presented in Table 4.10.

The findings indicate an R value (Correlation coefficient) value of 0.494 which indicates a positive effect of electronic payment system on rental income tax compliance implying that an increase in electronic payment system would lead to an increase in rental income tax compliance by landlords in Eldoret Central Business District.

The study findings indicated that the R-square was 0.244 which implies that 24.4% of the variation in rental income tax compliance by landlords in Eldoret Central Business District can be explained by electronic payment system. The remaining percentage (75.6%) can be explained by other factors other than electronic payment system.

The study findings further revealed that the regression model linking electronic payment system to rental income tax compliance was fit as shown by a significant value of F statistic (Sig = .000). The beta value was .446 which implies that electronic payment system had a positive effect on rental income tax compliance by landlords in Eldoret Central Business District. The effect of electronic payment system on rental income tax compliance by landlords in Eldoret Central Business District was also statistically significant (Sig = .000) which is less than a p value of 0.05 at 5% level of significance. This implies that a unit increase in electronic payment system would result to a statistically significant increase in rental income tax compliance by landlords in Eldoret Central Business District by 0.446 units.

Table 4.10: Effect of Electronic Payment System on Rental income tax compliance

Model Summary					
Model	R	R Square	Adjusted R Square	R Std. Error of the Estimate	
	.494	0.244	0.239	0.2827	
ANOVA					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	3.591	1	3.591	44.937	.000
Residual	11.107	139	0.08		
Total	14.698	140			
Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.155	0.28		7.699	0.000
Electronic Payment	0.446	0.067	0.494	6.704	0.000

Dependent Variable: Rental income tax compliance
 Predictors: (Constant), Electronic Payment

Source: Research Data, 2019

Regression Equation

$$\text{Rental income tax compliance} = 2.155 + 0.446 (\text{Electronic Payment System})$$

The regression equation indicates that rental income tax compliance is already at 2.155 (positive) before consideration of electronic tax payment system. When electronic tax payment System is considered, rental income tax compliance improves by 0.446 units.

4.7 Discussion of Findings

The section presents and discusses the findings in collaboration with the findings of other studies on the theme. The section has been presented per objective.

4.7.1 Electronic Tax Systems and Rental Income Compliance by Landlords

The regression model linking electronic registration to rental income tax compliance was fit (F statistic = 24.188, Sig = 0.000). The multivariate results indicated that the three electronic tax systems (electronic payment, electronic filing and electronic registration) have a positive effect on rental income tax compliance (B = 0.170, 0.207 and 0.430) respectively. The multivariate results also indicated that the three electronic tax systems (electronic payment, electronic filing and electronic registration) have a significant effect on rental income tax compliance as shown by (Sig = 0.004, 0.000 and 0.000) respectively. The findings further showed that 34.6% of the variation in rental income tax compliance by landlords in Eldoret Central Business District can jointly be explained by electronic tax systems (electronic payment, electronic filing and electronic registration).

The findings are consistent with the findings of a study by Wahab (2012) in the European countries which revealed that electronic tax systems have improved compliance significantly. The findings are also consistent with the findings of a study by Atika (2012) and Muita (2010) who argued that electronic tax systems have enhanced tax collection and tax efficiency at KRA.

4.7.2 Electronic Registration and Rental Income Compliance by Landlords

The study findings indicated that electronic registration has a positive and statistically significant effect on rental income tax compliance by landlords in Eldoret Central

Business District ($B = 0.120$; $Sig = .047$) which is less than a significance level of 0.05 at 5% level of significance. This implies that a unit increase in tax registration would result to a statistically significant increase in rental income tax compliance by landlords in Eldoret Central Business District.

The findings are consistent with the findings of a study by Auyat (2013) which revealed that adoption of E-tax service system by Uganda Revenue Authority led to an increase in revenue collection. The findings are also consistent with the findings of Nyambo (2009), which indicated that ICT helps to maintain consistent record keeping allows timely access of such records and enables fast processing of returns which together improve the performance of tax revenue. The findings also agree with the findings of Kuria (2013) who indicated that adoption of technology in tax registration can improve the compliance since it simplifies the complexity of the tax process.

4.7.3 Electronic Filing and Rental Income Compliance by Landlords

It was also established that electronic filing has a positive and statistically significant effect on rental income tax compliance by landlords in Eldoret Central Business District ($B = 0.208$; $Sig = .001$) which is less than a significance level of 0.05 at 5% level of significance. This implies that an increase in tax filing would result to a statistically significant increase in rental income tax compliance by landlords in Eldoret Central Business District.

The findings are consistent with the findings of Harold (2011) who indicated that computer-generated returns, transmitted electronically, are generally easier to process than paper returns thus enhancing rental income tax compliance. The findings are also consistent with the findings of Mugisha (2001) which revealed that the use of ICT

enhances timely access to accurate and relevant information, which is a prerequisite for good planning, programming, implementation as well as monitoring and evaluation which forms the key component in development. Furthermore, the findings agree with Ambali (2009) who indicated that e-filing improve compliance and increases the tax amount collected.

4.7.4 Electronic Payment System and Rental Income Compliance by Landlords

The study findings also showed that electronic payment system has a positive and statistically significant effect on rental income tax compliance by landlords in Eldoret Central Business District ($B = 0.446$; $Sig = .000$) which is less than a significance level of 0.05 at 5% level of significance. This implies that an increase in electronic tax payment system would result to a statistically significant increase in rental income tax compliance by landlords in Eldoret Central Business District.

The findings are consistent with the findings of Crede (2008) which revealed that development of ICT applications for business use improves organizational services as well as products. The findings are also consistent with the findings of Ambali (2009) which revealed that e-tax systems are critical to enhancing the rental income tax compliance among tax payers. The findings also agree with Nyambo (2009) who indicated that adoption of electronic tax payment systems has enhanced compliance especially because there is a reduction in the time taken to manually make payments at KRA

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings, conclusions and provides policy recommendations. The conclusions relate directly to the specific objectives. The summary of findings guided conclusions of the study. Areas of further study are also suggested in this section.

5.2 Summary of Findings

The study sought to establish the effect of electronic tax system on rental income tax compliance by landlords in Eldoret Central Business District, Kenya. It focused on electronic registration, filing and payment. This section presents a summary of the study findings. The section has been presented per objective.

5.2.1 Electronic Registration

The findings showed that electronic registration had a positive effect on rental income tax compliance by landlords in Eldoret Central Business District. The effect of electronic registration on rental income tax compliance by landlords in Eldoret Central Business District was also statistically significant.

5.2.2 Electronic Filing

It was also established that electronic filing had a positive effect on rental income tax compliance by landlords in Eldoret Central Business District. The effect of electronic filing on rental income tax compliance by landlords in Eldoret Central Business District was also statistically significant.

5.2.3 Electronic Payment System

The findings also showed that electronic payment system had a positive effect on rental income tax compliance by landlords in Eldoret Central Business District. The effect of electronic payment system on rental income tax compliance by landlords in Eldoret Central Business District was also statistically significant.

5.3 Conclusion

The section presents the study conclusions based on the findings established. The conclusions guide development of the recommendations. This section has been presented per objective.

5.3.1 Electronic Registration

The study findings led to the conclusion that an increase in electronic tax registration would result to a statistically significant increase in rental income tax compliance by landlords in Eldoret Central Business District.

5.3.2 Electronic Filing

It was also concluded that an increase in electronic tax filing would result to a statistically significant increase in rental income tax compliance by landlords in Eldoret Central Business District.

5.3.3 Electronic Payment System

The study also concluded that an increase in electronic tax payment system would result to a statistically significant increase in rental income tax compliance by landlords in Eldoret Central Business District.

5.4 Limitations of the Study

The study experienced a challenge during data collection. Some of the landlords were illiterate and therefore did not understand the questionnaires. The study however employed competent research assistants to explain and translate the questionnaires. The study also faced a challenge of distance since Eldoret is quite far from Nairobi and therefore some of the questionnaires were administered via email and research assistants from the area were employed to administer the questionnaires.

5.5 Recommendations for Policy

Based on the findings that an increase in electronic tax registration would result to a statistically significant increase in rental income tax compliance by landlords in Eldoret Central Business District, the study recommends that KRA should aim to enhance electronic tax registration among the rental income tax payers. There is a need to enhance electronic tax registration practices such as online pin registration and online pin cancellation.

Since the study findings revealed that an increase in electronic tax filing would result to a statistically significant increase in rental income tax compliance by landlords in Eldoret Central Business District, the study recommends that KRA should aim to enhance

electronic tax filing among the rental income tax payers. There is a need to enhance electronic tax filing practices such as online returns filing and online compliance certificate application practices.

Based on findings that an increase in electronic tax payment system would result to a statistically significant increase in rental income tax compliance by landlords in Eldoret Central Business District, the study recommends that KRA should aim to enhance electronic tax payment among the rental income tax payers. There is a need to enhance electronic tax payment systems such as payment through M-services and generation of payment slips online.

The study also recommends that Kenya Revenue Authority should create more awareness among the landlords in Eldoret Central Business District in order to enhance the understanding of using electronic tax systems which can in the long run improve rental income tax compliance thereby improving tax revenue. The study also recommends that Kenya Revenue Authority should hold workshops in Eldoret and train the landlords on the usage of electronic tax systems which can still improve rental income tax compliance thereby improving tax revenue in future.

5.5 Suggestion for Further Study

The study focused on electronic tax system on rental income tax compliance by landlords in Eldoret Central Business District, Kenya. The contextual focus is narrow which opens up a room for future studies to widen the scope to other areas other than just Eldoret CBD. A rural setting is more preferable to establish whether similar findings can apply to a rural setting. Future studies can also focus on using qualitative data to interrogate the feelings of the respondents as opposed to just likert scale questions.

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Appendix 1: Research Study Questionnaire

A research Study on the effect of rental income tax compliance in Kenya. A case study of Eldoret Central Business District

This questionnaire is meant for data collection during the study. The information will be strictly for academic purposes and will be treated with the highest level of integrity and confidentiality.

SECTION B: Electronic Registration

This section will be concerned with determining effect of Electronic registration on rental income tax compliance by rental income earners.

Please mark (×) in the box which best describes your level of agreement or disagreement with the statement: Strength of statements: Strongly Disagree=1, Disagree = 2, Uncertain=3, Agree=4 and Strongly Agree=5.

No.	Statement	1	2	3	4	5
1	I have Registered as a taxpayer in the KRA system					
2	It is easy to remember the registration number and password.					
3	It is easy to use the online system					
4	Using online registration has removed pressure and crowding at the KRA offices					
5	Online registration is faster than the manual system					

SECTION B: Electronic filing

This section will be concerned with determining effect of Electronic filing on rental income tax compliance by rental income earners.

Please mark (×) in the box which best describes your level of agreement or disagreement with the statement: Strength of statements: Strongly Disagree=1, Disagree = 2, Uncertain=3, Agree=4 and Strongly Agree=5.

No.	Statement	1	2	3	4	5
1	I have someone else file for me my taxes					
2	I use E-filing because it is advertised as being more effective and efficient than manual filing					
3	I have network problems when filing during peak hours					
4	KRA has offered an enabling environment for tax filing					
5	Using E-filing enhances my effectiveness in preparing my tax return resulting in fewer errors					

SECTION B: Electronic payment

This section will be concerned with determining effect of Electronic payment on rental income tax compliance by rental income earners.

Please mark (×) in the box which best describes your level of agreement or disagreement with the statement: Strength of statements: Strongly Disagree=1, Disagree = 2, Uncertain=3, Agree=4 and Strongly Agree=5.

No.	Statement	1	2	3	4	5
1	I know the payment procedure					
2	Someone else make the payments on my behalf					
3	Adopting online payments updates our ledger real time					
4	I am able to pay my tax liability faster and easier since I started using E-payment					
5	I am satisfied with electronic payment procedure					

SECTION F: RENTAL INCOME TAX COMPLIANCE

This section is concerned with examining rental income tax compliance among rental income earners. Please mark (x) in the box which best describes your level of agreement or disagreement with the statement: Strength of statements: Strongly Disagree=1, Disagree = 2, Uncertain=3, Agree=4 and Strongly Agree=5.

No.	Statement	1	2	3	4	5
1	Sometimes, I forget to file my returns					
2	I always file my returns on time					
3	I always pay correct taxes for fear of being penalized					
4	I file accurate rental income tax to avoid penalties					
5	I pay accurate rental income tax amount					