

**FACTORS INFLUENCING MONTHLY RENTAL INCOME TAX COMPLIANCE
FROM RESIDENTIAL PROPERTY OWNERS IN NAIROBI SOUTH DISTRICT**

MELLEN RATEMO

HDB336-C016-4149/2016

**A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF ECONOMICS,
ACCOUNTS AND FINANCE IN THE SCHOOL OF BUSINESS IN PARTIAL
FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF
POSTGRADUATE DIPLOMA IN TAX ADMINISTRATION, JOMO KENYATTA
UNIVERSITY OF AGRICULTURE AND TECHNOLOGY**

SEPTEMBER, 2019

DECLARATION

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

Signature **Date.....**

Mellen Ratemo

HDB336-C016-4149/2016

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

Signature **Date**

Dr. Bruce Ogaga (PhD)

Lecturer, Kenya School of Revenue Administration

DEDICATION

I dedicate this project to my family for support. You have endured my absence for long hours I had to be away from you during my studies. Thank you very much, God bless you.

ACKNOWLEDGEMENTS

I wish to acknowledge the invaluable support of my family who endured many days of my absence undertaking this study. To my parents, your words of encouragement moved mountains, and to my friends, who contributed in various ways. I have a special mention for my supervisor, Dr. Bruce Ogaga for his patience and advice throughout my study. I am greatly indebted to him for his guidance, support and the timely comments to this research project. To the teaching fraternity, your words of encouragement and advice were very crucial. God bless you all.

TABLE OF CONTENT

DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENTS	iv
TABLE OF CONTENT.....	v
LIST OF TABLES	x
LIST OF FIGURES	xi
LIST OF ACRONYMS AND ABBREVIATIONS	xii
OPERATIONAL DEFINITION OF KEY TERMS	xiii
ABSTRACT.....	xiv
CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Background of the Study	1
1.1.1 Factors Influencing Monthly Rental Income Tax Compliance.....	2
1.1.2 Rental income tax compliance	3
1.1.3 Nairobi South District	6
1.2 Statement of the Problem.....	7
1.3 Research Objectives.....	8
1.3.1 General Objective	8
1.3.2 Specific Objectives	8
1.4 Research Questions	8

1.5 Significance of the Study	9
1.5.1 Policy Makers	9
1.5.2 Management.....	9
1.5.3 Scholars.....	10
1.6 Scope of the Study	10
CHAPTER TWO	11
LITERATURE REVIEW	11
2.1 Introduction.....	11
2.2 Theoretical Literature Review	11
2.2.1 The Allingham-Sandmo Theory	11
2.2.2 Fiscal Exchange Theory.....	12
2.3 Empirical Review of Literature	13
2.3.1 Tax knowledge and rental income tax compliance.....	13
2.3.2 Tax rate and rental income tax compliance	16
2.3.3 Digitalized tax services and rental income tax compliance	18
2.4 Conceptual Framework.....	21
2.5 Critique of Existing Literature	22
2.6 Summary of Previous Studies and Knowledge Gaps	23
2.7 Summary.....	24

CHAPTER THREE	25
RESEARCH METHODOLOGY	25
3.1 Introduction.....	25
3.2 Research Design.....	25
3.3. Target Population.....	25
3.4 Sample Frame and Sample Size.....	26
3.4.1 Sample Frame	26
3.4.2 Sample Size.....	26
3.5 Sampling Technique	26
3.6 Data Collection	27
3.7 Piloting Test.....	27
3.7.1 Reliability.....	28
3.7.2 Validity	28
3.8 Data Analysis.....	29
3.9 Operationalization of variables	30
CHAPTER FOUR.....	31
RESEARCH FINDINGS AND DISCUSSIONS.....	31
4.1 Introduction.....	31
4.2 Analysis of Response Rate.....	31
4.3 Demographic Characteristics	32

4.4 Statistical Assumptions.....	33
4.4.2 Multicollinearity Test.....	35
4.5 Descriptive Statistics.....	36
4.5.1 Tax knowledge and monthly rental income tax compliance.....	36
4.5.2 Tax rate and monthly rental income tax compliance	37
4.5.3 Digitalized tax services and monthly rental income tax compliance.....	38
4.5.4. Monthly rental income tax compliance.....	39
4.6 Correlation Analysis	40
4.7 Regression Analysis.....	41
4.7.1 Model Summary.....	44
4.7.2 Analysis of Variance.....	46
4.7.3 Test of Research Questions.....	46
4.8 Discussion of the Findings.....	47
CHAPTER FIVE	49
SUMMARY, CONCLUSION AND RECOMMENDATIONS	49
5.1 Introduction.....	49
5.2 Summary of the Findings.....	49
5.3 Conclusion	51
5.4 Contribution to Theory and practice	52
5.5 Limitations of the Study.....	52
5.6 Recommendations.....	53

5.7 Further Research	54
REFERENCES.....	55
APPENDICES.....	63
Appendix I: Letter of Introduction.....	63
Appendix II: Questionnaire.....	64
Appendix III: List of Residential Property Owners in Nairobi South District	68
Appendix IV: Work Plan	72
Appendix V: Budget	73

LIST OF TABLES

Table 3.1: Reliability Statistics	28
Table 3.2 : Operationalization of Variables	30
Table 4.1: Gender.....	32
Table 4.2 : Education level	32
Table 4.3: Operating Rental property	33
Table 4.4: Tests of Normality	34
Table 4.5 : Multicollinearity Test	35
Table 4.6: Tax knowledge and monthly rental income tax compliance	37
Table 4.7: Tax rate and monthly rental income tax compliance.....	38
Table 4.8: Digitalized tax services and monthly rental income tax compliance	39
Table 4.9: Monthly rental income tax compliance	40
Table 4.10: Summary of Correlation Coefficients.....	41
Table 4.11 : Effect of Tax Knowledge on Rental Income Tax Compliance.....	42
Table 4.12 Effect of Tax Rate on Rental Income Tax Compliance.....	43
Table 4.13 : Effect of Digitalized tax service on Rental Income Tax Compliance	44
Table 4.14: Overall Effect Of Tax Knowledge,Tax Rate, Digitalized Tax Service On Monthly Rental Income Tax	45

LIST OF FIGURES

Figure 4.1: Response Rate	31
---------------------------------	----

LIST OF ACRONYMS AND ABBREVIATIONS

ANOVA	Analysis Of Variance
AS	Allingham-Sandmo
IRB	Inland Revenue Board
KRA	Kenya Revenue Authority
NACOSTI	National Commission for Science, Technology and Innovation
NBR	National Board of Revenue
OECD	Organisation for Economic Co-operation and Development
OTF	Online Tax Filing
OTR	Online Tax Registration
OTRE	Online Tax Remittance
SARS	South African Revenue Service
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social science
TIN	Taxpayer Identification Number

OPERATIONAL DEFINITION OF KEY TERMS

Income tax: The amount of rental income that is subjected to tax (Jackson & Milliron, 1986).

Tax compliance: Is the timely filling and reporting of required tax information, the correct self-assessment of taxes owed, and the payment of those taxes without enforcement action (Jones, 2009).

Tax knowledge: Is the level of awareness on taxation processes and other tax-related information (Hasseldine, Holland & Rijt, 2009).

Tax rate: The value of tax charged on rental income expressed as percentage (Heenkenda, Weerasekara & Chathurangani, 2016).

Digitalized tax services: The application of technology in aiding tax compilation and compliance (Iordachi & Timus, 2017).

ABSTRACT

Rental income reports indicate that less than half of property owners and developers comply with rental income tax requirements in Nairobi City County. Despite the tremendous growth from real estate in Nairobi South District, the corresponding tax collection from the sector has remained very low. The contribution by landlords has been very low despite all the efforts to enforce rental income tax policies. The purpose of the study was to investigate factors influencing monthly rental income tax compliance in Nairobi South District. The study objectives were to establish the effect of tax knowledge on monthly rental income tax compliance from residential property owners in Nairobi South District, to establish effect of tax rate on monthly rental income tax compliance from residential property owners in Nairobi South District and to establish the effect of digitalized tax services on monthly rental income tax compliance from residential property owners in Nairobi South District. The study was guided by Allingham-Sandmo Theory and the fiscal exchange theory. The study adopted a descriptive survey design. The target population was 134 rental property owners in Nairobi South District. The sample size of the study was 100 rental property owners. The response rate was 87%. Both primary and secondary data was used where questionnaires were employed to collect primary data while secondary data was obtained from KRA website and other academic materials. Both descriptive statistics and inferential statistics was carried out with the help of the SPSS software. Based on research finding it can be concluded that tax knowledge, tax rate and digitalized tax services influences monthly rental income tax compliance in Nairobi South District. It is thus recommended that there is need for tax training and awareness through seminars and workshops on how to the importance to comply with tax payment to the authorities and its importance to the continuity of the business. Promoting public tax education is necessary in increasing public awareness about taxation while promoting tax compliance. The study recommends that Tax authorities should set a favorable tax rate levied on rental properties. This will ensure that both tax authorities and tax owners benefit without straining one another. The tax rate should be fair to the taxpayers' pockets. The study recommends for the creation of awareness on the available digital platform to pay, file and compile tax returns.

CHAPTER ONE

INTRODUCTION

The study investigated factors influencing monthly rental income tax compliance in Nairobi South District. Specifically, this chapter provides information on the global perspective of rental income tax compliance and then narrows down to regional and then local perspectives. It highlights the background to the study, statement of the problem, the purpose and specific objectives, research questions, significance of study and the scope of the study.

1.1 Background of the Study

Understanding the compliance of rental income taxation is very important (Berhane & Yesuf, 2013). Rental income taxes are a fundamental source of revenue to government and local authorities (Ross & McGee, 2012). However the amount of revenue to be generated from these sources depends on many factors. According to Kirchler (2007), the factors may be individual, institutional and economic. With regard to rental income tax payers, Rizal (2011) and Kuria (2013) established attitudinal and knowledge difference, high tax rate, taxation system, dishonesty of rental tax payers, lack of awareness, complexity of tax law and regulation may lead to high levels of tax noncompliance. Tax compliance is viewed as the degree to which a taxpayer obliges to tax rules and regulations (Sapiei & Kasipillai, 2013).

There is a growing body of research into taxpayer compliance behavior that is helping to develop a better understanding of what motivates taxpayers to comply, or not, with requirements of the tax system (Gayer & Mourre, 2012). According to Mwangi (2014), one of the main tax evasion reasons is the high rental income tax rates, which tend to lead taxpayers to evade tax. It is generally believed that a high tax rate is the main cause of tax evasion. Incentives to evade tax depend on the marginal rates of taxation because these

govern the gains from evasion as a sum of the tax evaded. High tax may be a disincentive to work which can lead to low tax revenue collection (Kołodziej, 2011).

1.1.1 Factors Influencing Monthly Rental Income Tax Compliance

Promoting public tax education is necessary in increasing public awareness about taxation while promoting tax compliance (Deyganto, 2018). Tax knowledge is considered to be a vital part of attitudes towards tax compliance. Kirchler *et al.* (2008) posits that knowledge of tax is crucial in determining level of tax compliance. Poor knowledge on taxation can lead to a distrust and negative attitude towards tax compliance; while good tax knowledge, correlates with a positive attitude towards tax compliance (Hofmann, Hoelzl & Kirchler, 2008). According to Singh and Bhupalan (2001), tax knowledge has a very close relationship with taxpayers' ability to understand the laws and regulations of taxation, and their ability to comply.

In another study, Heenkenda, Weerasekara and Chathurangani (2016) noted that tax rate is a significant factor influencing tax compliance. The tax rate should be fair to the taxpayers' pockets. For instance, progressive tax rates might encourage the higher income group to evade rather than the lower income group because their (higher income group) tax rates and taxable income are high, thus, making the tax liabilities much higher than lower income group (Engida & Baisa, 2014). A higher tax rate causes high tax noncompliance (Hai & See, 2011). According to Freire-Seren and Panadés (2013) found that taxpayers who are aware that their tax rate is higher than average tax rate paid by other have higher records of tax evasion. Similarly, taxpayers' underreporting behavior is positively correlated with high tax. High tax rate is positively related to tax evasion and negatively related to tax compliance (Deyganto, 2018).

In the same note, rapidly increasing pace of tax digitalization services have significant effect on tax compliance (Iordachi & Timus, 2017). New electronic methods (e-invoicing, e-accounting, e-reporting and e-auditing), along with advanced tax-focused analytics has tremendously promoted tax compliance (Vragaleva, 2015). The employment of digitalized tax services to improve the effectiveness of tax administration, expand taxpayer services, and enhance tax compliance has come to attract increasing attention of authorities in charge of taxation (Dowe, 2008).

1.1.2 Rental income tax compliance

Residential rental income tax is the tax imposed on income from rent of land or residential buildings. The owners of the property are required to declare this income on their tax return (Berhane & Yesuf, 2013). However, rental income tax compliance is a major problem facing tax authorities. Tax compliance is the full payment of all taxes due (Braithwaite, 2009). According to Jones (2009) tax compliance is the timely filling and reporting of required tax information, the correct self-assessment of taxes owed, and the payment of those taxes without enforcement action. Tax noncompliance is referred to as any difference between the actual amount of taxes paid and the amount of taxes due (Geremew, 2017). This difference occurs because of overstating expenses or deductions and understating income. Non-compliance comprises both intentional evasion and unintentional non-compliance, which is due to calculation errors and an inadequate understanding of tax laws (Robben *et al.*, 1990 & Webley, 2004).

In Singapore net rental income derived from property located in Singapore is aggregated with other income and is subject to Singapore taxation. Property tax, levied on all immovable property in Singapore, is payable annually by the owner at the beginning of the year (Karim, 2010). Immoveable property includes Housing Development Board flats, houses, offices,

factories, shops and land. The annual property tax is calculated based on a percentage of the gross annual value of the property, as determined by the property tax department (Bobek, Roberts & Sweeney, 2007). The rates are progressive, and range from 0% to 16% for owner-occupied residential property, and from 10% to 20% for non-owner-occupied residential property; a 10% rate applies for nonresidential property (OECD, 2015).

In Malaysia the administration of taxation in Malaysia is under the Inland Revenue Board (IRB). As in other countries, Malaysia suffers from revenue loss due to the problems of rental income tax non-compliance and income tax evasion (Hassan, Nawawi, Salin & Azlin, 2016). On average, about 30 per cent of all taxpayers fail to submit their annual returns to the Inland Revenue Board (Inland Revenue Board, 2017). This low level of tax compliance is thought to come from a number of factors including high tax rate, low levels of tax literacy, the size of the income tax, complex tax system and tax laws (Umar, Kasim & Martin, 2012). Palil (2010) noted that tax compliance in Malaysia is influenced by probability of being audited, penalties, personal financial constraints and referent groups.

In Bangladesh National Board of Revenue (NBR) embarked on far-reaching reforms of its tax policy and tax administration to improve tax compliance. The latter intended to centralize and automate tax accounts and processing of tax returns (Ahmed, 2011). This was coupled with the creation of an efficient Taxpayer Identification Number (TIN) database as a valuable tool for analyzing taxpayer profile and behavior. The NBR built strong back-end systems and data management capacity by centralizing accounts, returns receipts and processing, transaction processing and taxpayer registration; and rationalizing tax laws (Ibrahim, Myrna, Irawati & Kristiadi, 2017). The analysis and information enabled by these reforms supports an aggressive taxpayer education programme to help taxpayers meet their tax obligations while enhancing tax compliance.

South Africa created a stronger presence in rural areas through mobile vehicles that bring tax information to the people. The South African Revenue Service (SARS) has long understood the importance of public tax awareness for achieving a culture of tax compliance (Ali, Fjeldstad & Sjurson, 2013). SARS has taken a lead role in taxpayer education, introducing a variety of initiatives ranging from targeted seminars to longer term outreach activities (Adeniran, 2011). Engaging taxpayers to increase compliance and the revenue base is a priority for SARS, which is working to enhance its outreach, education, service and enforcement (Smulders, Stiglingh, Franzsen & Fletcher, 2017). The country has been in the fore front in encouraging digital tax services to aid tax compliance.

In Nigeria, compliance has consistently remained very low despite the various tax reforms undertaken by Nigerian Government to increase tax revenue (Alabede, Zainol & Kamil, 2011). Anyaduba, Eragbhe and Kennedy (2012) noted that deterrent tax measures are inadequate and have not helped to promote tax compliance in the country. Fostering voluntary compliance and enhancing taxpayer's morale enhances tax compliance. Obara and Nangih (2017) noted that lack of appropriate tax policy; low compliance and poor tax administration are linked to high levels of tax evasion and avoidance reported in Nigeria. Further, Fakile (2011) noted that there is a significant association between tax compliance and tax morale in Nigeria.

In Kenya, section 6A of the 2015 Finance Act stipulates taxation policies on rental property of 10% on annual rental income of between 144,000 and Kshs. 10 million. And where annual rental income exceeds Kshs. 10 million, the tax rate is 30% (Finance Act, 2015). The 10% tax rate on gross rental income is payable by a resident person whether individual or an entity and will apply to rental income that has accrued in or is derived from Kenya for the use of residential property where the rent income does not exceed KShs.10 million per annum (The Finance Act, 2015). Despite these provisions, the level of rental income tax compliance

remains low in the country. Tax non-compliance remains a major problem in Kenya and is prevalent in many economic sectors including housing and property developers (Karanja, 2015). Tax non-compliance occurs due to failure to perform a timely filing or submission by taxpayers of all required tax returns. Tax non-compliance also entails late payment on the tax due, an understatement of income, and overstatement of expenses (Sani & Gbadegesin, 2015).

1.1.3 Nairobi South District

Statistics indicate that less than half of property owners and developers comply with rental income tax requirements in Kenya (KRA Rental Income Achievements, 2015). According to a previous report by KRA the rental collection declined from 5 Billion in 2007 to 1 Billion in 2009. During the 2015/2016 financial year, the annual collection according to the KRA report stood at Ksh.707.4 billion against a target of Ksh.717 billion (KRA, 2017). The report stated that a further collection of Kshs.1.5 billion was recovered from non-compliant landlords and property developers (KRA Rental Income Achievements, 2015).

In 2017 rental income tax compliance rate was low at 40% in Nairobi South District. Nairobi South District lost an approximated Kshs.114 million in 2017 from non-compliant landlords and property developers (Serem, Kinanga & Ondiba, 2017; KRA, 2017). The contribution by landlords has been very low despite all the efforts to enforce rental income tax policies. There has been little improvement in rental tax compliance in the region. In 2017, Kenya Revenue Authority had targeted to collect Ksh. 190 million rental income taxes in Nairobi South District, however only Ksh. 77.9 million rental income taxes were collected. These represented a non-compliance rate of 60% (KRA, 2018).

1.2 Statement of the Problem

Despite the tremendous growth from real estate sector from the past few years, the corresponding tax collection from the sector has remained very low. In 2017 rental income tax compliance rate was low at 40% in Nairobi South District. Nairobi South District lost an approximated Kshs.114 million in 2017 from non-compliant landlords and property developers (Serem, Kinanga & Ondiba, 2017; KRA, 2017). The level of compliance on residential monthly rental income by landlords has been very low despite all the efforts to enforce rental income tax policies. There has been little improvement in rental tax compliance in the region. In 2017 Kenya Revenue Authority had targeted to collect Ksh. 190 million rental income taxes in Nairobi South District, however only Ksh. 77.9 million rental income taxes were collected. These represented a non-compliance rate of 60% (KRA, 2018). As a result of this phenomenon, the study intends to uncover factors influencing monthly rental income tax compliance from residential property owners in Nairobi South District.

Some of the empirical studies on rental tax compliance include a study by Osebe (2013) on factors affecting tax compliance in Kenyan real estate sector and established that compliance costs, knowledge of tax and education, penalties and the perceived tax evasion opportunities influenced tax compliance. Waithira (2016) did a study to examine the determinants residential rental income tax compliance by property owners in Thika town and found a significant positive relationship between tax rate, tax knowledge and residential rental income tax compliance and an insignificant positive relationship between attitude and perception and residential rental income tax compliance. However the study did not include the application of digitalized tax services to enhance tax compliance. Thananga, Wanyoike and Wagoki (2013) conducted a study on factors affecting compliance on rental income tax policy by landlords in Nakuru Municipality and the results of the research show that, the level of full compliance to the provisions of the rental income tax policy was low. The study did not

highlight the factors causing rental income tax compliance. Jemaiyo and Mutai (2016) did a study to analyze determinants of tax compliance and their influence on the level of tax compliance in the real estate sector, Eldoret Town-Kenya and the study found that tax compliance cost, tax knowledge, tax penalties and tax audit had significant effect on level of tax compliance. The study did not include the use of digitalized tax services to enhance tax compliance. To the best of my knowledge, no study has been conducted identify factors influencing monthly rental income tax compliance in Nairobi South District while considering the effects brought by digital tax services.

1.3 Research Objectives

1.3.1 General Objective

To investigate factors influencing monthly rental income tax compliance from residential property owners in Nairobi South District.

1.3.2 Specific Objectives

- i. To establish the effect of tax knowledge on monthly rental income tax compliance in from residential property owners Nairobi South District.
- ii. To establish effect of tax rate on monthly rental income tax compliance from residential property owners in Nairobi South District.
- iii. To establish the effect of digitalized tax services on monthly rental income tax compliance from residential property owners in Nairobi South District.

1.4 Research Questions

- i. What is the effect of tax knowledge on monthly rental income tax compliance from residential property owners in Nairobi South District?
- ii. What is the effect of tax rate on monthly rental income tax compliance from residential property owners in Nairobi South District?

- iii. What is the effect of digitalized tax services on monthly rental income tax compliance from residential property owners in Nairobi South District?

1.5 Significance of the Study

The study may be of significance to the management, policy makers and future research.

1.5.1 Policy Makers

The study findings may be significant to Revenue Authority policy makers, specifically by highlighting major factor that influence rental income tax compliance. In doing so, they can formulate policy guidelines to address the situation hence increasing the amount of revenue collected from rental income. It may enable the authority identify the factors influencing rental tax compliance and form policies to curb the menace. The tax policies may be reviewed particularly the tax rate imposed in order to encourage tax compliance. The taxation authority may also realize the need to incorporate digital services in enhancing tax compliance among rental property owners.

1.5.2 Management

The study findings may be of significance to property owners especially on knowledge on taxation and use of digital platforms in paying taxes. Through extensive awareness on tax payment and compliance, landlords may be able to understand their role as far as tax is payment is concerned and the need to comply with tax authorities. By paying rental income tax on time and complying with tax guidelines, the landlords and other property owners may have a smooth time to run their business without any interruptions from the Revenue Authorities.

1.5.3 Scholars

This study may add to the stock of existing knowledge and offer excellent sources of in-depth information and knowledge which may form a reference point for future researchers on factors influencing monthly rental income tax compliance by applying real life case studies which may help the scholars get a better grasp of concepts and ideas. Non tax compliance is significant research topic particularly among tax administrators and as a result, the results of this study may be of great importance to academic scholars who may want to understand the factors behind low rental income tax compliance in Kenya.

1.6 Scope of the Study

This study investigated factors influencing monthly rental income tax compliance from residential property owners in Nairobi South District. Nairobi South District is situated in Nairobi, Kenya; its geographical coordinates are 1° 19' 0" South, 36° 50' 0" East. The region is 26km drive from the Nairobi central Business District. The study specifically established the effect of tax knowledge, tax rate and digitalized tax services on monthly rental income tax compliance from residential property owners in Nairobi South District. The study targeted 134 residential property owners in Nairobi South District. The study covered the period 2016 to 2018.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter two review available literature on tax compliance as studied by various scholars around the globe. The chapter presents the theoretical literature review, the empirical literature review and finally a summary of literature review.

2.2 Theoretical Literature Review

The study explores the Allingham-Sandmo (AS) Theory and the fiscal exchange theory to explain the concept of tax compliance and the various motives behind tax non-compliance.

2.2.1 The Allingham-Sandmo Theory

The Allingham-Sandmo (AS) theory is also known as the economic deterrence theory emanated from the seminal work of Allingham and Sandmo (1972). This theory affirms that the behavior of a taxpayer is usually influenced by the factors which determine the benefits and cost of tax evasion (Allingham & Sandmo, 1972). The economic deterrence model in its basic form views the individual taxpayer as a rational economic agent, who assesses the costs (determined by probability of detection and penalties or a fine for the fraud) and benefits (determined by tax rate) of evading taxes, and thus chooses not to pay, if the benefit of non-compliance outweighs the costs (Walsh, 2012). The theory assumes taxpayer maximizes expected utilities of noncompliance tax gamble. That is, balancing between tax cheating benefits against detection and sanctions (Sandmo, 2005). The basic premise is that individual usually takes part in activities which have the potential of maximizing their returns or rewards as well as minimizing their costs, tax amnesty being one of those activities. If sanctions are probable enough, and the costs severe enough to outweigh the rewards of an act, the act will not be performed (Mengere, 2014). This theory concludes that tax

compliance depends more on tax audit and the penalties or fines. This implies that, all taxpayers only pay their taxes because they fear being sanctioned. Thus, an increase in sanctions or fines and penalties will increase tax revenue (Awa & Ikpor, 2015). It is on the basis of this assumption that the model advocates stricter audit and heavy penalties for offenders as a basis for reducing non-compliance (Fjeldstad, Schulz-Herzenberg & Sjursen, 2012). The relevance of the Allingham-Sandmo Theory in residential rental income tax compliance is that when there is low probability of audit and penalties, tendency for evasion by property owners will be higher, while if there is a high tendency for detection and penalties are severe, fewer property owners will evade residential rental income tax.

2.2.2 Fiscal Exchange Theory

This theory is acclaimed to have evolved from the economic deterrence and social psychology models. It is premised upon the existence of a social, relational or psychological contract between the government and the taxpayers (McKerchar & Evans, 2009). This theory suggests that government expenditures are the main motivate of tax compliance and the governments has the ability to ensure that its citizen comply by offering more improved public goods and services with the little they collects in form of tax (Ali, Fjeldstad & Sjursen, 2013). The presence of government expenditures may serve as a motivating factor for taxpayer compliance, especially when the taxpayers value the goods and services they perceive to be receiving from the government (Fjeldstad, *et al.*, 2012). Behavioral science evidence suggests that greater individual participation in the allocation and decision process will foster an increased level of compliance. Further, this research suggests that taxpayers will be more willing to pay taxes if they value the expenditures financed from tax revenues.

Another major proposition of this theory is that of tax bargaining between taxpayers and the government, which is considered as fundamental to building a relation of accountability and obligations between state and society (Bello & Danjuma, 2014). This theory affirms that

government expenditures serve as a motivating factor for taxpayer compliance, especially when the taxpayers value the goods and services they perceive to be receiving from the government. According to Dulleck, Fooker, Newton, Ristl, Schaffner and Torgler (2016), the taxpayers will be more willing to comply when they are satisfied with provision of services from government, even in the absence of detection and punishment.

Conversely, they are also likely to adjust their terms of trade, by reducing compliance when they are dissatisfied with services provision from the government, or even when they dislike the way their taxes are spent (Burman, Gale, Gault, Kim, Nunns & Rosenthal, 2016). The relevance of this theory is that property owners may be willing to pay residential rental income tax since they value public goods and services being offered by their authorities and believe that the more they pay taxes, they will be offered more improved and better goods and services. Conversely, the property owners may not be willing to comply if they feel that they do not derive any benefit from the taxes collected by the authorities.

2.3 Empirical Review of Literature

2.3.1 Tax knowledge and rental income tax compliance

Promoting public tax education is necessary in increasing public awareness about taxation while promoting tax compliance. According to Singh and Bhupalan (2001), tax knowledge has a very close relationship with taxpayers' ability to understand the laws and regulations of taxation, and their ability to comply. It is also useful to educate taxpayers or potential taxpayers regarding taxation and their share of responsibility to the country revenue generation. This could be in the form of dialogues and seminars.

Tax knowledge is the level of awareness or sensitivity of the taxpayers to tax legislation. Tax knowledge refers to the processes, by which taxpayers become aware of tax legislation and other tax-related information (Hasseldine, Holland & Rijt, 2009). The influence of tax

knowledge on compliance behaviour has been described in various researches. The level of education received by taxpayers is important in promoting tax compliance (Oladipupo & Obazee, 2016).

The level of formal general education received by taxpayers is an important factor that contributes to the understanding of tax requirements, especially regarding registration and filling requirements. High awareness by the society would encourage people to fulfill their obligations to register as taxpayer reporting and paying taxes properly are forms of national and civic responsibility (Hassan, *et al.*, 2016). Most citizens do not have much understanding of what tax laws mean and why the tax system is structured and administered as it is. Braithwaite, Murphy and Reinhart (2007) states that tax knowledge reveal that there is a relationship with taxpayers' ability to understand the laws and regulation of taxation and their ability to comply.

Jemaiyo and Mutai (2016) conducted a study to analyze determinants of tax compliance and their influence on the level of tax compliance in the real estate sector, Eldoret Town-Kenya. Real estate is one of Kenya's fastest growing sectors of the economy and the taxes collected in this sector are on the decline. Using ex-post facto research design, the study targeted a population of 605. This study found that tax compliance cost, tax knowledge, tax penalties and tax audit had significant effect on level of tax compliance. High tax compliance costs were a contributing factor that reduced tax compliance among real estate investors.

Mukabi (2014) explored factors influencing turnover tax compliance in the Kenya revenue authority domestic taxes department in Nairobi County. The study used a sample of 56 respondents selected via stratified sampling and data collected using questionnaires. The study findings revealed that the perceptions of taxpayers towards the tax system greatly determine the level of compliance for turnover tax. The findings also found that other factors like cost of compliance and complicated systems result into the low levels of compliance.

The study also established that increased tax knowledge had a significant effect on perception of tax system.

Berhane and Yesuf (2013) assessed the challenges and opportunities of house rental income business tax in Regional state of Tigray in Ethiopia. The study collected data via a survey questionnaire. The study findings established that there exists inefficiency and insufficient number of business house rent tax assessment and collection officers in the regional state of Tigray. Moreover, the study found that most taxpayers lack sufficient knowledge of tax assessment and collection procedures. Thus, most of business house rent taxpayers do not know the existing applicable rules and regulations. Further, the study found that due to negligence, delay in tax payment and evasion are taken by taxpayers as solution to escape from payment of proper business house rental income taxes.

Engida and Baisa (2014) did a study on factors influencing taxpayers' compliance with the tax system in Mekelle City, Ethiopia. The study used a cross-sectional survey method of research design. Given the scaled ranking information of the dependent variable (tax compliance), an ordered probit was applied to examine determinants of tax compliance in Mekelle city, Ethiopia. The study results from the survey conducted in Mekelle using 102 respondents indicated that tax compliance was influenced by the probability of being audited, financial constraints, and changes in government policy.

Musau (2015) assessed factors influencing tax compliance among SMEs in Nairobi County. The study picked a sample of 398 respondents and collected data using questionnaires which was analyzed using the binary probit regression model. The study findings revealed that when an individual perception about difficulties of evading taxes increases, the high likelihood of being tax compliant among SMEs in Nairobi County. The findings also revealed those individuals who are satisfied with what the government is offering as public goods and service from taxes; have enough tax information; trust government officials in handling their

taxes; and have the perception that if tax filing procedures are less complex, tax payers are likely to comply with tax payment.

2.3.2 Tax rate and rental income tax compliance

Tax rate is a critical factor determining tax compliance. The tax rate should be fair to the taxpayers' pockets. For instance, progressive tax rates might encourage the higher income group to evade rather than the lower income group because their (higher income group) tax rates and taxable income are high, thus, making the tax liabilities much higher than lower income group (Heenkenda, Weerasekara & Chathurangani, 2016).

According to Modugu and Anyaduba (2014), tax audits have a positive impact on tax compliance. Tax audits can play an indispensable role and their essential role is to increase voluntary compliance. Frequencies and meticulousness of audits could encourage taxpayers to be more prudent in completing their tax returns, reporting all income and claiming the correct deductions to ascertain their tax liability. In contrast, taxpayers who have never been audited might be tempted to under report their actual income and claim false deductions.

Mas'ud, Aliyu, Gambo, Al-Qudah and Al Sharari (2014) examined the effect of tax rate on tax compliance in Africa using cross-country data. The study used all the African countries as population, upon which sample were selected using multi-stage approach. Data was analyzed using SPSS version 19. The findings showed that there is significant negative correlation between tax rate and tax compliance and tax rate has a negative effect on tax compliance.

Waithira (2016) did a study to examine the determinants residential rental income tax compliance by property owners in Thika Town. The study employed a descriptive research design and collected data from a sample of 58 property owners using questionnaires. The findings of the study found a significant positive relationship between tax rate, tax knowledge and residential rental income tax compliance and an insignificant positive relationship

between attitude and perception and residential rental income tax compliance. The study also found an insignificant negative effect between income levels, fines and penalties and residential rental income tax compliance by property owners.

Karanja (2014) examined factors affecting voluntarily tax compliance in Kenya by landlords in Nairobi County. The study adopted a descriptive research design and a sample of 45 respondents was selected and questionnaire used for data collection. The findings of the study established that attitude and perception that politicians misuse taxes, financial and family obligation had strong positive responses. The study findings also revealed that social norms and respondent's income levels strongly influenced tax noncompliance level among the Kenyan taxpayers on rental income. The study concluded that attitude factors, high tax rate, unfair tax system, social norms, gender and education level factors are significant and play a great role towards the compliance or noncompliance of Kenyan taxpayers.

Geremew (2017) did a study on factors affecting rental income tax payers' compliance with tax system the case of Hawassa City Administration in Ethiopia. The collected data was analyzed by using the statistical software program namely Statistical Package for Social science (SPSS) version 20. According to the response of the respondents, certain factors were found to be the major determinants of non-residential house rental income tax payers' voluntary compliance. These are: financial constraints, referent group influences, awareness of tax payers, perception on tax fairness, understatement of income, educational status, absence of government incentives, trust in tax assessment and collection procedure and rental tax audit. The study made recommendations that include, building understanding of tax payers, upholding tax fairness and equity, constructing capacity of the tax authority, and providing required social services to the general public to get trust from society and critical follow up over tax payers those evade tax by their personal problem.

Serem, Kinanga and Ondiba (2017) did a study to determine the effect of tax system simplicity on tax compliance among rental income earners in Eldoret Town. The study adopted an explanatory design. From the study findings it was established that the level of income of the rental income earners influenced their level of tax compliance. The study recommended that the government needs to improve on the taxation system and ensure that the tax payers can easily understand it.

2.3.3 Digitalized tax services and rental income tax compliance

Digitalized tax services are enabling tax authorities monitor tax compliance. For instance by checking electricity bills from KPLC, KRA is able to compare rental income tax paid by rental property owners against total rental income tax billed. Greater deviation in the electricity and water consumption bills from the actual bills is an indication that the rental property owner is not compliant (Serem, Kinanga & Ondiba, 2017).

Moreover, vendors offering digital tax services and tax advisory firms are focusing on digitalized tax solutions and data analytics. This focus highlights the fact that digitalized tax services have dramatically changed the tax compliance landscape and the ability of the tax authorities to gather and analyze information; taxpayers also must be prepared to digitalize tax services to meet their tax compliance obligations and respond to any inquiries from the tax authorities (Wasao, 2014). New electronic methods (e-invoicing, e-accounting, e-reporting and e-auditing), along with advanced tax-focused analytics, are top of mind for tax authorities and tax executives, and digital tax services are changing how taxation is conducted. The use digitalized tax services to improve the effectiveness of tax administration, expand taxpayer services, and enhance tax compliance have come to attract increasing attention of taxation authorities (Dowe, 2008).

The rapidly increasing pace of digitalization will have a significant impact on tax compliance. Information technology, which includes telecommunications and computerized systems, looks set to increase tax processes substantially, with savings in time as well as money, while at the same time affording customers a better service (Olaoye & Kehinde, 2017). All the tax information systems and data bases should be integrated and have available the tools required to combat tax non-compliance; facilitate tax compliance and satisfy information requirements at the operational and internal control levels for the effective management of a modern Tax Administration (Vragaleva, 2015).

Taxation authorities in some countries have developed a strong system to improve tax compliance through a well-established control mechanism and active use of digital platforms. Tax authorities always searched ways to facilitate the use of internet for transmission of information and access to tax forms by taxpayers and direct interfaces with the sources of information (Iordachi & Timus, 2017). They have been implementing electronic receipt, processing, and delivery methods. In addressing the compliance risk of under or non-declaration of turnover, some fiscal authorities have developed measures based on civic consciousness or use of third- party information to check taxpayer-declared data and thus combat tax avoidance (Adeniran, 2011). These digitalized tax services expands opportunities for government to carry on with individuals and businesses electronically, to combat tax non-compliance and satisfy information requirements at the internal control levels for the effective fiscal management.

Mustapha and Sheikh (2014) did a study on the influence of digitalized tax services towards on online tax system usage the case of Nigerian Self Employed Taxpayer. To do this, a questionnaire was administered and analyzed using structural equation modeling to determine the significant influence of the factors. The result showed that all the indicators of digital tax

services are statistically significant as measures of online tax system. It also indicates a positive direct relationship between the digitalized tax services and online tax system.

In Malaysia, Ling and Nawawi (2010) carried out a survey by integrating ICT Skills and tax software in tax education. The respondents were the tax practitioners and the study aimed at establishing the necessary skills required by taxpayers to fully utilize a tax online system. The study found that three skills are needed by a taxpayer to interact well with digital platform based tax system namely, spread sheet software, word-processing software and e-mail.

Olatunji and Ayodele (2017) did a study to examine the impact of digital tax services on tax administration in South West, Nigeria. Descriptive research design was employed, of which questionnaire was used to gather data and analyzed with multiple regression and Pearson product moment correlation. The study revealed that digital tax services (Online Tax Filing-OTF, Online Tax Registration-OTR and Online Tax Remittance-OTRE) affect tax productivity.

Muturi and Kiarie (2015) did a study to establish the effects of online tax system on tax compliance among small taxpayers in Meru County, Kenya. The study adopted a descriptive research design. Data was collected using structured questionnaire and analyzed using SPSS (version 20). In addition to descriptive statistics, both correlation and regression analyses were done and summaries presented. The findings of the study were that online tax system does affect tax compliance level among small taxpayers in Meru County.

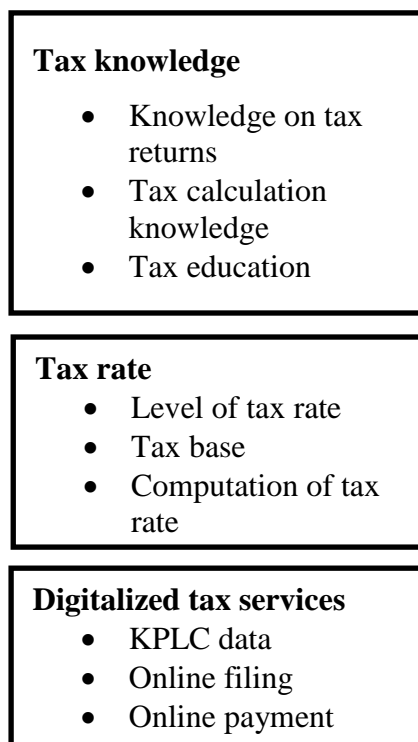
Thananga, Wanyoike and Wagoki (2013) conducted a study on factors affecting compliance on rental income tax policy by landlords in Nakuru Municipality. Primary data was collected using questionnaires. Results of the research show that, the level of full compliance to the provisions of the rental income tax policy was low. Only 39.0% of the landlords indicated that they fully complied with the provisions. The most common form of noncompliance was

through overstatement of expenses and deductions that would in turn reduce taxable pay and the amount of tax, similarly understatement of incomes was also common. Most of the landlords avoided the outright non-compliance where they did not submit returns or pay taxes at all instead they had irregular payment and tax reduction.

2.4 Conceptual Framework

The linkages between the study variables are described in the conceptual framework. Conceptual framework is a group of concepts which are well organized to provide a focus, a tool and rational for interpretation and integration of information and is usually achieved in pictorial illustrations. This is to explain how they are related to each other (Adom, *et al.*, 2016). The conceptual framework linked the independent variables (tax knowledge, tax rate and digitalized tax services) to the dependent variable (rental income tax compliance).

Independent Variables



Dependent Variable

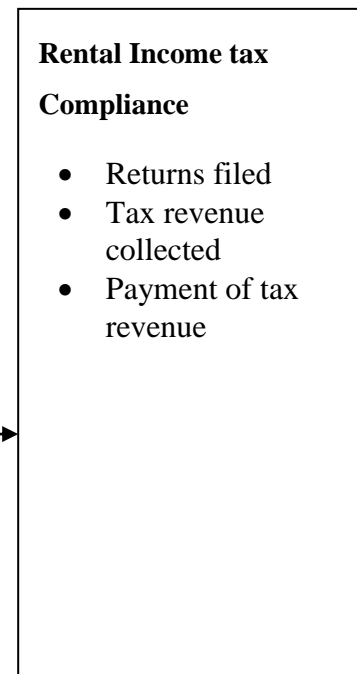


Figure 2.1: Conceptual Framework

(Source: Author, 2019)

The conceptual framework presents the various factors influencing monthly rental income tax compliance. The factors include tax knowledge, tax rate and digitalized tax services. Tax knowledge has been operationalized into tax returns knowledge, tax calculation knowledge and tax educating. Tax rate is operationalized into level of tax rate, tax base and computation of tax rate while digitalized tax services is operationalized using data from Kenya Power Lightning Company data, online filing and online payment. It is expected that tax knowledge, tax rate and digitalized tax services will have an effect on rental income tax compliance.

2.5 Critique of Existing Literature

Some of the empirical studies on rental tax compliance include a study by Osebe (2013) on factors which affecting tax compliance in Kenyan real estate sector and established that compliance costs, knowledge of tax and education, penalties and the perceived tax evasion opportunities influenced tax compliance. Waithira (2016) did a study to examine the determinants residential rental income tax compliance by property owners in Thika Town and found a significant positive relationship between tax rate, tax knowledge and residential rental income tax compliance and an insignificant positive relationship between attitude and perception and residential rental income tax compliance. However the study did not include the use of digital tax services in enhancing tax compliance. Thananga, Wanyoike and Wagoki (2013) conducted a study on factors affecting compliance on rental income tax policy by landlords in Nakuru Municipality and the results of the research show that, the level of full compliance to the provisions of the rental income tax policy was low. The study did not highlight the factors causing rental income tax compliance. Jemaiyo and Mutai (2016) did a study to analyze determinants of tax compliance and their influence on the level of tax compliance in the real estate sector, Eldoret Town-Kenya and the study found that tax compliance cost, tax knowledge, tax penalties and tax audit had significant effect on level of

tax compliance. The study did not employ the use of digitalized tax services in enhancing tax compliance.

2.6 Summary of Previous Studies and Knowledge Gaps

From the review, conceptual, contextual and methodological gaps are identified. A study by Geremew (2017) on factors affecting rental income tax payers' compliance with tax system in Ethiopia established that financial constraints, referent group influences, awareness of tax payers, perception on tax fairness, understatement of income, educational status, absence of government incentives, trust in tax assessment and collection procedure and rental tax audit influenced tax compliance. However, the study was conducted in Ethiopia. A study by Nawawi (2010) on integrating ICT Skills and tax software in tax education established ICT skills are needed by a taxpayer to interact well with digital platform based tax system namely. However, the study did not point out the resultant effect of ICT usage on tax compliance. Moreover, Fauziati, Minovia, Muslim and Nasrah (2016) in a study on the impact of tax knowledge on tax compliance case study in Indonesia revealed that tax knowledge has no impact on tax compliance. However, the results seem to conflict with other empirical studies that showed that knowledge has significant impact on tax compliance (Deyganto, 2018; Waithira, 2016; Mukabi, 2014).

Serem, Kinanga and Ondiba (2017) did a study to determine the effect of tax system simplicity on tax compliance among rental income earners in Eldoret Town and established that the level of income of the rental income earners influenced their level of tax compliance. However, the study was not exhaustive and did not list all factors influencing rental income tax compliance. The current study includes tax knowledge, tax rate, and digitalized tax services as additional factors influencing rental income tax compliance. Waithira (2016) did a study to examine the determinants residential rental income tax compliance by property owners in Thika Town and the study found a significant positive relationship between tax

rate, tax knowledge and residential rental income tax compliance and an insignificant positive relationship between attitude and perception and residential rental income tax compliance. However, the study did not mention any effect of digital tax services on rental income tax compliance. Thananga, Wanyoike and Wagoki (2013) conducted a study on factors affecting compliance on rental income tax policy by landlords in Nakuru Municipality and the results of the research show that, the level of full compliance to the provisions of the rental income tax policy was low. The study did not highlight the factors causing rental income tax compliance.

Jemaiyo and Mutai (2016) did a study to analyze determinants of tax compliance and their influence on the level of tax compliance in the real estate sector, Eldoret Town-Kenya and the study found that tax compliance cost, tax knowledge, tax penalties and tax audit had significant effect on level of tax compliance. The study did not include the use digital tax platforms in enhancing tax compliance. Karanja (2014) examined factors affecting voluntarily tax compliance in Kenya by landlords in Nairobi County and the study established that attitude and perception social norms and respondent's income levels strongly influenced tax noncompliance level among the Kenyan taxpayers on rental income. The study covered the entire of Nairobi City County. The current study attempts to specifically explore factors affecting income tax compliance in Nairobi South District.

2.7 Summary

The above chapter reviewed the various theories that explain the independent and dependent variables. The conceptual framework is drawn up from the reviewed literature in line with the following criteria, title, scope, methodology forming the basis for the critique of literature. It is from these critiques that the research gaps both conceptual and contextual were identified. The next chapter outlines the methodology that the study adopted in order to achieve the stated objectives.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section highlights the methodology and procedures that was employed to carry out the study. It shows the research design, target population, sampling frame and sample size, sampling technique, data collection methods, pilot study data analysis.

3.2 Research Design

The study adopted a descriptive survey design. In descriptive survey design, semi structured questionnaires are used to collect data from a representative and the results are generalized to the target population (Orodho, 2005). Descriptive survey design enables the researcher to assess the situation within the study area at the time of the study (Kothari, 2003). Descriptive survey design involves asking a large group of respondents' questions about a particular issue (Yin, 2017; Creswell & Creswell, 2017). The study employed descriptive survey design to investigate the factors influencing monthly rental income tax compliance in Nairobi South District.

3.3. Target Population

Population is the total collection of elements about which inference is made to all possible cases which are of interest in the study (Sekeran & Bougie, 2010). The target population was 134 residential property owners in Nairobi South District. The units of observation were the rental property owners.

3.4 Sample Frame and Sample Size

3.4.1 Sample Frame

Best and Kahn (2016) defined sampling frame as the complete list of all elements or objects of the population that the researcher wants to study. This study investigated the factors influencing monthly rental income tax compliance in Nairobi South District. The study units were the rental property owners.

3.4.2 Sample Size

A sample is a subset of a population (Desu, 2012). This study adopted Yamane (1967) to estimate the sample size;

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

Where: n = sample size N = population size e = the level of precision 1 = Constant

The confidence level was 95%. $n = 134 / 1 + 134(0.05)^2$

$= 100.01 \approx 100$ rental property owners

3.5 Sampling Technique

The sample size of the study was 100 rental property owners chosen using Yamane formula. This is 75% of the target population. This is in line with Mugenda and Mugenda (2003) who suggested that 10%-30% or more of a population is adequate for a study. Simple random technique was used to select a sample of 100 rental property owners.

3.6 Data Collection

The study employed structured questionnaires to collect primary data. Sutrisna (2009) points out that, questionnaires are appropriate for studies since they collect information that is not directly observable as they inquire about feelings, motivations, attitudes, accomplishments as well as experiences of individuals. In addition, Marshall and Rossman (2010) points out that, questionnaires are appropriate for studies since they collect information that is not directly observable as they inquire about feelings, motivations, attitudes, accomplishments as well as experiences of individuals.

The questionnaire was in a form of a 5-point type Likert scale. Likert scale is an interval scale that specifically uses five anchors of strongly disagree, disagree, neutral, agree and strongly agree. For digitalized tax services variable, the likert scale takes the form of 1 - underdeveloped 2- needs improvement 3 - adequate 4 - good 5- excellent. Likert scale is good in measuring extent of levels of particular action (Upagade & Shende, 2012). The likert questionnaires were developed to address specific research questions of the study. The questionnaire had closed ended questions. Close-ended questions guided the respondents' answers within the choices given.

3.7 Piloting Test

The researcher conducted pilot tests before the actual study to determine the validity and reliability data collection. In piloting, ten (10) rental property owners participated in the pilot study. Pilot study should be 10% of the sample size (Mugenda & Mugenda, 2003). In this study 10% of the sample size was used for the pilot test. The researcher administered the research questionnaires to these respondents randomly. Pilot test enhanced the reliability of the tool.

3.7.1 Reliability

The study used Cronbach alpha to test for reliability of data. Reliability is the consistency of measurement, or the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects. Reliability test was conducted to test for data collection instruments' ability to produce consistent and accurate results. Cronbach alpha was used to test for reliability of data. The acceptance value of 0.70 was used as cut-off of the reliability for the study. Results are presented in table 4.3. The study findings indicated that the data instruments were reliability with a Cronbach alpha Value of above 0.70. The findings indicated that the Cronbach alpha for each of the variables was above the lower limit of acceptability thus reliable with tax knowledge having a coefficient of 0.874; tax rate 0825; digitalized tax services 0.710 and monthly rental income tax compliance 0.786 as shown in Table 3.1.

Table 3.1: Reliability Statistics

Variable	Cronbach alpha	Items	Comments
Tax knowledge	0.874	5	Reliable
Tax rate	0.825	5	Reliable
Digitalized tax services	0.710	5	Reliable
Monthly rental income tax compliance	0.786	6	Reliable

Source: Survey Data (2019)

3.7.2 Validity

Validity is the accuracy relevance of the research tool (Sekaran, & Bougie, 2016). This study employed content validity. To ensure content validity, the questionnaire was subjected to thorough scrutiny by supervisors. Review comments from supervisors were used to ensure that content validity is enhanced.

3.8 Data Analysis

Data analysis refers to the application of reasoning to understand the data that has been gathered with the aim of determining consistent patterns and summarizing the relevant details revealed in the investigation (Zikmund, Babin, Carr & Griffin, 2010). Ott and Longnecker (2015) define data analysis as a mechanism for reducing and organizing data to produce findings that require interpretation. The likert scale questionnaire allowed the collection of quantitative data. The quantitative data collected using questionnaire were entered in an excel sheet and exported to statistical package for social sciences (SPSS) version 20.0 for analysis. The statistics to be generated included both descriptive statistics and inferential statistics. The specific descriptive statistics included frequencies, mean scores and standard deviation. The particular inferential statistic involved regression and correlation analysis. The analysis of variance (ANOVA) was checked to reveal the overall model significance. The individual regression coefficients were checked to examine the factors influencing monthly rental income tax compliance in Nairobi South District. A critical p value of 0.05 was used to determine whether the individual variables are significant or not. The multiple regression model was shown as;

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

Where;

Y = Rental income tax compliance

β_0 = the constant term

β_i = Beta coefficient 1...3 that was used to measure the sensitivity of the dependent variable (Y) to unit change in the predictor variables X_1 , X_2 and X_3

X_1 = Tax knowledge

X_2 = Tax rate

X_3 = Digitalized tax services

ϵ = the error term capture the unexplained variations in the model.

3.9 Operationalization of variables

The dependent variable of the study is rental income tax compliance in Nairobi South. Tax knowledge, tax rate and digitalized tax services are the independent variables for the study.

This section provides details of how each of the study variables will be measured and operationalized.

Table 3.2 : Operationalization of Variables

Independent Variables	Source	Data collection instrument	Scale of Measurement	Type of Analysis
Tax knowledge <ul style="list-style-type: none"> • Knowledge on tax returns • Tax calculation knowledge • Tax education 	Kirchler <i>et al.</i> (2008)	questionnaire	Likert scale	Quantitative
Tax rate <ul style="list-style-type: none"> • Level of tax rate • Tax base • Computation of tax rate 	Rizal (2011)	questionnaire	Likert scale	Quantitative
Digitalized tax services <ul style="list-style-type: none"> • Use of e-reporting services • Online filing • Online payment 	Iordachi and Timus (2017)	questionnaire	Likert scale	Quantitative
Dependent Variables <ul style="list-style-type: none"> • Rental Income Tax Compliance • Returns filed • Tax revenue collected • Payment of tax revenue 	Kołodziej (2011)	questionnaire	Likert scale	Quantitative

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter represents the findings, results and interpretation of the variables including the response rate, inferential and descriptive statistics. Correlation analysis, multiple regressions was performed. The independent variables of the study were tax knowledge, tax rate, digitalized tax services and how they influence monthly rental income tax compliance from residential property owners in Nairobi South District.

4.2 Analysis of Response Rate

The number of questionnaires that were administered was 100 and a total of 87 questionnaires were properly filled and returned but some of the respondents returned the questionnaires half-filled while others did not return them completely despite a lot of follow up hence an 87% response rate. This response rate is considered satisfactory to make conclusions for the study. Bailey (2000) stated that a response rate of 50% is adequate while a response rate greater than 70% is very good. This implies that based on this assertion, the response rate in this case of 87% is therefore very good. The response rate result is shown in chart 4.1.

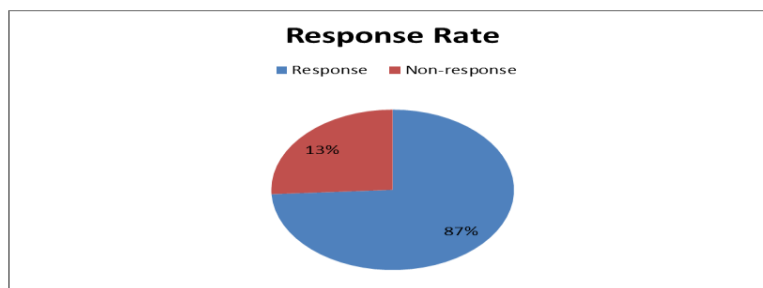


Figure 4.1: Response Rate

Survey Data (2019)

4.3 Demographic Characteristics

4.3.1 Gender of the Respondents

As shown in Table 4.1, of the total respondents, 55 were males (63.2%) and 32 were females (36.8%). The findings imply that most property ones are male. There was need to establish the educational levels of the respondents. This was meant to establish any relationship between educational level and property ones.

Table 4.1: Gender

Gender	Frequency	Percent
Male	55	63.2
Female	32	36.8
Total	87	100

4.3.2 Highest Level of education

The findings in Table 4.2 indicated that, majority 58.6% of the total respondents had tertiary level of education, 16.1% of the respondents had secondary level, 13.8% had primary level while 11.5% had no educational at all. The results imply that education level influence the ability of persons to own house property. The income generated from employment may be used to acquire property.

Table 4.2: Education level

Highest Level of education	Frequency	Percent
None	10	11.5
Primary	12	13.8
Secondary	14	16.1
Tertiary	51	58.6
Total	87	100

4.3.3 Period Operating Rental Property

The respondents were asked to indicate the duration they have owned property. The results presented in Table 4.3 shows that 16.1% of the respondents had worked for less than 3 years, 24.1% of the respondents had owned for 4-6 years. Further, results showed that 34.5% of the respondents had owned it for a period of 7-10 years while 25.31% of the respondents had owned the property for over 10 years.

Table 4.3: Operating Rental property

Period operating rental property	Frequency	Percent
Less than 3 years	14	16.1
4-6 years	21	24.1
7-10 years	30	34.5
Over 10 years	22	25.3
Total	87	100

4.4 Statistical Assumptions

Statistical tests rely upon certain assumptions about the variables used in the analysis. Osborne and Waters (2014), opine that when these assumptions are not met the results may not be valid. They further argue that this may result in a type I or type II error, or over or under-estimation of significance or effect size(s). It is therefore important to pretest for these assumptions for validity of their results. Osborne, Christensen, and Gunter (2001) observed that few articles report having tested assumptions of the statistical tests they rely on for drawing their conclusions.

According to Osborne and Waters (2014), not pretesting for these assumptions has led to a situation where there is rich literature in education and social science, but questions in to the

validity of many of these results, conclusions, and assertions still exist. Testing for assumptions is beneficial as it ensures that an analysis meets the associated assumptions and helps avoid type I and II errors (Osborne and Waters, 2014; Owino, 2014). Prior to data analysis, assumptions for normality and multicollinearity were checked.

4.4.1 Normality Test

The normality of data was tested using the Shapiro Wilk test. Thus, on the one hand, if the p value is less than the chosen alpha level, then the null hypothesis is rejected and there is evidence that the data tested are not normally distributed. On the other hand, if the p value is greater than the chosen alpha level, then the null hypothesis is that the data came from a normally distributed population cannot be rejected. The null-hypothesis of this test is that the population is normally distributed. Results of the normality test are presented in Table 4.4.

The normality results showed that tax knowledge had p value $.084 > 0.05$ hence the data is normally distributed. It was also established that the p value for tax rate was $.061 > 0.05$, digitalized tax services had p value $.137 > 0.05$ while monthly rental income tax compliance had p value $.375 > 0.05$. The results of the normality test revealed that the data was normally distributed and hence further analysis was conducted.

Table 4.4: Tests of Normality

	Statistic	Shapiro-Wilk df	Sig.
Tax knowledge	.975	87	.084
Tax rate	.896	87	.061
Digitalized tax services	.978	87	.137
Monthly rental income tax compliance	.984	87	.375

4.4.2 Multicollinearity Test

Multicollinearity exists when two or more of the predictors in a regression model are moderately or highly correlated thereby limiting the research conclusions to be drawn. According to Zainodin, Noraini, and Yap (2011), multicollinearity refers to the presence of correlations between the predictor variables. In severe cases of perfect correlations between predictor variables, multicollinearity can imply that a unique least squares solution to a regression analysis cannot be computed (Field, 2009). According to Field (2009) VIF values in excess of 10 is an indication of the presence of Multicollinearity. Multicollinearity inflates the standard errors and confidence intervals leading to unstable estimates of the coefficients for individual predictors. Multicollinearity was assessed in this study using the Variance Inflation Factor (VIF) as shown in Table 4.5.

Results were presented in Table 4.5. A variance inflation factor test was conducted to test for multicollinearity of the predictors and a value less than 10 is acceptable tax knowledge had V.I.F value of 1.539 which is less than 10 implying there is no multicollinearity. Tax rate had a V.I.F value of 1.376 means that there is no multicollinearity since VIF is less than 10. The results indicated that digitalized tax services had a V.I.F value of 1.775 implying there is no multicollinearity since VIF is less than 10. Regression could thus be conducted to investigate factors influencing monthly rental income tax compliance in Nairobi South District

Table 4.5 : Multicollinearity Test

Collinearity Statistics		
Variable	Tolerance	VIF
Tax knowledge	0.809	1.539
Tax rate	0.602	1.376
Digitalized tax services	0.558	1.775

4.5 Descriptive Statistics

4.5.1 Tax knowledge and monthly rental income tax compliance

Table 4.6 showed that majority of respondent did not agree that property owners have adequate knowledge on tax rate, basis of taxation and compliance requirements under residential rental income tax regime with mean score of 3.85 and standard deviation is 1.12 implying that majority of respondents did not agree to the statement. The results also showed that majority of the respondents agreed that lack of proper records on expenses incurred greatly contributed to non-compliance by property owners in the previous regime with mean score of 1.94 and standard deviation is 1.11 implying that majority of respondents agreed to the statement. The results also showed that majority of the respondents agreed that knowledge about tax laws plays a major role in determining property owners' tax compliance with mean score for place is 1.89 and standard deviation is 0.97 implying that majority of respondents agreed to the statement.

Further, respondents agreed that effective tax education improves the ability of property owner to comply with rental tax payment with mean score for place is 1.91 and standard deviation is 0.92 implying that majority of respondents agreed to the statement. Finally, the study established that that majority of the respondents did not agree that majority of tax payers are familiar with the itax platforms with mean score for place is 3.60 and standard deviation is 1.34 implying that majority of respondents did not agree to the statement.

Table 4.6: Tax knowledge and monthly rental income tax compliance

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

Tax knowledge	Mean	SD
Property owners have adequate knowledge on tax rate, basis of taxation and compliance requirements under residential rental income tax regime	3.85	1.12
Lack of proper records on expenses incurred greatly contributed to non-compliance by property owners in the previous regime	1.94	1.11
Knowledge about tax laws plays a major role in determining property owners' tax compliance	1.89	0.97
Effective tax education improves the ability of property owner to comply with rental tax payment	1.91	0.92
Majority of tax payers are familiar with the itax platforms	3.60	1.34

4.5.2 Tax rate and monthly rental income tax compliance

Table 4.7 showed that majority agreed that 10% residential rental income tax rate is fair to property owners with mean score for place is 3.91 and standard deviation is 1.11 implying that majority of respondents agreed to the statement. The results also showed that majority of the respondents did not agree that residential rental property owners are now willingly paying tax due to the well-structured tax rate with mean score for place is 3.84 and standard deviation is 1.26 implying that majority of respondents did not agree to the statement. The results also showed that majority of the respondents did not agree that the computation of tax on gross rental proceeds is simple for property owners to apply with mean score for place is 2.18 and standard deviation is 1.25 implying that majority of respondents did not agree to the statement.

Further, respondents agreed that 10% tax rate on gross receipts results in overall lower tax burden than a 30% tax rate on net rental income with mean score for place is 2.02 and standard deviation is 1.26 implying that majority of respondents agreed to the statement.

Finally, the study established that majority of the respondents agreed that the lowered tax rate has influenced willingness of residential rental property owners to be tax compliant with mean score for place is 3.89 and standard deviation is 1.18 implying that majority of respondents agreed to the statement.

Table 4.7: Tax rate and monthly rental income tax compliance

Statements	Mean	SD
10% residential rental income tax rate is fair to property owners.	3.91	1.11
Residential rental property owners are now willingly paying tax due to the well-structured tax rate	3.84	1.26
The computation of tax on gross rental proceeds is simple for property owners to apply	2.18	1.25
A 10% tax rate on gross receipts results in overall lower tax burden than a 30% tax rate on net rental income	2.02	1.26
The lowered tax rate has influenced willingness of residential rental property owners to be tax compliant	3.89	1.18

4.5.3 Digitalized tax services and monthly rental income tax compliance

Table 4.8 showed that majority of respondent indicated that online payments needs improvement with mean score for place is 2.24 and standard deviation is 1.27 implying that majority of respondents indicated that online payments needs improvement. The results also showed that majority of the respondents indicated that online filing needs improvement with mean score for place is 1.97 and standard deviation is 1.02 implying that majority of respondents indicated that online filing needs improvement. The results also showed that majority of the respondents indicated that online registration needs improvement with mean score for place is 2.07 and standard deviation is 1.14 implying that majority of respondents indicated that online registration needs improvement.

Further, respondents indicated that e-reporting needs improvement with mean score for place is 2.08 and standard deviation is 1.15 implying that majority of respondents indicated that e-reporting of tax needs improvement. Finally, the results also showed that majority of the respondents indicated that i-tax needs improvement with mean score for place is 2.17 and standard deviation is 1.23 implying that majority of respondents indicated that i-tax needs improvement.

Table 4.8: Digitalized tax services and monthly rental income tax compliance

Statements	Mean	SD
Online Payments	2.24	1.27
Online Filing	1.97	1.02
Online Registration	2.07	1.14
e-reporting	2.08	1.15
i-tax	2.17	1.23

4.5.4. Monthly rental income tax compliance

Table 4.9 showed that majority of the respondents did not agree that residential rental property owners always file returns on time and as required by law with a mean score place of 3.91 and standard deviation is 1.18 implying that majority of respondents did not agree to the statement. The results also showed that majority of the respondents did not agree that residential rental property owners declare correct monthly rental income with mean score for place is 3.66 and standard deviation is 1.37 implying that majority of respondents did not agree to the statement. The results also showed that majority of the respondents agreed that residential rental property owners file tax returns only to avoid penalties with mean score for place is 2.01 and standard deviation is 1.10 implying that majority of respondents agreed to the statement. The results showed that majority of the respondents agreed that KRA has

offered an enabling environment for tax filing with mean score for place is 2.32 and standard deviation is 1.37 implying that majority of respondents agreed to the statement.

Further, Majority of the respondents did not agree to the statement that residential rental property owners file return every month with a mean score place of 3.77 and standard deviation is 1.23 implying that majority of respondents did not agree to the statement.

Finally, Majority of the respondents did not agree to the statement that residential rental property owners enjoy paying taxes and are always tax compliant with mean score for place is 3.89 and standard deviation is 1.26 which implies that majority of respondents did not agree to the statement.

Table 4.9: Monthly rental income tax compliance

Statements	Mean	SD
I always file return on time and as required by law	3.91	1.18
I declare correct monthly rental income	3.66	1.37
As a residential rental property owner I file tax return only to avoid penalties	2.01	1.10
KRA has offered an enabling environment for tax filing	2.32	1.37
As a residential rental property owner I file tax return every month	3.77	1.23
I enjoy paying taxes and I am always tax compliant	3.89	1.26

4.6 Correlation Analysis

The study used Pearson’s correlation coefficient (r) was used to examine the extent of correlation between the variables of study and to show the strength of the linear relationships between the variables in the regression ranges between ± 1 . Where $r = +0.7$ and above it indicates a very strong relationship; $r = +0.5$ to below 0.7 is a strong relationship; $r = 0.3-0.49$ is a moderate relationship while $r = 0.29$ and below indicates a weak relationship. Where $r = 0$ it indicates that there is no relationship (Esther- Smith, Thorge & Love, 1999).

Results in Table 4.10 indicated that there was a positive relationship between tax knowledge and monthly rental income tax compliance in Nairobi South District ($r=.680$). The results also showed that tax rate is positively correlated with monthly rental income tax compliance in Nairobi South District ($r=.583$). The results also showed that digitalized tax services is positively correlated with monthly rental income tax compliance in Nairobi South District ($r=.726$). Thus digitalized tax service has a more statistically significant strong positive relationship with rental income tax compliance.

Table 4.10: Summary of Correlation Coefficients

	Monthly rental income tax compliance	Tax knowledge	Tax rate	Digitalized tax services
Monthly rental income tax compliance	1			
Tax knowledge	0.680**	1		
Tax rate	0.583**	0.385**	1	
Digitalized tax services	0.726**	0.583**	0.512*	1

Correlation is significant at the 0.05 level (2-tailed).

Survey Data (2019)

4.7 Regression Analysis

The broad objective of the study was to investigate the factors influencing monthly rental income tax compliance from residential property owners in Nairobi District. To achieve this objective, three specific objectives and three corresponding questions were set and formulated respectively. Subsequently, to achieve the set objectives and to answer the questions, the study used various inferential statistical tools and multiple regression analyses were used.

MODEL SUMMARY

The results in Table 4.11 indicated that tax knowledge had a positive correlation with Rental Income Tax Compliance up to 34.3% or (R= 0.343). The results reveal that tax knowledge caused a variation of 16.7% or (R²=0.167 and adjusted R² =0.161) on Rental Income Tax Compliance. This implies that the remaining 83.3 % of the change was caused by other factors not included in the model. (F value = 29.163, P=0.014 which is less than 0.05. This implies that the effect of tax knowledge on Monthly rental income tax compliance is statistically significant.

Table 4.11 : Effect of Tax Knowledge on Rental Income Tax Compliance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.343 ^a	.167	.161	.41631

a. Predictors: (Constant), TK

ANOVA ^a				
Model	Sum of Squares	Mean Square	F	Sig.
Regression	1.167	1.167	29.163	0.014
Residual	7.621	.173		
Total	8.788			

a. Dependent Variable: RENTAL INCOME TAX

b. Predictors: (Constant), TK

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.624	.318		6.657	.000
	Tax knowledge	.245	.086	.343	2.450	.024

a. Dependent Variable: RENTAL INCOME TAX

Régression Equation

$$Y = 2.264 + .245X_1 + e$$

The results in Table 4.12 indicated that tax rate had a positive correlation with Rental Income Tax Compliance up to 36.2% or (R= 0.362). The results reveals that tax rate caused a variation of 14.4% or (R²=0.144 and adjusted R² =0.140) on Rental Income Tax Compliance. This implies that the remaining 85.6 % of the change was caused by other factors not included in the model. (F value = 32.082, P=0.00 < which is less than 0.05. This implies that the effect of tax rate on Monthly rental income tax compliance is statistically significant.

Table 4.12 Effect of Tax Rate on Rental Income Tax Compliance

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.362 ^a	.144	.140	.43265	

ANOVA ^a					
Model		Sum of Squares	Mean Square	F	Sig.
1	Regression	7.260	7.260	32.082	.000 ^b
	Residual	49.240	.269		
	Total	56.5			

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	1.586	0.273		4.314	.000
	Tax Rate	0.376	0.112	0.362	5.841	.000

a. Dependent Variable: RENTAL INCOME TAX

b. Predictors: (Constant), TR

Régression Equation

$$Y = 1.586 + .376X_2 + e$$

The results in Table 4.13 indicated that digitalized tax service had a positive correlation with Rental Income Tax Compliance up to 41.2% or (R= 0.412). The results reveals that digitalized tax service caused a variation of 18.0% or (R²=0.180 and adjusted R² =0.176) on Rental Income Tax Compliance. This implies that the remaining 82 % of the change was

caused by other factors not included in the model. (F value = 42.308, P=0.00 which is less than 0.05. This implies that the effect of digitalized tax services on Monthly rental income tax compliance is statistically significant.

Table 4.13 : Effect of Digitalized tax service on Rental Income Tax Compliance

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.412 ^a	.180	.176	.41502		
ANOVA^a						
Model		Sum of Squares	Mean Square	F	Sig.	
	Regression	8.596	8.596	42.308	.000 ^b	
1	Residual	45.194	.231			
	Total	55.590				
Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
	(Constant)	1.192	.165		6.124	.000
1	Digitalized Tax Services	.476	.069	.412	5.016	.000

a. Dependent Variable: RENTAL INCOME TAX

b. Predictors: (Constant), DTS

Régression Equation

$$Y = 1.192 + .476X_3 + e$$

4.7.1 Model Summary

In order to test how well the model works in explaining the relationship between tax knowledge, tax rate, digitalized tax service on rental income tax compliance, regression analysis was conducted. The findings in Table 4.14, revealed that Tax knowledge ,tax rate,

digitalized tax service correlate with rental income tax up to 81.9% ($R=0.819$) and accounts for a variation of 67.1% ($R^2 =0.671$). This implies that 32.9% of the change in rental income tax compliance was caused by other factors which were not included in the model. The findings further reveal that even if the results adjust, the model would still account for 65.9% (Adjusted R^2 , 0. 659) variation of rental income tax compliance.

Table 4.14: Overall Effect Of Tax Knowledge, Tax Rate, Digitalized Tax Service On Monthly Rental Income Tax Compliance.

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	1.073	.286		3.757	.000
Tax knowledge	.364	.080	.357	4.569	.000
Tax rate	.112	.034	.245	3.317	.001
Digitalized tax services	.384	.082	.393	4.679	.000
R	0.819				
R Square	0.671				
Adjusted R Square	0.659				
F	56.376				
Sig	0.000				

- a. Dependent Variable: Monthly rental income tax compliance
b. Predictors: (Constant), tax knowledge, tax rate and digitalized tax services

Regression Equation

$$Y = 1.073B + .364X_1 + .112X_2 + .384X_3 + e$$

Where Y = Monthly rental income tax compliance, X_1 = Tax knowledge

X_2 = Tax rate, X_3 = Digitalized tax services

Regression Equation shows that for each unit change of tax knowledge, tax rate and digitalized tax service causes a variation of 36.4%, 11.2%, 38.4% respectively.

4.7.2 Analysis of Variance

Further ANOVA tests were conducted to determine whether the model works in explaining the relationship among variables as postulated in the conceptual model. The findings from Table 4.14 show an F statistics value of 56.376 with a significance level of 0.000 which was less than the conventional probability of 0.05 significance level. Hence establishing the model is statistically significant. The implication is that each independent variable (Tax knowledge, Tax rate and Digitalized tax services) contributes significantly to changes in the dependent variable (rental income tax compliance).

4.7.3 Test of Research Questions

The first question was What is the effect of tax knowledge on monthly rental income tax compliance from residential property owners in Nairobi South District? Tax knowledge has a positive relationship effect on the rental income tax compliance of property owners in Nairobi South District. The results on Table 4.14 revealed that p value was less than 0.05, $\rho=0.000$ which implies that relationship was statistically significant

The second question was What is the effect of tax rate on monthly rental income tax compliance from residential property owners in Nairobi South District? Tax rate has a positive relationship effect on the rental income tax compliance of property owners in Nairobi South District. The results on Table 4.14 revealed that p value was less than 0.05, $\rho=0.001$ which implies that relationship was statistically significant

The third question was What is the effect of digitalized tax services on monthly rental income tax compliance from residential property owners in Nairobi South District? digitalized tax services has a positive relationship effect on the rental income tax compliance of property

owners in Nairobi South District. The results on Table 4.14 revealed that p value was less than 0.05, $\rho=0.000$ which implies that relationship was statistically significant

4.8 Discussion of the Findings

This chapter presents discussion of the results of various tests carried out on the study. The results of each of the questions in this study will be discussed.

4.8.1 Effect of Tax Knowledge on Monthly Rental Income Tax Compliance

The first objective of the study was to establish the effect of tax knowledge on monthly rental income tax compliance from residential property owners in Nairobi South District which showed a positive and significant relationship ($R=.364$, $p=.000$). The coefficient of .364 shows that a unit increase in tax knowledge would lead to an increase in monthly rental income tax compliance by .364 units. Tax knowledge is the level of awareness or sensitivity of the taxpayers to tax legislation. The influence of tax knowledge on compliance behaviour has been described in various researches. The level of education received by taxpayers is important in promoting tax compliance. The level of formal general education received by taxpayers is an important factor that contributes to the understanding of tax requirements, especially regarding registration and filing requirements. High awareness by the society would encourage people to fulfill their obligations to register as taxpayer reporting and paying taxes properly are forms of national and civic responsibility (Hassan, *et al.*, 2016). The results are consistent with Waithira (2016) who found a significant positive relationship between tax knowledge and residential rental income tax compliance. The results also agree with Jemaiyo and Mutai (2016) who found that tax knowledge has significant effect on level of tax compliance.

4.8.2 Effect of Tax Rate on Monthly Rental Income Tax Compliance

The second objective of the study was to establish the effect of tax rate on monthly rental income tax compliance from residential property owners in Nairobi South District which showed a negative and significant relationship ($r=-.112$, $p=.001$). The coefficient of $.112$ shows that a unit increase in tax rate would lead to a reduction in monthly rental income tax compliance by $.112$ units. High tax rate is positively related to tax evasion and negatively related to tax compliance. The tax rate should be fair to the taxpayers' pockets. The results agree with Karanja (2014) who revealed that high tax rate is significant and play a great role towards the compliance or noncompliance of Kenyan taxpayers. The results are also consistent with Waithira (2016) who found a significant positive relationship between tax rate and residential rental income tax compliance.

4.8.3 Effect of Digitalized Tax Service on Monthly Rental Income Tax Compliance

The third objective of the study was to establish the effect of digitalized tax services on monthly rental income tax compliance from residential property owners in Nairobi South District which showed a positive and significant relationship ($r=.384$, $p=.000$). The coefficient of $.384$ shows that a unit increase in digitalized tax services would lead to an increase in monthly rental income tax compliance by $.384$ units. Rapidly increasing pace of tax digitalization services has significant effect on tax compliance. The employment of digitalized tax services to improve the effectiveness of tax administration, expand taxpayer services, and enhance tax compliance has come to attract increasing attention of authorities in charge of taxation. The results agree with the study by Mustapha and Sheikh (2014) digital tax services are statistically significant as measures of online tax system. The results are also consistent with the study by Muturi and Kiarie (2015) that online tax system does affect tax compliance level among small taxpayers. According to Olatunji and Ayodele (2017) digital tax services (Online Tax Filing-OTF, Online Tax Registration-OTR and Online Tax Remittance-OTRE) affect tax productivity

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings in line with the specific objectives of the study, conclusions drawn and the necessary recommendations made for the study including suggested areas of further study to enrich relevant knowledge under the study.

5.2 Summary of the Findings

The general objective of this study was to investigate factors influencing monthly rental income tax compliance from residential property owners in Nairobi South District. The specific objectives were to establish the effect of tax knowledge on monthly rental income tax compliance from residential property owners in Nairobi South District, to establish effect of tax rate on monthly rental income tax compliance from residential property owners in Nairobi South District and to establish the effect of digitalized tax services on monthly rental income tax compliance from residential property owners in Nairobi South District.

The study adopted descriptive survey design. Pearson correlation was used to establish the association between tax knowledge, tax rate, digitalized tax services and monthly rental income tax compliance from residential property owners in Nairobi South District. The Pearson correlation found that tax knowledge, tax rate and digitalized tax services have positive relationship with monthly rental income tax compliance from residential property owners in Nairobi South District. Multiple regression was used to answer research questions.

The first objective of the study was to establish the effect of tax knowledge on monthly rental income tax compliance from residential property owners in Nairobi South District. Correlation analysis revealed a significant positive association between tax knowledge and monthly rental income tax compliance from residential property owners in Nairobi South

District. Regression analysis indicated that there is positive relationship between tax knowledge and monthly rental income tax compliance from residential property owners in Nairobi South District. Tax knowledge was found to be satisfactory in explaining monthly rental income tax compliance from residential property owners in Nairobi South District.

The second objective of the study was to establish effect of tax rate on monthly rental income tax compliance from residential property owners in Nairobi South District. Correlation analysis revealed a significant negative association between tax rate and monthly rental income tax compliance from residential property owners in Nairobi South District. Regression analysis indicated that there is positive relationship between tax rate and monthly rental income tax compliance from residential property owners in Nairobi South District. Tax rate was found to be satisfactory in explaining monthly rental income tax compliance from residential property owners in Nairobi South District.

The third objective of the study was to establish the effect of digitalized tax services on monthly rental income tax compliance from residential property owners in Nairobi South District. Regression analysis indicated that there is positive relationship between digitalized tax services rate and monthly rental income tax compliance from residential property owners in Nairobi South District. Digitalized tax services were found to be satisfactory in explaining monthly rental income tax compliance from residential property owners in Nairobi South District.

5.3 Conclusion

The conclusions of this study were informed based on the findings of the study. Each objective was reviewed and a conclusion provided that covers theory and practice. The purpose of this study was to investigate factors influencing monthly rental income tax compliance from residential property owners in Nairobi South District.

Based on research finding it can be concluded that tax knowledge influences monthly rental income tax compliance from residential property owners in Nairobi South District. Promoting public tax education is necessary in increasing public awareness about taxation while promoting tax compliance. Tax knowledge is also useful to educate taxpayers or potential taxpayers regarding taxation and their share of responsibility to the country revenue generation. This could be in the form of dialogues and seminars.

It is also concluded tax rate significantly influences monthly rental income tax compliance from residential property owners in Nairobi South District. Tax rate is a significant factor determining tax compliance. The tax rate should be fair to the taxpayers' pockets.

From the findings, it is concluded that digitalized tax services influences monthly rental income tax compliance from residential property owners in Nairobi South District. Digitalized tax services are enabling tax authorities monitor tax compliance. Digitalized techniques (e-invoicing, e-accounting, e-reporting and e-auditing), along with advanced tax-focused analytics, are top of mind for tax authorities and tax executives, and digital tax services are changing how taxation is conducted. The use digitalized tax services to improve the effectiveness of tax administration, expand taxpayer services, and enhance tax compliance have come to attract increasing attention of taxation authorities.

5.4 Contribution to Theory and practice

The results of the study revealed that tax knowledge, tax rate, digitalized tax services significantly influences monthly rental income tax compliance from residential property owners in Nairobi South District. High tax rate, taxation system, dishonesty of rental tax payers and lack of awareness may lead to high levels of tax noncompliance. The results make a contribution to the Allingham-Sandmo theory. This theory affirms that the behavior of a taxpayer is usually influenced by the factors which determine the benefits and cost of tax evasion. The relevance of the Allingham-Sandmo Theory in residential rental income tax compliance is that when there is low probability of audit and penalties, tendency for evasion by property owners will be higher, while if there is a high tendency for detection and penalties are severe, fewer property owners will evade residential rental income tax.

5.5 Limitations of the Study

The study had some limitations. The study did not attain 100% response rate. One of the reasons for this is that the property owners were reluctant to fill the questionnaire for fear that the responses would be used against them or the responses revealed to the tax authorities. However, the limitation was mitigated by assuring the respondents that data collected from them were used for academic research only. Another limitation is that, the study relied much on primary data to study the influence of tax knowledge, tax rate, digitalized tax services on monthly rental income compliance. Primary data at times may be misleading as it only measures people's opinions and perceptions and it may not be possible to quantify the results in actual numbers. Despite the above limitations, the quality of the study was not compromised. The study has immensely contributed to additional knowledge, especially in the field of tax compliance.

5.6 Recommendations

Based on the results of the findings and the conclusions drawn from the study, several policy recommendations can be derived from the findings of this study. The recommendations are based on the findings of the study.

In the study, it was established that tax knowledge influences monthly rental income tax compliance from residential property owners in Nairobi South District. It is thus recommended that there is need for tax training and awareness through seminars and workshops on how comply with tax payment to the authorities and its importance to the continuity of the business. Promoting public tax education is necessary in increasing public awareness about taxation while promoting tax compliance. Tax knowledge is considered to be a vital part of attitudes towards tax compliance. Knowledge of tax is crucial in determining level of tax compliance. Poor knowledge on taxation can lead to a distrust and negative attitude towards tax compliance; while good tax knowledge, correlates with a positive attitude towards tax compliance

Based on research finding it was established that tax rate negatively significantly influences monthly rental income tax compliance from residential property owners in Nairobi South District. The study recommends that Tax authorities should set a favorable tax rate levied on rental properties. This will ensure that both tax authorities and tax owners benefit without straining one another. The tax rate should be fair to the taxpayers' pockets. A higher tax rate causes high tax noncompliance. Similarly, taxpayers' underreporting behavior is positively correlated with high tax. High tax rate is positively related to tax evasion and negatively related to tax compliance.

It was also established that digitalized tax services influences monthly rental income tax compliance from residential property owners in Nairobi South District. The study recommends for the creation of awareness on the available digital platform to pay, file and compile tax returns. Digitalized tax services enable tax authorities monitor tax compliance. The available digitalized tax services include e-invoicing, e-accounting, e-reporting and e-auditing. The use digitalized tax services to improve the effectiveness of tax administration, expand taxpayer services, and enhance tax compliance have come to attract increasing attention of taxation authorities. Digital platforms may be used to track non-compliant landowners.

5.7 Further Research

The study relied much on primary data to study the influence of tax knowledge, tax rate, digitalized tax services on monthly rental income compliance. Primary data at times may be misleading as it only measures people's opinions and perceptions and it may not be possible to quantify the results in actual numbers. Further research may include employing secondary data from tax authorities to model tax compliance.

REFERENCES

- Adbul, M. (2001). *Personal income tax non-compliance in Malaysia* (Doctoral dissertation, Victoria University of Technology).
- Adeniran, S. F. (2011). *Analysis of Tax Morale and Tax Compliance in Nigeria*. (PhD thesis. Covenant University, Nigeria).
- Adom, D., Adu-Gyamfi, S., Agyekum, K., Ayarkwa, J., Dwumah, P., Abass, K., ... & Obeng-Denteh, W. (2016). Theoretical and conceptual framework: mandatory ingredients of a quality research. *Journal of Education and Human Development*, 5(3), 158-172.
- Ahmed, N. (2011). Reforming tax policy and administration in Bangladesh. In *IMF Conference on revenue mobilization and development, Washington, DC*.
- Ali, M., Fjeldstad, O. H., & Sjurson, I. H. (2013). Factors affecting tax compliant attitude in Africa: Evidence from Kenya, Tanzania, Uganda and South Africa. In *Centre for the Study of African Economies 2013 Conference, Oxford University*.
- Allingham, M. G. & Sandmo, A. (1972). Income Tax Evasion: A Theoretical Analysis. *Journal of Public Economics*, 1(34), 323–338.
- Anyaduba, J. O., Eragbhe, E., & Kennedy, M. P. (2012). Deterrent Tax Measures and Tax Compliance in Nigeria. *European Journal of Business and Management*, 4(11), 37-45.
- Awa, F. N. & Ikor, I. M. (2015). Factors That Affect Tax Compliance among Small and Medium Enterprises (SMEs) in Enugu, South-Eastern Nigeria. *International Journal of Research in Business Management*, 3(9), 25-36.
- Ayuba, A., Saad, N. & Ariffin, Z. Z. (2016). Does Perceived Corruption Moderate the Relationship between Economic Factors and Tax Compliance? A Proposed Framework for Nigerian Small and Medium Enterprises. *Mediterranean Journal of Social Sciences*, 7(1), 402-409.
- Bello, K. B. & Danjuma, I. (2014). Review of Models/Theories Explaining Tax Compliance Behavior. *Sains Humanika*, 2(3), 35–38

- Berhane, T. & Yesuf, M. (2013). Assessment of the Challenges and Opportunities of Business House Rental Income Taxation in Regional State of Tigray. *International Journal of Science and Research*, 4(8), 1932 -1938
- Bobek, D. D., Roberts, R. W., & Sweeney, J. T. (2007). The social norms of tax compliance: Evidence from Australia, Singapore, and the United States. *Journal of Business Ethics*, 74(1), 49-64.
- Braithwaite, V., Murphy, K., & Reinhart, M. (2007). Taxation threat, motivational postures, and responsive regulation. *Law & Policy*, 29(1), 137-158.
- Burman, L. E., Gale, W. G., Gault, S., Kim, B., Nunns, J., & Rosenthal, S. (2016). Financial transaction taxes in theory and practice. *National Tax Journal*, 69(1), 171-216
- Deyganto, K. O. (2018). Factors Influencing Taxpayers' Voluntary Compliance Attitude with Tax System: Evidence from Gedeo Zone of Southern Ethiopia. *Universal Journal of Accounting and Finance*, 6(3), 92-107.
- Dowe, D. (2008). E-filing and e-payments–The way forward. *Caribbean Regional Technical Assistance Centre (CARTAC), paper presented at the Caribbean Organization of Tax Administration (COTA) General Assembly*.
- Dubbin, J.A. (2004). *Criminal investigation enforcement activities and taxpayer non-compliance*. Paper presented at 2004 IRS Research Conference, Washington.
- Dulleck, U., Fooker, J., Newton, C., Ristl, A., Schaffner, M., & Torgler, B. (2016). Tax compliance and psychic costs: behavioral experimental evidence using a physiological marker. *Journal of Public Economics*, 134, 9-18.
- Engida, T. G., & Baisa, G. A. (2014). Factors Influencing taxpayers' compliance with the tax system: An empirical study in Mekelle City, Ethiopia. *eJournal of Tax Research*, 12(2), 433–452
- Fauziati, P., Minovia, A. F., Muslim, R. Y., & Nasrah, R. (2016). The impact of tax knowledge on tax compliance case study in kota padang, Indonesia. *Journal of Advanced Research in Business and Management Studies*, 2(1), 22-30.

- Fjeldstad, O., Schulz-Herzenberg, C., & Sjursen, I. (2012). *Peoples' View of Taxation in Africa: A Review of Research on Determinants of Tax Compliance*. CMI working paper, WP2012: 7.
- Freire-Seren, M. J., & Panadés, J. (2013). Do Higher Tax Rates Encourage/Discourage Tax Compliance?. *Modern Economy*, 4(12), 809-817
- Gayer, C. & Gilles, M. (2012). Property Taxation and Enhanced Tax Administration in Challenging Times. *Economic Papers* 463. European Commission. Available at ec.europa.eu/economy_finance/publications
- Geremew, D. (2017). Factors Affecting Rental Income Tax Payers Compliance with Tax System: In Case of Hawassa City Administration, Snnprs, Ethiopia. *Research Journal of Finance and Accounting*, 8 (9), 75-83
- Hassan, N., Nawawi, A., Salin, P., & Azlin, A. S. (2016). Improving Tax Compliance Via Tax Education-Malaysian Experience. *Malaysian Accounting Review*, 15(2), 243-262.
- Heenkenda, S., Weerasekara, C. M., & Chathurangani, W. H. I. (2016). Factors Influencing Tax Payers' Compliance among Small and Medium Enterprises (SMEs) in Sri Lanka, *Journal of Advanced Research in Business and Management Studies*, 7(5), 1-6.
- Hofmann, E., Hoelzl, E., & Kirchler, E. (2008). Preconditions of voluntary tax compliance: Knowledge and evaluation of taxation, norms, fairness, and motivation to cooperate. *Zeitschrift für Psychologie/Journal of Psychology*, 216(4), 209-217.
- Holland, K.M., John, Hasseldine and Pernill, van der Rijt (2009) *The Management of Tax Knowledge* (ACCA Research report, No. 112) ACCA Certified Accountants Educational Trust (London)
- Ibrahim, M. A., Myrna, R., Irawati, I., & Kristiadi, J. B. (2017). A systematic literature review on tax amnesty in 9 Asian countries. *International Journal of Economics and Financial Issues*, 7(3), 220-225.
- Iordachi, V., & Timus, A. (2017). Role of Information Technology In Increasing Voluntary Compliance By Tax Payers. *Contemporary Economy Journal*, 2(3), 88-96.

- Jarque, C. M., & Bera, A. K. (1987). A test for normality of observations and regression residuals. *International Statistical Review/Revue Internationale de Statistique*, 55(2), 163-172.
- Jemaiyo, B., & Mutai, G. C. (2016). Determinants of Tax Compliance and their Influence on the Level of Tax Compliance in Real Estate Sector, Eldoret Town-Kenya. *African Peer Reviewed Journals*, 12(1), 555-584.
- Karanja, E. K. (2014). Factors Affecting Voluntary Tax Compliance on Rental Income: A case Study of Nairobi Landlords. (*Unpublished MBA Project*. United States International University, Nairobi, Kenya).
- Karim, S. A. (2010). Contemporary shari'a compliance structuring for the development and management of waqf assets in Singapore. *Kyoto Bulletin of Islamic Area Studies*, 3(2), 143-164.
- Kenya Revenue Authority. (2015). *Residential rental Income Tax: What You Need To Know*. Accessed online on 11/6/2016 from <http://www.kra.go.ke/portal>
- Kirchler, E., Hoelzl, E. & Wahl, I. (2008). Enforced Versus Voluntary Tax Compliance: The “Slippery Slope” Framework. *Journal of Economic Psychology*, 29(2), 210–225.
- Kirchler, E., Muehlbacher, S., Kastlunger, B., & Wahl, I. (2010). Why pay taxes? A review of tax compliance decisions. *Developing alternative frameworks for explaining tax compliance*, 15-31.
- Kołodziej, S. (2011). The Role of Education in Forming Voluntary Tax Compliance. *General and Professional Education*, 2011(1), 22-25
- KPMG (2015). Finance Act 2015 Analysis. Accessed online on 11/6/2019 from www.kpmg.com/estafrica
- Mas'ud, A., Aliyu, A. A., Gambo, E. M. J., Al-Qudah, A. A., & Al Sharari, N. (2014). Tax rate and tax compliance in Africa. *European Journal of Accounting Auditing and Finance Research*, 2(3), 22-30.

- McKerchar, M. & C. Evans (2009). Sustaining Growth in Developing Economies through Improved Taxpayer Compliance: Challenges for Policy Makers and Revenue Authorities. *eJournal of Tax Research*, 7(2), 171–201.
- Mengere, M. M. (2014). *The Effect of Tax Related Education on PAYE Tax Compliance for KRA Audited Firms in Nairobi Central Business District*. (Unpublished MBA Project. University of Nairobi, Kenya)
- Ming Ling, L., & Hidayah Ahamad Nawawi, N. (2010). Integrating ICT skills and tax software in tax education: A survey of Malaysian tax practitioners' perspectives. *Campus-Wide Information Systems*, 27(5), 303-317.
- Modugu, K. P., & Anyaduba, J. O. (2014). Impact of tax audit on tax compliance in Nigeria. *International journal of business and social science*, 5(9), 207-215.
- Mukabi, D. N. (2014). *Factors Influencing Turnover Tax Compliance in the Kenya Revenue Authority Domestic Taxes Department in Nairobi County*. (Unpublished MA Project. University of Nairobi, Kenya)
- Mustapha, B., & Sheikh, S. N. B. (2014). The influence of technology characteristics towards an online tax system usage: The case of Nigerian self-employed taxpayer. *International Journal of Computer Applications*, 105(14), 30-36
- Muturi, H. M., & Kiarie, N. (2015). Effects of online tax system on tax compliance among small taxpayers in Meru County, Kenya. *International Journal of Economics, Commerce and Management*, 3(12), 280-297.
- Mwangi, P. N. (2014). *Factors Influencing Tax Compliance among Small and Medium Enterprises in Nairobi's Industrial Area, Kenya*. (Unpublished MA Project. University of Nairobi, Kenya)
- NBR (National Board of Revenue) (2011), Outline of Modernization Plan (2011-2016): National Board of Revenue (NBR), NBR, Dacca, available at: www.nbrbd.org/tender/NBR_Modernisation_Plan_Final_draft.pdf.
- Nicoleta, B. (2011). A Review of Factors for Tax Compliance. *Annals of Dunarea de Jos*, 18(1), 69-76

- Obara, L. C., & Nangih, E. (2017). Tax Compliance Barriers and Internally Generated Revenue in Nigeria: Empirical from Small and Medium Enterprises in Portharcourt Metropolis. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 7(4), 169-176.
- OECD/The International and Ibero-American Foundation for Administration and Public Policies (FIIAPP) (2015), Building Tax Culture, Compliance and Citizenship: A Global Source Book on Taxpayer Education, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789104205154-en>
- Oladipupo, A. O., & Obazee, U. (2016). Tax knowledge, penalties and tax compliance in small and medium scale enterprises in Nigeria. *iBusiness*, 8(01), 1-14.
- Olaoye, C. O., & Kehinde, B. A. (2017). Impact of Information Technology on Tax Administration in Southwest, Nigeria. *Global Journal of Management And Business Research*, 17 (2),
- Olatunji, O. C., & Ayodele, K. B. (2017). Impact Of Information Technology On Tax Administration In Southwest, Nigeria. *Archives of Business Research*, 5(9), 23-39
- Osebe R. P. (2013). An Analysis of Factors Affecting Tax Compliance in the Real Estate Sector in Kenya: A Case Study of Real Estate Owners in Nakuru Town. (*Unpublished MBA Project*. Kabarak University, Kenya).
- Sandmo, A. (2005). The Theory of Tax Evasion: A Retrospective View. *National Tax Journal*, 53(4), 643-648.
- Sani, K. S. & Gbadegesin, J. T. (2015). A Study of Private Rental Housing Market in Kaduna Metropolis, Nigeria. *International Journal of Humanities and Social Science*, 5(8), 173-183
- Sapiei, N. S. & Kasipillai, J. (2013). External Tax Professionals' Views on Compliance Behaviour of Corporation. *American Journal of Economics*, 3(2), 82-89.
- Saunders, M. Lewis, p., & Thornhill, A. (2012). *Research methods for business students*, 34 (2), 6-16

- Serem, W., Kinanga R., & Ondiba, P. (2017). The Effect Of Tax System Simplicity On Tax Compliance Among The Rental Income Earners In Kenya. A Case Of Eldoret Central Business District. *European Journal of Business and Innovation Research*, 5 (5), 13-22
- Singh, V., & Bhupalan, R. (2001). The Malaysian self-assessment system of taxation: Issues and challenges. *Tax Nasional*, 3(1), 12-17.
- Smulders, S., Stiglingh, M., Franzsen, R., & Fletcher, L. (2017). Determinants of external tax compliance costs: Evidence from South Africa. *South African Journal of Accounting Research*, 31(2), 134-150.
- Thananga, A. G., Wanyoike, D. M., & Wagoki, A. J. (2013). Factors Affecting Compliance on Rental Income Tax Policy by Landlords in Nakuru Municipality. *Journal of Agriculture and Environmental Sciences*, 2(1), 10-38.
- Tilahun, A. T. & Yidersal, D. D. (2014). Determinants of Tax Compliance Behavior in Ethiopia: The Case of Bahir Dar City Taxpayers. *Journal of Economics and Sustainable Development*, 5(15), 108-273
- Torgler, B. (2003). Beyond Punishment: A tax Compliance Experiment with Taxpayers in Costa Rica: *Revista de Analisis Economico*, 18(1), 27–56
- Trivedi, V.U., Shehata , M. (2005). Attitudes, incentives and tax compliance, *Canadian Tax Journal*, 53(1), 29–61.
- Umar, M. A., Kasim, R., & Martin, D. J. (2012). An overview of property tax collection as a tool for a sustainable local government reform in Malaysia. In *Proceedings International Conference of Technology Management, Business and Entrepreneurship (ICTEMB2012)*, Renaissance Hotel, Melaka, Malaysia (593-605).
- Vadde, S. (2014). *Attitude of Rental Tax Payers and their Compliance with Tax System: An Empirical Study of Mekelle City, Ethiopia*. Mekelle University, Ethiopia.
- Vihanto, M (2000) Tax Evasion in a Transition from Socialism to Capitalism: The Psychology of the Social Contract. BOFIT Discussion Paper No 6.

- Vragaleva, V., (2015). Tackling electronic commerce – the tax administration perspective. Conferința Internațională Științifico-Practică, Creșterea Economică în Condițiile Globalizării, *Ed. a X-a*, 2(3), 135 – 139.
- Waithira, A. W. (2016). *Determinants Of Residential Rental Income Tax Compliance By Property Owners In Thika Town* (Doctoral dissertation, School Of Business, University Of Nairobi).
- Walsh, K. (2012). Understanding Taxpayer Behaviour–New Opportunities for Tax Administration. *The Economic and Social Review*, 43(3), 451–475.
- Wasao, D. (2014). The Effect of Online Tax System on Tax Compliance among Small Taxpayers in East of Nairobi Tax District. *Unpublished Masters of Science project, submitted to University of Nairobi, Kenya.*
- Williams, R. (2015). Multicollinearity. *University of Notre Dame*. Accessed on <https://www3.nd.edu/~rwilliam/stats2/111.pdf> (last consulted: 12 th August, 2015).
- Wooldridge, J. M. (2015). *Introductory econometrics: A modern approach*. Nelson Education.

APPENDICES

Appendix I: Letter of Introduction

Dear Sir/Madam,

**RE: REQUEST TO COLLECT DATA FOR ACADEMIC THESIS RESEARCH
PROJECT**

I am a PGD student at Jomo Kenyatta University of Agriculture and Technology (JKUAT). I am doing a research proposal to “**investigate factors influencing monthly rental income tax compliance from residential property owners in Nairobi South District**”. Your participation in this study by responding to this questionnaire will be appreciated. All your responses will be treated with utmost confidentiality and the data collected will only be used for academic purposes.

Thank you.

Yours faithfully,

Mellen Ratemo

Appendix II: Questionnaire

I am a student pursuing a Post Graduate Diploma in Tax Administration, Jomo Kenyatta University of Agriculture and Technology carrying out a research on **factors influencing monthly rental income tax compliance from residential property owners in Nairobi South District**. The research is purely academic in nature and any information obtained will be kept confidential. Your cooperation and support will be highly appreciated.

Section I: Background information

Please fill by ticking (√) where appropriate

1. Gender; (tick) Male Female

2. Highest Academic Qualification:

None Primary

Secondary Tertiary

3. Period operating rental property:

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

Section II

Part I: Tax knowledge

4. Have you attended any formal training organized by KRA or other institution on residential rental income tax?

Yes No

5. Evaluate the following statements and tick where appropriate under the choices below

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

Item	Statements	1	2	3	4	5
1	Property owners have adequate knowledge on tax rate, basis of taxation and compliance requirements under residential rental income tax regime					
2	Lack of proper records on expenses incurred greatly contributed to non-compliance by property owners in the previous regime					
3	Knowledge about tax laws plays a major role in determining property owners' tax compliance					
4	Effective tax education improves the ability of property owner to comply with rental tax payment					
5	Majority of tax payers are familiar with the itax platforms					

Part II: Tax rate

6. Evaluate the following statements and tick where appropriate under the choices below

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

Item	Statements	1	2	3	4	5
1	10% residential rental income tax rate is fair to property owners.					
2	Residential rental property owners are now willingly paying tax due to the well-structured tax rate					
3	The computation of tax on gross rental proceeds is simple for property owners to apply					
4	A 10% tax rate on gross receipts results in overall lower tax burden than a 30% tax rate on net rental income					
5	The lowered tax rate has influenced willingness of residential rental property owners to be tax compliant					

Part III: Digitalized tax services

7. Please tick (√) one cell for each statement regarding the effect of digitalized tax services on monthly rental income tax compliance in Nairobi South District. Use the scale where **1** - underdeveloped **2**- needs improvement **3** - adequate **4** - good **5**- excellent

Item	Statements	1	2	3	4	5
1	Online Registration					
2	Online Filing					
3	Online Payments					
4	e-reporting					
5	i-tax					

Part VI: Monthly rental income tax compliance

8. Is your business registered for Residential rental income tax?

Yes [] No []

9. Evaluate the following statements and tick where appropriate under the choices below

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

Item	Statements	1	2	3	4	5
1	I always file return on time and as required by law					
2	I declare correct monthly rental income					
3	As a residential rental property owner I file tax return only to avoid					
4	KRA has offered an enabling environment for tax filing					
5	As a residential rental property owner I file tax returns every month					
6	I enjoy paying taxes and I am always tax compliant					

10. What are the strategies to promote rental income tax compliance?

.....

.....

.....

.....

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

Appendix III: List of Residential Property Owners in Nairobi South District

	TAXPAYER NAME	EMAIL
1	Joseph Mwangi Peter Gathua	gathuajoseph01@gmail.com
2	David Kioko Musau	musaukd2015@gmail.com
3	Joseph Muthaki Njuguna	mnjugunajoseph1@gmail.com
4	Tanya Ellen Church	tanyamikey@specializedsafaris.com
5	George King Omondi Magolo	georgemagolo@yahoo.co.uk
6	Latifa Zeynab Saleh	salehlatifa42@gmail.com
7	Kabosi Propertise Limited	ororafn@yahoo.com
8	James Gachii Chege	jamesgachiechege@yahoo.com
9	Jgt Holdings Limited	jtgente@gmail.com
10	Kithinji Dan Charles Marangu	dakithinji@gmail.com
11	Mary Kabura Kariuki	kabura_mk@yahoo.com
12	James Mwangi Kaminjuki	kaminjukij@gmail.com
13	Mavince Okoth Obwanga	mavinceokothoobwanga@gmail.com
14	Solomon Kiongera Gathirwa	skgathirwa@gmail.com
15	George Hiro Ritho	jbgeorge.ritho@gmail.com
16	Peter Kabiru Njoroge	peterkabiro204@gmail.com
17	Patrick Mahingo Njoki	mahingop@gmail.com
18	Loyford Mwiti Kubai	lmkubai@yahoo.com
19	Johana Mukiri Mambo	johana.mukiri@yahoo.com
20	Stephen Mulinge Muia	stephenmuia70@gmail.com
21	Moses Mungai Gichuru	mmungai@kengen.co.ke
22	Jane Gathoni Stephen	myxypytylyk0@gmail.com
23	Salim Issa Nganga	salimnganga2018@gmail.com
24	Jonathan Okoth Onyango	jonah2006us@gmail.com
25	Charles Waithaka Mwehi	cmwehi@usiu.ac.ke
26	Janet Njeri Kamau	janetnjeri2017@yahoo.com
27	John Ndirangu Ng'ang'a	pillargoldenspringsltd@gmail.com
28	Grace Muthoni Kamau	kamauneema@gmail.com
29	Selina M Ogera Manyonge	selinamanyonge@gmail.com
30	Anne Nyambura Ndong'o	kenndongo@gmail.com
31	Daniel Nyakundi Amenya	danielamenya87@gmail.com
32	Anna Kiluu Okworo	wilshere45@gmail.com
33	Peter Matata Maingi	matatamaingi@gmail.com
34	Patrick Mutuku Maweu	patrickmaweu@yahoo.com
35	Godfrey Gikonyo Gachihi	godfreygachihi@gmail.com
36	Errsto Mudegu Karani	mudegukarani@gmail.com

37	Johari Mzee Thabit	mtjohari2004@gmail.com
38	Abdirizack Ismail Hassan	arizismail43@gmail.com
39	James Muindi Makose	makosejames@gmail.com
40	Nicodemus Muuki Ng'ula	ngulamn@gmail.com
41	Francois Gasengayire	francoisgasengayire@gmail.com
42	Mwikali Josephine Kiswii	jokiswii@yahoo.co.uk
43	Peter Mumo Muthike	peter.muthike@vivoenergy.com
44	John Gichuru Muuthi	gichurumuuthi@gmail.com
45	Lawrence Njuguna Gichora	lawrencegichora@yahoo.com
46	Faith Njeri Maina	fei.njeri@gmail.com
47	Willington Mutunga Kasimu	wkasimu@yahoo.com
48	Fredrick Ekisa Wilbrondo	africatactical200@gmail.com
49	Ben Joel Ndegwa Ndundu	ben_ndegwa@yahoo.com
50	Nancy Chepngetich Terer	nancy.terer@kpc.co.ke
51	Michael Ngugi	michael_ngugi@yahoo.com
52	Peter Tsindoli Akanga	ptsindoli@gmail.com
53	Christine Pauline Muthoni Wambugu	drcwambugu@gmail.com
54	Beth Munjiru Muchinje	beth.muchinje@gmail.com
55	Emily Wanjiru Munyua	emilymunyuatax@gmail.com
56	Afro-Heritage Consultancies	afroheritage89@gmail.com
57	Lucy Wangui Kiwara	lucykiwara@gmail.com
58	Stephen Gachango Munyambu	stegacha2018@gmail.com
59	Anthony Makau Nzoya	anthonymnzoya@gmail.com
60	Jane Jepkoech Some	somejoann@yahoo.com
61	Joseph Ngotho Njuguna	cyber6b@gmail.com
62	Lawrence Mwanzia Muasya	lawrencemuasya72@gmail.com
63	Felix Odhiambo Oyaya	oyayafelix@gmail.com
64	Nelson Muyodi Ndubi	ndubinelson4@gmail.com
65	Crispin Kinini Wangondu	ckinini@gmail.com
66	Peter Macharia	machariapeterkigumo@gmail.com
67	Rosemary Wakarura Muturi	roseymuturi@gmail.com
68	Joseph Njoroge Gitau	njogitaumwa@gmail.com
69	Obed Hinga Kung'u	obedhinga@yahoo.com
70	Ogotu Onyangi Nelson	nelsononyangielmago9@gmail.com
71	Duncan Mwangi Nyamu	nyamu206@gmail.com
72	Fredrick Muriithi Kiura	watarasirah@yahoo.com
73	Lucia Wangui Njoroge	lucia@mmd.co.ke
74	Peter Wacuru Njoroge	wacurunjoroge@yahoo.com
75	Beckie Wangeci Wagara	wagarab@yahoo.com

76	David Nguru Ngene	ngenedave@gmail.com
77	Ngera Muthami	ngeramuthami@gmail.com
78	Samuel Gachucha Njoroge	samuelgach@gmail.com
79	Daniel Mbecha Kinuthia	kmbecha.daniel@gmail.com
80	Simon Macharia Kariuki	smacharia64@gmail.com
81	Daniel Kuria Kiai	danielkuriakiai@gmail.com
82	Kenneth Njogu Huria	kennethhuria@gmail.com
83	Abdul Reheman Shaffy	ashaffy@hotmail.com
84	David Spencer Russell	dsr@mardee.net
85	Patrick Munyao Wambua	patrickmunyao500@gmail.com
86	Rose Njeri Mutiga	njeri.consult@gmail.com
87	Joseph Gitao Kungu	josekungu16@yahoo.com
88	Samuel Ndiritu King'ori	timwaweru2008@yahoo.com
89	Neelum Keval Vora	tembo100@yahoo.com
90	Purity Wanja Mwangi	purity195mwangi@gmail.com
91	John Wagocho Gitiri	jwagocho@yahoo.com
92	Edwin Ombati Misiani	misianiedwin@gmail.com
93	Ruth Wariara	ruthwariara40@yahoo.com
94	Ismail Mohamed Ahmed	murkakafundu@gmail.com
95	Peter Gituto Kimunya	kimunyap@yahoo.com
96	Jane Wanjiru Mukua	mukuawasamuel@gmail.com
97	Solomon Ouna	solomonouna@gmail.com
98	Lucy Njoki Maina	njokipeter@gmail.com
99	Jacinta Mary Wanjiru	wanjirujacinta6@gmail.com
100	Samwel Kingori Gathitu	skingori2000@yahoo.com
101	Mohamed Jibrán Fauz Qureishi	jibranqureishi@gmail.com
102	Andrew Mukabwa Amukoye	amukoyeandrew@yahoo.com
103	Adongo Phellix Odhiambo	phellixadongo@gmail.com
104	Peter Kamau Waithaka	pkwaithaka1948@gmail.com
105	Regina Njeri Ndere	remila2012@gmail.com
106	Johnson Muthee Ndegwa	johnsonmutheendegwa@yahoo.com
107	Sylvia Wambui Kabutha	sylviakabutha@gmail.com
108	Bruce Mureithi Theuri	brucemureh@yahoo.com
109	Virginia Wairimu Kiarie	vwairimu.kiarie@gmail.com
110	James Maina Mathenge	mathengejmm@gmail.com
111	Davis Njagi Ndwiga	davisnjagi@gmail.com
112	Gitonga Karani	verogitongakarani@gmail.com
113	Exploration Tours And Safaris Company	exploration.tours@gmail.com
114	Kalpesh Shah	kshahkenya@gmail.com

115	Stephen Ngari Mathenge	stephenmathenge37@yahoo.co.uk
116	Stanley Kimani Muriranja	smuriranja@gmail.com
117	Julius Achelo Cheto	juliusachelo@yahoo.com
118	Hakim Portfolios Limited	hakimportfolios@gmail.com
119	Christine Anyango Onyango	noelacom@gmail.com
120	James Thiongo Kamurua	thiongokamurwa@gmail.com
121	Pius Murigi Waithaka	piuswaithaka2@gmail.com
122	Benjamin Kioko Ndunda	ndundakioko46@gmail.com
123	Catherine Wangari Nyagah	nyagah3300@gmail.com
124	Mercy Wangari Githingu	mercy@gilgal.co.za
125	Sironoi Limited	sironoiltd@gmail.com
126	Robert Kabangi Karanja	rkabanja@yahoo.com
127	Samuel Mburu Kimunyi	mburusamuel61@gmail.com
128	Fredrick Munyoki Nyala	fredrickmunyoki8@gmail.com
129	Godfrey Maina Gatungu	gmainagatungu@yahoo.com
130	Natural Dry Fruits Limited	naturaldryfruits@gmail.com
131	Justin Nthiiri Bundi	bundijn@gmail.com
132	Rommy Security Services Limited	rommy7755@gmail.com
133	David Ombonyo Ayilo	aydake@yahoo.com

Source: Kenya Revenue Authority, Nairobi south District, 2019

Appendix IV: Work Plan

Activity	Nov 2018	Dec 2018	Jan 2019	Feb 2019	March 2019	April 2019	May 2019	June 2019
Proposal Development								
Presentation								
Pilot Testing								
Data Collection								
Data Coding & Editing								
Data Analysis								
Report Writing								
Submission								

Appendix V: Budget

Description	Quantity	Unit Price KES	Total
Stationery	1	2,000	2,000
Photocopying	2000	3	6,000
Typing	1	6000	6,000
Binding	20	100	2,000
Internet	1	3,000	3,000
Book binding	10	400	4,000
Research Assistants	2	40,000	80,000
Contingency 10%			10,300
Total			113,300