

**FACTORS AFFECTING VAT COMPLIANCE AMONGST RETAIL
SUPERMARKETS IN KISUMU COUNTY, KENYA**

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DECLARATION

This is my original work and has not been presented for award of a post-graduate diploma in any other university or any other institution of higher learning for examination.

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DEDICATION

I dedicate this project to my dear parents, Mr. Ernest Misuko and Mrs. Jane Onkware for ensuring that I got the best always. For your love, tireless efforts and sacrifices, I am forever indebted. A special dedication to my husband, Aloyce Manyura and children Godwin and Gabriella for your unending support and understanding as I juggled work, studies and parental duties.

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ABBREVIATIONS AND ACRONYMS

ANOVA- Analysis of Variance

CBD- Central Business District

CRF-County Revenue Funds

CoK- Constitution of Kenya

CPI-Consumer Price Index

ECB –European Central Bank

EU- European Union

FIRS-Federal Inland Revenue Service

GDP-Gross Domestic Product

IMF-International Monetary Fund

KNBS-Kenya National Bureau of Statistics

KRA-Kenya Revenue Authority

PIN- Personal Identification Number

PwC-Pricewaterhouse Coopers

SAS-Self Assessment System

SMEs- Small and Medium Enterprises

TCC-Taxpayer Compliance Costs

TOT-Turnover Tax

VAT- Value Added Tax

Definition of Terms

Fines and Penalties: A fine or penalty is money paid usually to a government authority, as a punishment for a crime or other offence.

Taxation: Refers to the act of a taxing authority actually levying tax. Taxation as a term applies to all types of taxes, from income to gift to estate taxes. It is usually referred to as an act; any revenue collected is usually called "taxes" (Wresch and Fraser, 2011).

Tax Administration: Refers to the identification of tax liability based on the existing tax law, the assessment of this liability, and the collection, prosecution and penalties imposed on recalcitrant taxpayers (Kangave, 2005).

Tax Attitude: The way of thinking or feeling about taxes

Tax Audits: This is an exercise undertaken by tax authorities to determine if a taxpayer paid the correct amount of tax.

Tax Collection: A collection of money from taxpayers based on the tax assessment declaration

Tax Compliance: (OECD,2019)The Degree to which a taxpayer complies (or fails to comply) with the tax rules of his country, for example by declaring income, filing a return, and paying the tax due in a timely manner.

Tax Compliance cost: It refers to the expenditure of time or money in conforming with government requirements such as legislation or regulation.

Tax Evasion: It refers to the conscious or unconscious action and behavior of a person who is liable to pay tax but who fails to fulfill this duty by either under reporting his tax liability or failing to account for his income generating activities altogether. Tax evasion also refers to the reduction or minimization of tax liability by illegal methods.
or notification (Tesfaye et al, 2014).

Retail Supermarket: A large retail market that sells food and other household goods and that is usually operated on a self-service basis.

Value added tax: (OECD, 2019) defines VAT as a specific type of turnover tax levied at each stage in the production and distribution process. Although VAT ultimately bears on individual consumption of goods or services, liability for VAT is on the supplier of goods or services. VAT normally utilizes a system of tax credits to place the ultimate and real burden of the tax on the final consumer and to relieve the intermediaries of any final tax cost.

ABSTRACT

Taxation is how governments raise money to fund their expenditure and development projects. Tax revenue required is to be raised by proportionate taxes on some or all the revenues. Tax collection is among the oldest practices and recently been considered as “one pillar of a stable nation that may also provide a basis for accountable and responsive democratic state systems. It is against this background that this study was conducted in order to determine the factors affecting VAT compliance amongst retail supermarkets in Kisumu County, Kenya. The specific objectives of this study were: To determine how taxpayer education affects VAT compliance, to determine how taxpayer perceptions affect VAT compliance, to determine how compliance costs affect VAT compliance and to determine the effects of enforcement measures on VAT compliance amongst retail supermarkets in Kisumu County, Kenya. The theories that were used in this study are economic deterrence theory, ability to pay theory and cost of service theory. The target population was Kisumu County, Kenya's eight retail stores. The study gathered primary data using semi-structured questionnaires with respect to the variables influencing VAT compliance among retail supermarkets. The data captured was coded and analysed using statistical measurements such as percentages, sums, mean and standard deviations. To analyze the collected information, ANOVA, descriptive and inferential statistics, linear regression and correlation models were used. The matrix of correlation was used to investigate the connection between the dependent variable and explanatory variables. The study established that Taxpayer Education, Taxpayer Perceptions, Compliance Costs and enforcement measures have a positive and significant effect on VAT compliance. The study recommended that KRA should empower the taxpayer education services division to enable taxpayers to be trained in order to understand their tax rights and obligations.

CHAPTER ONE

1.0 Introduction

This chapter formed the introductory part of this research project discussed under the following subtopics; background to the study, statement of the research problem, research objectives, research question, significance of the study, assumption of the study, scope of the study and limitation of the study.

1.1 Background to the Study

Taxation is how governments raise money to fund their expenditure and development projects. Tax revenue required is to be raised by proportionate taxes on some or all the revenues (Focanti *et al*, 2016). Tax collection is among the oldest practices and recently been considered as “one pillar of a stable nation that may also provide a basis for accountable and responsive democratic state systems. Tax revenues in Kenya were as a result of heavy taxation of a limited base, meaning that a small group of people was charged large amounts of taxes. The duties imposed on imports & exports were also high (Crivelli & Gupta, 2016).

The fiscal agreement that exists between the taxpayer and the federal government of the day is a fiduciary relationship that connects both of them to rights & responsibilities. As a result, other than the obligation to effectively and efficiently mobilize revenues, taxation is also meant to equitably distribute the tax incidence factoring in the taxpayers' ability to pay and among the persons paying taxes in the same income group (Purju, 2017). Taxation, as an integral part of the economy, has been used in two main ways. First is to raise revenue for all public expenditures without the need to borrow. Second, to mobilize tax revenue fairly and at the same time does not disrupt the economic activities in the country (Bekoe *et al*, 2016).

There is need for most sub-Saharan African countries to formulate policies that will help them raise their national income (Drummond *et al*, 2012). Tax collection is the most significant way that they can use to create more financial room. However, extensive tax avoidance and evasion are undermining national tax bases in most African countries (IMF 2011). Governments enforce various tax kinds grouped under direct and indirect taxes. Value Added Tax (VAT) is covered by indirect tax types. This was spearheaded in France. VAT was originally implemented by Italy, France, the Benelux nations and Germany which were the original member state of the European Union (EU) (Misganaw, 2016). Additionally, early

modifications to VAT were made by the Brazilian States and Uruguay. Most other South American countries got VAT during the 1970s and 1980s, just as separate Central American, Caribbean and Asian countries got it.

In the 1990s, this was advanced by a wave of new VATs in Central and Eastern European nations, just as the recently independent states, formerly part of the Soviet Union, embraced market-oriented monetary approaches and associated taxation forms (Ernst and Young, 2014). For example, VAT was submitted in sub-Saharan Africa in the Republic of Benin, Cote d'Ivoire, Guinea, Madagascar, Mauritius, the Republic of Niger, Senegal and Togo. Evidence has suggested that VAT has become a major contributor to all income from public charges in these countries (Adereti *et al*, 2011).

Value Added Taxes (VAT) today exists in more than 160 nations, including many developing countries that have upgraded their tax frameworks over the past centuries. Eighty percent of sub-Saharan African countries have adopted VAT and are presently responsible for generally raising around one-fourth of all tax income (Keen, 2016). In addition, countries are adjusting and changing their VAT schemes, sometimes significantly, for instance, in 2017, India and Ghana did.

In 1990, Value Added Tax (VAT) customer spending policies were implemented in Kenya to supplement the sales tax that had been in operation since 1973. It was known as a measure to boost government revenue through tax base expansion, which was limited to income tax and sales tax up to this stage. Taxable products and services delivered in Kenya or imported into Kenya are subject to VAT. Registered individuals in Kenya collect VAT at specified points and then remit it to the Kenya Revenue Authority (Simiyu, 2003).

Viable and efficient tax enforcement is enabled by a system that facilitates ease of revenue management in everyday activities and extends schemes, structures, management, power and organisational processes that empower a tax agency to fulfil its key mandate (KRA, 2010). Implementation of VAT in Kenya is controlled by KRA, which also manages other tax types under different legislation, such as income tax, custom duties and excise tax among many others. Thus, KRA should ensure compliance with the distinct duty and tax legislation (Simiyu 2003).

Tax compliance is characterized as how much a citizen agrees (or neglects to go along) with his nation's expenditure guidelines, for example by announcing pay, recording an arrival, and making good on the expenditure of government due in an auspicious manner (OECD,2019).

Failure by taxpayers to comply is a steady and evolving problem globally (McKerchar & Evans, 2009); various signs indicate that developing nations, most of them in sub-Saharan Africa, are the worst hit (Fuest & Riedel, 2009). Over the years, the Kenyan government has tried to upgrade and boost income collection through various income administration reforms (Masinde & Makau, 2010).

Tax failure is a tangible universal phenomenon that rises above social and political boundaries and occurs in all social and economic systems. In a gradually sensible situation, there are countless studies that clarify tax compliance behavior. They concentrate on financial and non-economic elements respectively on the determinants of duty consistency (Nicoleta, 2011). KRA has considered a host of initiatives to enhance compliance with VAT, increase the tax base and reduce tax leakage. The revenue authority has of late begun to implement an internet tool that will generate computerized VAT assessments through the iTax phase (Deloitte, 2018).

One of the policies that was adapted to accumulate revenue in Kenya was the 1992 Self-Assessment System (SAS). The purpose of this structure was to improve voluntary compliance, reduce the weight of tax officials to monitor tax returns, and boost tax collection skills by reducing tax collection costs (Masinde & Makau, 2010). Despite numerous administrative reforms, however, tax compliance levels have remained relatively low.

Value Added Tax is an indirect tax levied on the consumption of products and services and paid at every stage of the production and distribution chain up to the retail level. VAT also applies to imported taxable products and services. Therefore, it is a tax on the distinction between what a producer pays for inputs such as raw materials and services such as advertising and what the producer charges for finished or final goods and services and hence the term "value added." The capacity of a value added tax system to increase income is reduced by tax credit fraud possibilities if receipts can be easily forged.

In a typical VAT system, companies pay the tax on their sales while enabling them to deduct the taxes paid on their purchases. As a result of this invoice method, which is the difference between their manufacturing and their contribution, the tax is effectively levied on the value added of the businesses. Such a VAT system has a 'manufacturing efficiency' advantage compared to other tax systems in developing countries. For example, since the tax also applies to products imported as domestically manufactured as opposed to an import duty,

VAT does not distort a company's manufacturing decisions towards the use of domestic inputs.

In addition, the full tax burden on a supply chain is the same owing to the deductibility of taxes paid on inputs irrespective of the quantity of stages in the chain. However, compliance is likely to be imperfect in the real world, and revenue mobilization advantages are offered by a VAT system due to the features of its self-enforcement along the supply chain (Kopczuk & Slemrod, 2006).

Companies must report profits as well as inputs in VAT systems and keep receipts of such transactions in their books. In order to minimize tax liability, companies would like to under-report sales and over-report inputs. For example, despite the fact that Ugandan companies are required to report all their transactions to the tax authority electronically (Almunia *et al*, 2017), significant mismatches of the same transactions reported by different companies have been discovered.

Partly because of the above problems, many governments do not provide timely refunds when businesses declare negative tax liabilities or considerably increase the risk of audits in such cases. However, this generates chances of collusive prevention. Under such circumstances, businesses may be willing to sell receipts to other businesses instead of seeking tax refunds, and cooperate with their company partners to under-report an input transaction. Such constraints on input deductibility can also reduce the manufacturing efficiency features of the VAT system as it effectively becomes an input tax.

The cost of compliance with Value Added Tax (VAT) is an important element that remains under-analysed (Lucie *et al*, 2008). Non-compliance with VAT is an area of concern to Kenya's government and tax officials and remains a major issue that needs to be addressed. The tax authority's main issue, regardless of time and place, is that it has never been easy to persuade retail supermarket owners to comply with the legislation of the VAT tax scheme.

Unlike most employed people who are paid net salaries with tax deducted at source, retail supermarkets are tax agents who often need to collect, self-assess and self-report revenue collected by VAT. Previous tax compliance studies concentrated on the general factors in distinct financial sectors affecting tax compliance. The study focused on factors affecting VAT compliance among retail supermarkets. The study specifically sought to determine the effect of compliance costs, taxpayer education, enforcement measures and taxpayer perceptions on VAT compliance amongst retail supermarkets in Kisumu County, Kenya.

1.1.1 VAT Structure in Kenya

The incidence of poverty in developing countries has led to over-dependence on the government's provision of public goods such as education, health and others leading to huge deficit financing. This has created an unsustainable external financing situation, as noted by (Chipeta, 1998). To address this issue, many developing countries are striving to develop tax schemes that are feasible, efficient and sustainable to finance multi-government spending. Tax reforms are launched either as a result of an economic crisis or as a reaction to global pressure, according to (Mahon, 1998) on a theoretical level. Tax reform therefore includes altering the way the state collects or manages taxes. It also includes the implementation or extension of Value Added Tax (VAT), removal of stamps and other minor responsibilities, simplification and extension of private or corporate earnings and asset taxes (Loo, 2016).

Kenya has embraced a consumption base VAT perceived to be cost-effective, neutral and simple to administer. The burden of tax in this situation falls on the final customers of products and services as capital goods are exempt from VAT. It is intended to be administered using the technique of invoice-credit and calculated by removing taxes due on sales from all taxes earlier paid on other company purchases. Only licensed traders are needed to pay VAT with VAT registration qualification being an annual sales turnover of five million shillings in Kenya (KRA, 2007). In addition, the VAT scheme in Kenya is based on the "target principle." Exports are zero-rated and VAT is imposed on imports. The choice to opt for a destination-based VAT is derived from a willingness to expand the export market (VAT Act 2013) in addition to administrative ease.

Consumer tax reforms were conducted in 2018, seeing the government scrap VAT exemptions on more than 400 items including household products such as milk, textbooks, magazines, fertilizers, mobile phones, among others (VAT Act 2013). However, certain vital products such as maize and wheat meal, sanitary pads and rice stay exempt from VAT.

1.1.2 An Overview of Kisumu County

The Constitution of Kenya 2010 enshrines devolution. The constitution led to the creation of forty seven (47) counties that are managed by political leaders such as governors and Member of County Assemblies (Khaunya *et al*, 2015). Kisumu County is one of the three city-counties of Kenya with the other two being Nairobi and Mombasa. The County is located along the shores of Lake Victoria.

The projected population of the county according to the 2009 Population and Housing census was 968,909 persons. By the year 2017, the projected population was 1,145,747. The average population density was 482 persons per square kilometres. About 60% of the population in the county is living in extreme poverty against the national poverty level of 46%, according to the 2005/2006 poverty survey by the KNBS. The increase in the overall population calls for more investment in economic and social facilities, education, agriculture, health as well as creating employment opportunities (KNBS, 2017).

Article 209 of the Kenya Constitution 2010 lays out obligations for the national government and the county government to collect revenue. The revenue obligation assignment between these two levels of government is with regard to the framework of the devolution, whose scheme ensures that the national government has a duty over the majority of the estimates with enormous bases of expenses. In particular, the national government will be solely reliable in forcing annual expenditure, appreciation included appraisal, custom commitments and extraction fees. The legitimization for this is that the national government must have the ability to redistribute domestic assets and settle the economy as the main objectives of evaluation frameworks (CoK, 2010). To the extent that the provincial governments are involved, they are required by Article 209(3) to impose estate fees, diversion fees and some other expenses as authorized by a Parliamentary Act. In addition, county government may impose fees on nearby-level administrations (CoK, 2010).

The Kisumu County Government has a Revenue Fund into which county government revenue is pooled. County Revenue Funds (CRF) administration is accommodated and managed by the Budget Controller through domestic enactment and region implementation. While it seems established that the County Treasury is the county-level revenue authority, it is simple to refute whether it can be considered as a self-governing revenue office. It is much the same as the revenue offices that existed at the domestic level within the Ministry of Finance before KRA was founded, the difference being that it directs the entire revenue inventory for a specific duty division without agreement (ICPAK, 2018).

1.2 Statement of the Research Problem

Compliance with taxes is a significant problem for all tax officials and it is not simple for all taxpayers to meet the tax criteria (James & Alley, 2004). KRA adopts legal and digital techniques for enhancing tax compliance and identifying potential tax compliance hazards to seal loopholes within the tax scheme. Good compliance rates provide the government with

the much-needed income to finance the operations scheduled for the advantage of the citizenship.

Tax non-compliance denies the state the much-needed income. Although many administrative reforms have occurred, the level of VAT compliance has remained low, contributing only 23% of total income. KRA expects to obtain a 65% VAT compliance rate and to increase the VAT to total revenue ratio to 35% by 2018 (KRA 6th Corporate Plan, 2015). The collection of VAT in the financial year 2015/2016 was Ksh.126,659,258,249 compared to a sum collection of Ksh.595,247,721,509 thus contributing 21% of the total income ((KRA, 2015).

Joint surveys conducted by KIPPRA, KRA and the Ministry of Finance revealed that VAT payment adherence was as low as 55% while return filing was 65% (Masinde & Makau, 2010).The effect of non-compliance is that the government does not raise sufficient tax income to fund its scheduled operations, which has driven research and policymakers to focus on tax non-compliance. (Mukabi,2014) conducted a survey on the variables affecting compliance with Turn Over Tax(TOT) and found that taxpayers' understanding of the tax scheme, level of consciousness, enforcement attempts and compliance costs affect the level of compliance.

(Osebe, 2013) conducted a survey on the assessment of tax compliance variables in the real estate industry. He concluded that the variables established that are compliance costs, the opportunities available for tax evasion, understanding of taxpayers, fines and penalties have a major impact on the industry's level of tax compliance. The study on the determination of factors affecting tax compliance among small and medium-sized enterprises (Mwangi, 2013) concluded that tax rates, information availability, compliance costs and taxpayer attitude towards tax payments have a direct impact on tax compliance.

Over the previous five years, the government of Kisumu County has struggled to fulfill its Sh1 billion income target. In addition, county governments in Kenya rely highly on national government resources to meet fundamental necessities such as payment of wages rather than integrating different dimensions of socio-economic growth. This is demonstrated by frequent strikes and protests by county staff due to delayed and low payments, this in turn has led to enhanced political unrest in the nation (Mokaya, 2015).

Against this context, this research was carried out with the objective of analyzing factors influencing VAT adherence among retail supermarkets in Kisumu County, Kenya and

recommended steps to be put in place by the government and KRA to improve tax collection in this rapidly growing industry.

1.3 Research Objectives

1.3.1 General Objective

The general objective of this study was to investigate the factors affecting VAT compliance amongst retail supermarkets in Kisumu County, Kenya.

1.3.2 Specific Objectives

The study was guided by the following specific objectives:

- i. To determine how taxpayer education affects VAT compliance amongst retail supermarkets in Kisumu County, Kenya.
- ii. To determine how taxpayer perceptions affect VAT compliance amongst retail supermarkets in Kisumu County, Kenya.
- iii. To determine how compliance costs affects VAT compliance amongst retail supermarkets in Kisumu County, Kenya.
- iv. To determine the effects of ENFORCEMENT MEASURES on VAT compliance amongst retail supermarkets in Kisumu County, Kenya.

1.4 Research questions

- i. How does taxpayer education affect VAT compliance amongst retail supermarkets in Kisumu County, Kenya?
- ii. How do taxpayer perceptions affect VAT compliance amongst retail supermarkets in Kisumu County, Kenya?
- iii. How does compliance cost affect VAT compliance amongst retail supermarkets in Kisumu County, Kenya?
- iv. How do ENFORCEMENT MEASURES affect VAT compliance amongst retail supermarkets in Kisumu County, Kenya?

1.5 Significance of the study

The government raises tax revenue to support country infrastructure, education and health. The government ensures that its revenue wellspring is effective and competent in its way. The findings of this study would help the legislature in the establishment of vital legislative and managerial policies to ensure proper and efficient management of government revenue.

The Kenya Revenue Authority is eager to boost revenue collection and would therefore find the findings of this study useful in establishing policies, agreements and operations to tackle or restrict non-compliance and thus enhance revenue collection from retail grocery stores.

Tax practitioners assist retailers explicitly translate the complexities within VAT charge law and assist them apply the law to their tax forms. This study would assist experts as it would allow them to understand and assist them promptly understand the various problems that retail general stores are facing towards voluntary compliance.

The study would be of significance to the general public as it would feature different difficulties faced in compliance attempts and potential responses to these difficulties that retail grocery stores are looking at. The investigation would be a reason for different analysts to investigate further, more in this way, when attempting to improve the accumulation of income through different duties that supplement or replace VAT

1.6 Scope of the Study

The scope of the study basically implies all the stuff that the research project covered. In order to arrive at more logical findings and offer conclusive and satisfactory responses to the studies, it obviously describes the magnitude of material covered by research means. The research was conducted in Kisumu City to determine the factors influencing VAT compliance by retail supermarkets in Kisumu County, Kenya between 2014 and 2018. The eight retail supermarkets operating in Kisumu County were studied.

1.7 Limitation of the study

The research faced the following limitations; limited time to undertake the research, poor response from respondents and inadequate library material that consumed time in tracing out books, journals and reports. These were overcome by adequate preparation, time scheduling and instilling confidence among the respondents about the confidentiality of their response and assurance that the information was purely for academic purposes.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presented a review of literature on the theories of the economic deterrence theory, the ability to pay theory and the cost of service theory. The chapter also reviewed some of the past international and local studies that relate to the factors affecting VAT compliance.

2.2 Theoretical Review

2.2.1 The Economic Deterrence Theory

This theory can be followed back to the early works of classical philosophers such as Thomas Hobbes (1588–1678), Cesare Beccaria (1738–1794) and Jeremy Bentham (1748–1832). Together, these scientists questioned the legitimate methods that governed the European concept for more than a thousand years and against the spiritualistic clarifications of the wrongdoing they were founded on. These implicit scientists also gave the reason for the modern criminology avoidance hypothesis.

This theory was also developed under criminology (Becker, 1968). Discouragement advocates recognize that in the aftermath of computing the additions and outcomes of their operations, people obey or ignore the law. This theory is based on the observation that if the benefit of wrongdoing is surpassed by the result of perpetrating the wrongdoing, an individual will be prevented from performing a wrongdoing. The theory is prefaced in the belief that the outcomes of criminal behavior are known to all individuals.

There are two main types of discouragement; general and explicit. In the all-encompassing society, general discouragement is designed to anticipate wrongdoing. In this way, the state's guilty party discipline fills in, for example, for others in the general public who have not yet participated in criminal offences. It is designed to make them aware of the authority's repulsions in order to hold them off performing wrongdoings. Models include the use of death penalty and the use of whipping. The concept of the approved authorizations to hinder

only the individual wrongdoer from carrying out that wrongdoing later structures the explicit discouragement.

Additionally, advocates of explicit discouragement recognize that serious rebuffing of guilty parties will make them unwilling to subsequently reoffend. For example, an alcoholic driver would be deterred from drinking and driving due to the upsetting backdrop of being caught or having their license withdrawn or their car appropriated. The state must use sufficient agony to counterbalance the measure of happiness obtained from drinking.

Citizens will act against the law after evaluating the questionable favorable conditions of an efficient avoidance against the risk of being caught and punished. Judicious citizens will avoid charges if the normal benefits are more remarkable than the cost of obtaining them. It is possible to achieve discouragement through corrective and strong methods (Kendrick, 1939). The corrective methodology will prevent a citizen from submitting exercises associated with tax avoidance by convincing inconvenience of harder penalties and reducing the probability of non-identification.

Criminal deterrence theory experts attack the theory for a few reasons. First of all, they argue that this model does not represent reality and thus presents a contorted picture of the object of discouragement. Dependence on the sane entertainer model of criminal behavior has been condemned for its significant reason that people are, in Veblen's expression, "helping to add machines of agonies and joys." The assumption that people in each case gauge the results of their criminal behavior carefully beforehand can be effectively discredited by the perception that some violations are spontaneous acts.

A second assessment of the theory of discouragement is that despite the reality that it is hard to show the discipline's obstructive effect, society continues to evade "avoidance" to legitimize people's discipline inconvenience. According to the growing docket of criminal instances, avoidance was not feasible to any important degree. The viability of prevention cannot be demonstrated decisively given that analysts use a logical request method that attempts to refute speculations rather than prove them (Walker, 1980). Generally speaking, in any event, it is difficult to show the viability of discouragement as only those unstopped wrongdoers go to the necessity to notify the law. So we may never know why other people don't offend.

This theory was useful in this study in determining the effect of taxpayer education and enforcement measures on Value Added Tax compliance. Taxpayer education equips taxpayers with the requisite tax knowledge to make decisions on various tax matters. It enables taxpayers to weigh the benefits of tax compliance against the repercussions of tax evasion. enforcement measures are measures put in place to detect and deter any tax evasion schemes. Punitive enforcement measures tend to prevent mass cases of non-compliance and thus encourage voluntary compliance.

2.2.2 Ability to pay theory

This theory was originally advanced by Jean Jacques Rousseau between the years 1712 to 1778. Similarly Jean-Baptiste Say also looked at the theory between the year 1767 and 1832 and lastly John Stuart Mill advanced the theory between the year 1806 and 1873. The advancement took place in the seventeenth century. This theory argues that responsibilities should be estimated on the basis of an individual's wage or capacity to pay, which is consistent with dynamic assessment where the rate of increases in expenses with increases in the assessable wage. Individuals with more prominent pay or wealth should be burdened at a greater rate as they can bear payment, whereas those with less pay should be subjected to a lower level of evaluation.

In view of the reality that the complete VAT payable on a particular property or administration is the equivalent paying little attention to the person's pay, Tank does not converge with this hypothesis. VAT could therefore be regarded backward as it means a decreased division of the wage of an individual as their pay increments (Jones & Rhodes, 2011)

Throughout much of the last two decades, the capacity to pay has been inextricably connected with arguments for direct taxation (Kaldor & Supra, 1955). Thus, the large majority of those who today either support a purified tax on revenue or prefer a change to a general tax on consumption still seem to agree that taxation in conjunction with the capacity to pay sums up the tax justice problem. In contemporary context, the capacity to pay strategy took shape in discussions over the appropriate design of direct taxation in the nineteenth century, at about the same moment as the extensive implementation of the first domestic revenue tax schemes (Utz, 2002).

First, the criticisms of this theory are if the state maintaining a certain connection between the benefits given and the benefits acquired, it will be against the basic principle of the tax. A tax,

as we know it, is a compulsory contribution made to the state in order to meet the expenses of the government and the general regulations on benefits. There's no direct quid pro quo in the event of a tax. Second, for the general benefit of its people, most of the state's expenditure is not viable to evaluate the benefit a particular individual receives each year. Third, if we practice this principle, the poor will have to pay the greatest taxes because they benefit more from the services of government. Is it not against the principle of justice if we get more from the poor through taxes?

In this research, this theory was important in determining the impact of compliance costs on compliance with Vat Added Tax. The capacity of taxpayers to pay expenses of compliance such as the cost of tax collection, cost to acquire technology and the cost of tax training should allow taxpayers to enjoy public facilities. These expenses are incurred by taxpayers to enhance their level of compliance and thus help to raise much-needed government revenue. The government is anticipated to provide these taxpayers with vital services.

2.2.3 The cost of service theory

Service Cost Approach is one of the oldest tax burden allocation principles advocated. (Seligman, 1908) Records that a weird concept produced by one of the recent German authors, Von Hock, is very comparable to that later developed in France by Dupont and Batbie. According to Hock, all taxes are charged on public facilities. But the benefits supplied by state action are partly incalculable. In other words, individuals are not entitled to any state benefits according to this theory, and if they get any, they have to pay their expenses.

The objective of this theory is to treat tax as a fee and payment of the public service equal to the cost of the services provided. This principle shows that the cost of providing public goods to satisfy the government's social requirements should be regarded as the tax base. Therefore, tax is payable according to the cost of public goods enjoyed by the individuals. This means that the state is just like a producer of social goods and taxes are the rates for the same.

Some economists thought that the concept of equity or fairness in taxation will be satisfied if the state charges the actual cost of the service provided to the people. There is no doubt that in cases where services are rendered out of prices and are somewhat easy to determine such as postal, rail and electricity supply, the cost of service principle can be applied to some extent (Devos, 2014). However, most of the government's expenditure cannot be fixed for

each individual because it cannot be determined exactly. This can be difficult to achieve (Mastrianna, 2009).

This theory shows the semi-commercial link between the state and the citizen to a greater extent. The main implications of this hypothesis are that individuals are not entitled to any direct advantages from the state but should instead reimburse the government or state for the cost of offering public services. In this theory, the state is being challenged to abandon basic security and welfare duties. It is scrupulously recovering the services' expenses and this theory implies a sound budgetary policy. If the administrator is effective, the price would be smaller and if the administrator is inefficient, the price of the advantage would be greater. These factors determine the execution rate and expenses of the tax payers.

The criticisms of this theory are; first, it is very difficult to determine the full cost of services supplied by the government and, therefore, it is not so easy to solve the problem of distributing full expenses among individuals. Second, if we suppose that the full cost of services can be determined, the next issue is how to divide the cost of services among individuals. Third, if this hypothesis is followed by the modern welfare state, the poorer will have to pay more taxes as they profit more. Therefore, it is contrary to the judicial principle. Fourthly and finally, the rendered services cost is extremely dependent on the efficiency of the administrator. If the administrator is efficient, the cost will be smaller and if the administrator is inefficient, the profit cost will be higher (Team, 2016).

This theory was crucial in this study in determining the effect of taxpayers' perceptions on VAT compliance. The perceived benefits received from government by taxpayers can only be considered as the benefits they actually paid for. The government should guarantee that the tax scheme is reasonable and that the quality of public facilities is commensurate with the quantity of tax gathered in order to recover the expenses of services rendered to people.

2.3 Empirical Review

2.3.1 Taxpayer Education

In multiple research studies, the impact of information on compliance behaviours was evaluated. Knowledge as one of the compliance variables is linked to the capacity of taxpayers to comprehend tax legislation and comply with their desire. The compliance-related

knowledge element is the overall understanding of tax laws and data about the possibility of tax evasion (Kasipillai et al, 2003).

A research conducted by (Ndirangu, 2014) on how tax education affects efficiency of tax compliance by motor car part retailers, found that tax awareness and education have a beneficial impact on tax compliance. Tax awareness and education are statistically important in explaining variation tax compliance at a confidence level of 95%. An increase in the understanding of taxpayers in tax and education will result in a rise of 0.038 units in tax compliance. The study used descriptive statistics. Descriptive strategy has been incorporated with survey design in order to gather extensive qualitative and quantitative data to enrich the research result.

The study targeted as the study population all motor vehicle spare parts distributors in the Nairobi CBD. Nairobi CBD consists of 33 roads and an estimated 97 part distributors of motor vehicles (Nairobi City Council, 2013). Semi-structured questionnaires were used, for qualitative and quantitative data with open and close-ended issues respectively. The research focused on one individual per dealer of motor vehicle parts; either company owners or executives. To test the reliability and validity of the study tools, a pilot test was carried out on 10 motor vehicle parts retailers in the Industrial area. For consistency, the filled in questionnaires were edited.

The study established that 99% of the respondents replied that they knew why they were paying taxes. When taxpayers asked why they were paying taxes, 58% of respondents said they were paying taxes because it was a government or state obligation and in the government's anticipation of public services at 31%. Therefore the study concluded that that there is a favourable understanding of why individuals are paying taxes and that better outcomes can be obtained if consecutive works are performed (Manaye, 2018). The study concluded that the impact of tax knowledge and education on tax compliance was significant.

(Gitaru, 2017) conducted a study on how taxpayer education influence taxpayer compliance with tax in Kenya. The study concentrated on SMEs in the Central Business District of Nairobi. The target population was SMEs in the CBD tax region of Nairobi. The subject of the research was SMEs conducting business in Nairobi CBD. Data was gathered to the owners of SMEs Company by administering pre-tested questionnaires. Both descriptive and inferential statistics were used to analyze data. The nominal and ordinal data were gathered

using questionnaires and then quantitatively analyzed using the Social Sciences Statistical Package. Data was provided in the form of tables & charts for the frequency distribution.

The findings of the research showed that tax education which included (electronic, print-media taxpayer education) affected tax compliance among SMEs in the CBD region of Nairobi. The study established that the sensitization of stakeholders is positively linked to the education of taxpayers with a correlation coefficient of 0.810 to properly calculate tax compliance. Therefore tax education is an important factor in ensuring that the taxpayers are compliant with tax payment. (Mohd, 2010) acknowledged that tax education is a very important factor in ensuring that the policies raise their understanding on the tax compliance, tax legislation, the role of tax in domestic growth, the process that the government and in particular to clarify how and where the government spends the cash gathered.

(Christina *et al*, 2003), conducted a survey to define financial and behavioural variables that affect tax adherence among taxpayers. The objective of the study was to determine the economic and behavioural factors that influence tax adherence among tax. Using questionnaires administered to the participants of this amnesty program, the participants acknowledged factors that caused them not to pay their taxes within the statutory period and not to declare the correct taxable revenue were their ability to pay, complexity of tax laws, ignorance of tax laws and perceptions of elevated tax rates and unfairness of the tax system

(Machogu & Amayi, 2013) conducted a study on how taxpayer education affected the degree of voluntary tax compliance among SMEs in Mwanza City, Tanzania. This study used a cross-sectional descriptive research design. Using a questionnaire, both main and secondary data were collected. 85% of participants admitted that they knew basic tax laws and procedures, while 15% said there was no improvement in the complacency of basic tax laws. 78.7% of participants agreed that taxpayer education would enable them to understand and become aware of their taxpayer rights and obligations. 21.3% of participants stated that taxpayer education could not help them comprehend and become aware of their tax rights and obligations. 83% percent of participants agreed that taxpayer education helped them understand the tax payment procedure obviously, while 17% said they did not fully understand the tax payment procedure despite the tax education they received.

Results from this study have shown that radio, journals, seminar sessions, training and television are among the primary means of imparting tax understanding to taxpayers. The results are similar with the findings of the Kenya National Statistics Bureau (KNBS, 2003) in

studies to evaluate the efficiency and effectiveness of the means of distributing taxpayers, which concluded that studios, newspapers, seminars and workshops were the most efficient means of offering taxpayer education.

There is taxpayer education to encourage voluntary compliance by providing taxpayers with services. Low rates of voluntary tax compliance will require revenue authorities to use expensive and coercive compliance techniques (Fjeldstad & Ranker 2003). (Kimingu & Kileva, 2007) states that compliance issues in the informal industry will be addressed in the education element. This is based on the likelihood that failure to comply is unintentional owing to the law's ignorance or may be deliberate owing to adverse attitudes to compliance. (Christina *et al*, 2003).

The Kenya Revenue Authority (KRA) is conducting workshops to increase awareness of tax compliance among tax payers. This is usually performed with stakeholder engagement strategy aimed at: enhancing taxpayers' understanding of demands and problems by gathering and analyzing views and opinions on these obligations to inform the Authority's continuing efforts to transform and mitigate hazards at all levels of the Authority, enhancing taxpayers' understanding of the Authority's administrative process.

2.3.2 Taxpayer Perceptions

Taxpayers' behavior towards the tax system has drawn great attention among many income officials around the world, especially in developed countries. However, what has been achieved to study taxpayers' behavior towards the tax system in developing countries is debatable, as they concentrate more on studies that would eventually increase their budgets in terms of huge income collection and enforcement measures at the expense of taxpayer. Perhaps the less developed countries are not to blame as they operate on budget deficits, therefore restricted resources to see through such studies that they see no instant value added to revenue collection. Empirical evidence suggests that taxpayers and tax collectors were hostile to tax compliance issues (Porcano, 2011).

There are two distinct dimensions of tax fairness. The first dimension includes trade equity—the advantages obtained for the tax provided. Thorndike (2009) observed that in order to ensure taxpayer safety, taxpayers should comply with their tax commitments and the government. The second dimension is that the tax scheme should guarantee equity in the tax burden on all taxpayers (Jackson & Milliron, 1986). The unfairness of the tax scheme is

reflected in the view of taxpayers when they think that the value of received services supplied by the state is not commensurate with taxes paid or overpaid taxes compared to what other taxpayers pay. Taxpayers who think the tax system is unfair are susceptible to non-compliance (Porcano, 1984).

(Wanjohi, 2010) conducted a study to examine the effect that taxpayers attitudes have on tax compliance. This study was conducted in Kenya. The main aim of this research was to establish how attitude of the taxpayer could influence their behavior in terms of tax compliance. The study concentrated on companies that are licensed to operate in Kerugoya city, Kirinyaga County. The study used structured questionnaires to collect its relevant information on this study. The study identified that attitudes of taxpayers and tax systems are the most notable factors that affect tax compliance. Therefore the study established that there is a significant link between attitudes and tax compliance. The study sampled two hundred and sixty (260) SMEs in Kerugoya city, Kirinyaga district. The data was then analyzed by descriptive statistics and presented using tables and figures.

The following results were also achieved: First, the Kenyan tax system is considered unfair by most taxpayers. This was because most participants differed on paying a fair share of tax; reporting and honestly paying tax compared to their neighbors and friends. They were also indifferent to paying tax fines and penalties. There are aggressive efforts by KRA to enforce taxes, such as conducting tax audits and prosecuting tax evaders. Second, most taxpayers acknowledged PIN ownership; district taxpayers partially obeyed keeping up-to-date records and books of accounts. This is because most of them held money receipts, cashbooks, balance sheets, invoices and accounts for profit and loss. But other records were not up-to-date with Journals and Ledgers, such as the trial balance.

Third, the taxpayer files tax returns on or before June 30th, a sign that they are actually fulfilling the deadlines of KRA, which they file themselves rather than using the accountant / tax advisor. Fourth, most taxpayers in the district never paid any penalties. Fifth, some of the reasons for tax non-compliance were discovered to be: incapacity to comprehend tax legislation, a sense that they are not paying a fair share of taxes, a favourable peer attitude and reward. Finally, testing the study hypothesis that "taxpayers' attitudes do not encourage tax compliance in Kenya," it was found that there is a very strong link between attitudes of taxpayers and tax compliance in Kenya, i.e. attitudes of taxpayers promote tax compliance in Kenya since the correlation of 0.846 was found.

(Kuria & Ombui, 2016) Carried out a survey on taxpayers' attitudes and tax compliance conduct in Kenya .This research aimed at extending tax understanding in Kenya and in specific helping to determine how taxpayer attitudes influence tax compliance, particularly among Kenya's top SMEs. According to the 2013 survey of the top 100 SMEs undertaken by KPMG and the Nation Media, the research was performed on top 100 medium-sized companies (SMEs) in Kenya. The research embraced a cross-sectional study as information was gathered only at one moment and at that stage in time it reflected the respondents' answers. The research chose randomly 35 companies used in this research. The data were gathered by the researcher through interviews and guided by a detailed questionnaire.

The results disclosed that the perception of tax burden by taxpayers was important predictor of taxpayers' compliance level. The attitude of taxpayers has been discovered to be closely linked to tax compliance. Governments in both advanced and developing nations are primarily collecting taxes to finance public services. Decisions on tax policies have distinct effects on people, companies and the economy as a whole. Governments need to create tax policies and tax schemes based on certain principles. The government should formulate a clear approach to tackle these tax non-compliance problems. The perception of taxpayers towards the tax scheme and the accountability of the government should be handled appropriately.

The perceptions of taxpayers are discussed in a review article (Jayawardane, 2015) under the heading ' Psychological variables influence tax adherence.' This research examines the impact on tax compliance choices of psychological variables. In this volume, the emphasis is placed on recognizing' tax compliance variables' analyzed by multiple scientists, which include psychological factors of importance for choices to be made on tax compliance. And also presents the major contributions that tried to clarify the contract and the apparent discrepancy between the proofs on the taxpayer's response to tax compliance through psychological variables. However, the attitude of taxpayers has been recognized as a key factor in affecting the behavior of tax compliance.

(Onyiego, 2016) conducted a study on factors influencing VAT compliance among construction companies in Kisumu County. A descriptive design was used by the researcher to collect a large amount of information about the studied population. In gathering extensive qualitative and quantitative data that enhanced the research result, the descriptive method was incorporated with survey design. All registered building companies in Kisumu County were

targeted by the research. Using self-administered questionnaires, the investigator gathered primary data from the sampled building companies. The data gathered was analyzed using the Social Sciences Statistical Package and the results of the research described in tables.

The results disclosed an important impact of tax comprehension and expertise on tax compliance. Better knowledge of VAT legislation promotes adherence on a voluntary basis. Reduced tax compliance costs are combined with high tax compliance rates. The results of the research show that efficient fines and penalties are crucial to enhancing tax compliance. The research results indicate that views and attitudes of taxpayers have an important impact on tax compliance.

The attitude of taxpayers may be affected by many variables that ultimately affect the conduct of taxpayers (Ambrecht, 1998). There are many of these variables influencing tax compliance behaviors that differ from nation to nation and from person to person. They include the perception of taxpayers of the tax scheme and revenue authority; peer attitude; taxpayers' knowledge of tax scheme and tax regulations. Attitudes constitute the positive and negative assessments of objects held by a person. Attitudes are presumed to encourage people to behave as they see fit. It is therefore anticipated that a taxpayer with favorable attitudes towards tax evasion will be less compliant than a taxpayer with adverse attitudes. It is often discovered that attitudes to tax evasion are quite favorable (Kirchler, 2001).

The behavioral issues of the separate studies revolve around tax fairness; misuse of government-collected revenue and pure intent to prevent paying tax in relation to the individual concern for the collective good. Many tax evasion studies have found essential but low the connection between attitudes and self-reported tax evasion (Trivedi, 2005). A model of tax evasion conducted by Weigel & Hessing considers social and psychological conditions, including attitudes and moral opinions on tax evasion assets, as antecedents of tax compliance. Data from tax evaders and honest taxpayers showed that attitudes explain tax evasion in self-reported portions, but are negligible predictors of actual behaviour.

However, there are important but relatively weak correlations between self-reported tax non-compliance and attitudes. These results indicate a rather complex connection between tax evasion and attitudes; however, in our overall forecast we can be confident that tax evasion will rise if tax attitudes get worse (Lewis, 2005). The attitudes are essential for the dimension of authority as well as trust. On the one side, favourable attitudes will lead to confidence in officials, thereby enhancing voluntary tax adherence. On the other side, in interpreting the use

of authority as benign or malicious, attitudes towards the revenue officials will be important. In particular, tax attitudes also rely on the perceived use of the collected cash and are therefore linked to understanding (Kirchler, 2001).

2.3.3 Tax Compliance Costs

Tax compliance costs are incurred by taxpayers as tax law enforcement criteria (Sandford, 1995). Tax compliance costs include the cost of tax collection, taxes related to tax payment and accounting, wages and salaries of staff and experts, and the cost of knowledge acquisition, updating the system to allow it to operate. Consequently, a cost of compliance is time or money expenditure in accordance with public demands such as legislation or regulation.

These expenses of compliance, added to fines, penalties, and the dangers of bribe inspections and requests, often prevent business development in developing and transition countries. A cost study of tax compliance can provide helpful data for reform design to decrease compliance costs and hazards for tiny companies. This note shows important results from tax compliance cost studies in South Africa, the Republic of Yemen, Ukraine, and Peru that measured company burdens. These studies helped fine-tune reform design to reduce business expenses and enhance their competitiveness (Coolidge, 2010).

(Mukabi, 2014) conducted a study entitled 'Factors affecting turnover tax compliance in the Domestic Tax Department of the Kenya Revenue Authority, Nairobi County.' The investigator described a thorough literature review and identified the variables for this research to be conducted. A target population of 560 taxpayers was chosen and a complete sample size of 56 was chosen as representative considering the big population of taxpayers in Nairobi County to be the focus of this research.

A layout for a descriptive study was used. Stratified sampling method was used to produce a sampling frame to ensure that the study included distinct and non-distinct kinds of entities. Self-administered questionnaires and an interview guide were used to collect data. The information gathered was analyzed using the Social Scientist Software Statistical Package and the results described using tables. The study findings reveal that all the factors identified

directly influence taxpayers' efforts to comply with tax in turnover businesses. Taxpayers' views of the tax scheme significantly determine the amount of turnover tax adherence.

The results indicate that taxpayers are not conscious of their obligations; however, the outcome also stated that other variables such as compliance costs and complex systems lead to low compliance rates. Due to altering tax understanding, taxpayers' understanding of the tax scheme is inclined to alter. This indicates that increased understanding of taxes can have an important effect on tax system perception. The study also discovered that the respondents felt that the greatest price of tax compliance attempts was financial costs.

(Mogeni, 2014) Carried out a survey entitled 'the impact of tax compliance costs on the tax compliance of Nairobi Stock Exchange listed firms. The research specifically attempted to determine the impact of tax compliance costs, tax education and expertise, fines and penalties, and perceived tax evasion opportunities on tax compliance in the NSE-listed businesses. The research was been driven by Planned Behavior Theory. The research used a census survey of all the 62 businesses mentioned. Using both descriptive and inferential statistics, data was gathered using structured questionnaires, coded, keyed and quantitatively analyzed.

The results of the research showed that the price of compliance had an adverse impact on tax compliance level. Tax awareness and education, however, had a beneficial impact on the taxpayers' level of compliance. Similarly, fines / penalties had a beneficial impact on tax compliance levels, whereas the perceived tax evasion chance had an adverse impact. The research offers some preliminary proof that tax compliance will be improved by enforcing fines / penalties and providing tax understanding and education among these firms. In contrast, high compliance costs and high tax evasion opportunities will reduce tax compliance among registered companies. Therefore, the price of tax compliance should be so that taxpayers are not encouraged to avoid tax.

(Abdul & Wang'ombe, 2017) Conducted a study entitled 'Tax Costs and Tax Compliance Behaviors in Kenya.' This study examined the influence of Tax Compliance Cost Measures on Tax Compliance Behaviors among SMEs in Kenya. It used a Structural Equation Modeling method to identify important price drivers constructed from survey information while controlling for important tax scheme attributes as well as company features.

The findings show that Kenya's tax compliance decreases considerably with higher tax compliance expenses, especially those linked to understanding current complicated tax legislation, changes in tax regulations, as well as overall costs of compliance and regulatory demands. The model constructs account for about 40% of differences in Kenya's tax compliance behaviour, which for exploratory research is higher than the empirically accepted minimum. The research proposes from the outcomes that tax authorities and policymakers concentrate on initiatives to decrease these cost of tax compliance recognized. Moreover, higher emphasis should be placed on investing in possibilities that decrease economic stress on companies, thereby promoting tax compliance.

(Eragbhe & Modugu, 2014) Conducted a survey entitled 'Small and medium-sized enterprise tax compliance costs in Nigeria.' This research explored the projected tax compliance expenses for SMEs in Nigeria. The amount of inner compliance costs, external compliance costs and incidental expenses; including bribery / psychological costs associated with the various taxes paid by SMEs in Nigeria were used to estimate the expenses of tax compliance. The study showed that general tax compliance costs for SMEs in Nigeria are around N 108,594 per year on average and the values range from N14, 500 to N725, 000 per year. Smaller SMEs were discovered to have an average annual TCC of N219, 601 compared to N123, 047 TCC per year for bigger SMEs, implying the presence of regressive tax compliance expenses in Nigeria.

It was also found that Value Added Tax (VAT) has the largest TCC with approximately 33 percent of the complete average cost of tax compliance. The research also demonstrates that SMEs in the manufacturing industry have the largest relative average cost of tax compliance, while those in business services have the smallest average cost of tax compliance. The price burden of exporting SMEs in Nigeria is greater than non-exporting SMEs. Simplification of tax compliance and incentives to help reduce tax compliance costs for SMEs in Nigeria have been suggested.

(Vaillancourt, 1987) held that Value Added Tax (indirect tax) had greater compliance costs than Income Tax (direct tax). In the OECD survey, 8 out of 11 nations quoted VAT compliance costs as the biggest proportion of complete tax compliance costs (Pope, 2001). Compliance taxes involve recording, preparing and submitting VAT returns (Cleruox, 1992). High expenses of compliance can lead to tax avoidance, tax fraud and inhibit investment by reducing the country's competitiveness in tax attractiveness (Ojeka, 2012).

A tax system's complete price is more than just the quantity of tax paid. It also involves tax planning and documentation costs. Economists call these expenses of "tax compliance," and the IRS estimates that Americans spend 6.6 billion hours per year filling out tax forms — including 1.6 billion hours alone on the 1040 form. In a research on tax compliance and simplification (OECD, 2004), it was found that compliance costs tend to improve with the amount of taxes an entrepreneur is subject to, the complexity of tax regulations, the frequency of tax returns and the amount of state levels engaged in tax collection and levying.

The tax officials around the globe strongly desire voluntary compliance with tax legislation and regulations among taxpayers. Tax compliance comes with its own coat, however. Compliance expenses are the amount of money spent by taxpayers in compliance with the requirements of the appropriate tax laws, in relation to the quantity of tax they are needed to pay. The expenses of compliance are incurred not only by taxpayers, but by all the officials or parties engaged in making it possible to transfer funds from the private sector to the government department that regulates public money (Akinboade, 2014). Since the cost of compliance is an extra expense to taxpayers beyond the real sum owing to the government, it is probably a burden and taxpayers want to avoid tax by not stating their real economic situation and income (Fariday, 2014).

2.3.4 Enforcement Measures

Enforcement attempts include the use of audits, fines, penalties, and resource dedication to tax law enforcement. (Slemrod & Yitzhaki, 2000) noted that enforcement tools, including audit rates and penalty functions, are also tax compliance determinants, although these factors are rarely accessible for empirical research. For instance, (Dubin *et al*, 1990) and (Pommerehne & Hannemann, 1996) discovered that the likelihood of audit had a substantial impact on tax compliance, whereas they discovered no proof of a substantial deterrent impact of the punishment.

(Badara, 2012) conducted a survey on the impact of tax audits on tax compliance in Nigeria; the research used primary data using questionnaires; the information were interpreted as singing a straightforward proportion; the research found that tax audits reduced the tax evasion issue; tax audits faced the issue of taxpayers' non-cooperation. The study recommended standardizing tax audits for efficiency and effectiveness; a policy should also be implemented that provides for taxpayer cooperation during audits.

(Kipkoech, 2016) conducted a study on the impact of financial variables on tax compliance in Eldoret, Kenya; the research embraced a survey design, questionnaire information were gathered and analyzed using both descriptive and inferential statistics; the research results showed that tax audits had the greatest beneficial impact on tax compliance, followed by tax rates, fines and penalties. The research concluded that lowering tax rates, providing tax incentives, educating taxpayers and raising awareness and enforcing fines and penalties would enhance tax compliance. The research suggested implementing fair and favorable rates, making tax audit results accessible to taxpayers, fines and penalties being imposed, and providing tax incentives.

(Adesina, 2016) carried out a survey to explore the effect of taxpayer information and penalties on tax compliance amongst small and medium-sized companies in Nigeria. The study used a survey research design using a questionnaire to obtain information. The questionnaire information was evaluated using the technique of OLS regression. The study's finding was that tax awareness had an important beneficial effect on tax compliance, while tax penalties had a negligible effect on tax compliance. The study's conclusion and recommendation was that public knowledge on tax issues should be increased by the government and tax education should be included in the college curriculum. This was the consequence of discovering that tax understanding encourages a greater level of tax compliance than fines and penalties.

Tax audits play a major role in enhancing tax compliance and administration as they affect the conduct of a taxpayer. (Mebratu, 2016) The research used secondary macro information to determine the effect of tax audits on enhancing tax compliance in Ethiopia. The information was analyzed using statistical analysis of partial coefficient regression. The results were that the probability of audit detection and tax compliance are strongly associated. The conclusion was that the tax audit contribution to enhancing tax compliance was important and therefore revenue authorities should focus more on the audit role by meeting staffing and training requirements, thereby improving compliance and meeting income requirements.

(Ayalew, 2014) a quantitative research method was used in a study to explore the efficacy of taxpayer audits in Ethiopia, the study used questionnaires, the information were then quantitatively analyzed using Pearson's correlation, linear regression analysis and descriptive statistics. The research discovered that tax audits and tax compliance had a favorable connection. The research also discovered that taxpayers are penalized by revenue authorities

rather than educated when they are discovered to have infringed the law. The research found that to educate taxpayers, tax regulations should be simplified and sensitization performed.

Based on surveys of information produced from the Taxpayers Compliance Management Program (TCMP) of the Internal Revenue Service (IRS) (Andreoni *et al* 1998), it was noted that even elevated penalties have no observable effect on the level of compliance due to the small probability of detection. In the study of variables influencing tax compliance in a sample of African nations (Merima *et al*, 2013), it was noted that a rise in individuals' awareness of the difficulty of tax evasion enhances taxpayers' adherence attitudes.

Some studies have suggested that audits have a beneficial effect on tax evasions (Jackson & Jaouen, 1989). These results indicate that tax audits can play an indispensable role in self-assessment schemes, and their vital function is to enhance voluntary compliance. Audit frequencies and meticulousness could encourage taxpayers to be more prudent in completing their tax returns, reporting all revenue, and claiming the right deductions to determine their tax liability. By comparison, taxpayers who have never been audited may be tempted to claim fake deductions under reporting their real revenue.

In Kenya, the audit coverage is less than 1% of the returns submitted; this can explain the low rates of compliance, particularly on tax heads whose audit coverage is small such as corporate tax and excise duty. Non-compliance is also implemented as a civil rather than a criminal offense whereby the corrective action in most instances is punishment rather than imprisonment. Penalties imposed on non-compliance range from 20% in regions where taxpayer complicity was restricted and 75% in instances where taxpayer intervention was willing to avoid the tax. The new Tax Procedures Act (2015) harmonized the penalties and interest charged and therefore there can be no observable variance in compliance across tax heads based on the penalty structure.

2.4 Conceptual framework

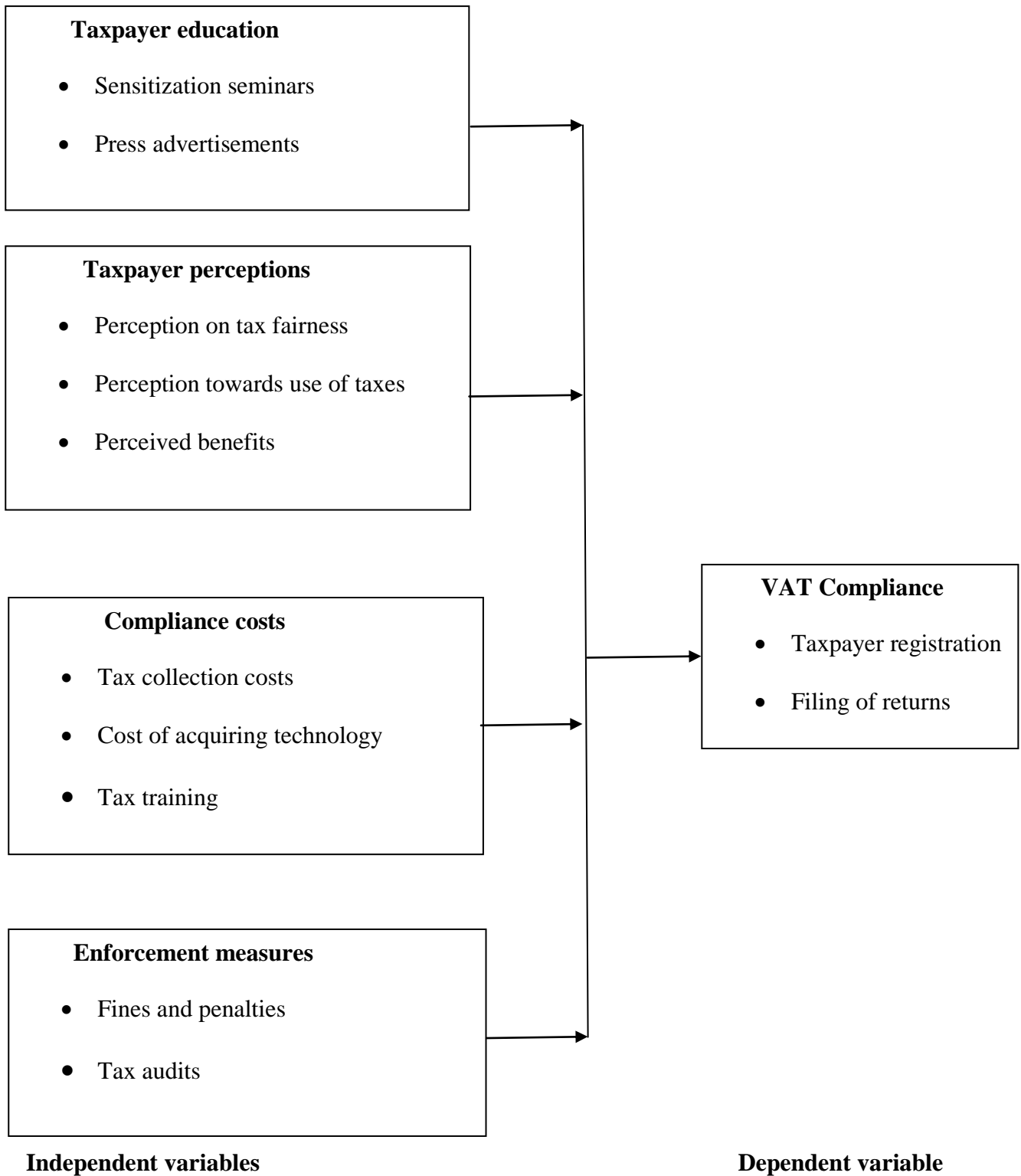


Figure 2.1: Conceptual Framework

2.5 Critique of Existing Literature

(Ndirangu, 2014) and (Machogu & Amayi, 2013) Conducted studies that were geographically limited to Nairobi and Mwanza City respectively. This may not fully present the true position of other parts of the country. (Onyiego, 2016) Studied the factors influencing VAT compliance amongst construction firms in Kisumu County. This study focussed on the construction sector of the economy and thus may not fully represent other sectors of the economy.

There exists no study that has looked at the factors affecting VAT compliance amongst retail supermarkets in Kisumu County, Kenya. It is this knowledge gap that this study sought to fill. This study looked at taxpayer education, taxpayer perceptions, compliance costs and enforcement measures as factors affecting VAT compliance amongst retail supermarkets in Kisumu County, Kenya.

2.6 Research Gaps

A research gap refers to the missing element in the existing research literature. It indicates a finding from a research in which a key question has not been answered. Regarding Taxpayer education, (Machogu & Amayi, 2013) focused on radio, newspapers, seminars, television, banners, leaflets and announcement vans as sources of taxpayer education. The frequency and ease of accessibility to these sources is however not discussed.

In a study conducted by (Wanjohi, 2010) that focussed on taxpayers' attitudes, the respondents were asked to raise their views on the tax system in Kenya and from the research data, 66% of the respondents indicated that the Kenyan tax system is unfair, as 34% indicated that it is a fair system. The research however did not look at perceived benefits and attitude towards use of taxes as indicators of taxpayers' perceptions.

(Mukabi, 2014) Studied compliance cost as a factor affecting turnover tax compliance. The researcher looked at tax filing, tax preparation and tax training as indicators of compliance costs. The result of the study indicated that other factors like cost of compliance and complicated systems result into the low levels of compliance The researcher did not study cost of acquiring technology and tax collection costs as being indicators of tax compliance costs.

(Ayalew, 2014) In a study to investigate the effectiveness of tax audits on taxpayers in Ethiopia focussed on tax audits as a single enforcement measure. The researcher did not include fines and penalties as Enforcement measures. This research therefore sought to fill the research gaps identified in these various studies.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter described the research design, population, data collection and analysis which were employed to achieve the research objectives of this study.

3.2. Research Design

Research design relates to the general approach selected to present the study in a consistent and logical way to ensure adequate addressing of the research issue. It includes the foundation on which information is collected, measured and analyzed. The study design to be used is affected by the issue of studies (Cooper, 2008).

(Chandran, 2004) describes study design as the structure of the circumstances for collecting and analyzing information in a manner that connects the purpose of studies with procedural economy. It concerns the various factors that a scientist should consider and adhere to when conducting a study project. The selection of a research design depends, among other things, on the study purpose, information categories required, information sources, and cost considerations. According to (Kombo & Tromp, 2006), a study design can be considered as an arrangement or collection information in a way that seeks to combine significance with the intent of studies.

This study embraced a descriptive research design. This design is best since it depicts features connected with the subject population. Descriptive design finds and measures the cause and effect of interactions between factors according to (Coopers & Schindler 2003). The descriptive research identifies and reports how things are and provides the alternative behaviors, attitudes, values and features of such things (Mugenda & Mugenda, 2003). The investigator used a descriptive research design, which allows the investigator to gather a big amount of data about the population being studied.

3.3. Target Population

Population is a whole group of people, activities, or items with prevalent or observable characteristics (Mugenda & Mugenda & Mugenda & Mugenda, 2004). Whereas (Cooper & Emory, 2001) defines population as the complete set of components the investigator wants to create inferences about. The target population for this research was the 8 Kisumu County retail stores (KRA, 2019). The appendices provide a list of the stores. The retail supermarkets to be studied are only 8, sampling is not to be carried out instead the entire population was studied. This population consisted of those 8 supermarket employees. The study targeted 1 manager (general supermarket manager), 2 Customer care, 1 Accountant, 2 Cashier and 1 Aisle attendant from each supermarket listed in the appendix. The total population was 56 staff.

Table 3.1: Target Population

| Staffs groups | Population |
|-----------------|------------|
| Managers | 8 |
| Customer care | 16 |
| Accountant | 8 |
| Cashier | 16 |
| Aisle attendant | 8 |
| Total | 56 |

3.4 Sample Size and Sampling Procedures

Sampling procedure ensures that representative items from the population are selected for inclusion in the study. The study adopted stratified random sampling technique to select respondents. First, the respondents were stratified into five groups; Manager, Customer care, Accountant, Cashier and Aisle attendant. This study used census as the population is less than 200. Census is effective where sample size is less than 200 (Mugenda & Mugenda & Mugenda & Mugenda, 2003). Therefore the sample size of this study was 56 respondents

3.5. Data Collection and Sources of Data

The study used both primary and secondary data. Data is raw material that is transformed into information by data processing (Davis *et al*, 1985). Questionnaires were administered to obtain primary data on the factors affecting VAT compliance among retail supermarkets in Kisumu County. Secondary data was obtained from reports and records of KRA, Kisumu County Government and KNBS. The researcher personally administered the questionnaires. The questionnaire adopted both open-ended and closed questions. It was structured based on

the research questions. The questionnaire was structured into two sections, with the first seeking to find out general information about the taxpayers and the second relating to factors affecting VAT compliance among retail supermarkets in Kisumu County, Kenya.

3.6 Pilot Testing

The degree to which a study tool measures what it should measure is validity (Kothari, 2004). Validity relates to the degree of precision to which a tool asks the correct questions. Reliability of a tool is the measure of the degree to which a study tool after repeated trials produces coherent outcomes or information (Mugenda & Mugenda, 2003). The validity of the study tool was determined in two ways. First, with the manager and the tax administration experts, the issues in the questionnaires were discussed. Second, the investigator performed a questionnaire pilot test to ensure that it is understandable and acceptable to the expected audience.

3.7 Data Processing and Analysis

Data analysis is the process of generating the findings from the collected data. Data analysis helps in drawing of inferences and making of appropriate deductions (Samouel & Page, 2015). The collected data was entered into SPSS and the analysis was done with the aid of descriptive and inferential statistics. The descriptive statistics included the use of means and standard deviations.

Perception of taxpayers towards taxes was measured on a five-point Likert scale based on the indicators that form a collection of perceived benefits, perception on tax fairness and attitude towards use of taxes. This data was obtained from the ranking of the responses in the questionnaire by the respondents. It was made ready for analysis through the use of inferential statistics. Responses on taxpayer education, ENFORCEMENT MEASURES and costs of compliance were also obtained through the use of questionnaire and made ready for analysis through conversion to discrete data.

A multiple linear regression model was used to determine the relative importance of each independent variable in influencing tax compliance. The data was run using SPSS version 2.3. Data was also analysed using ANOVA to determine whether there is a relationship between the factors identified and tax compliance.

3.7.1 Model Specifications

The regression model is as below:

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

Where:

Y=Tax compliance

β_0 = Intercept

$\beta_1, \beta_2, \beta_3$ and β_4 = Beta coefficients

X_1 = Taxpayer Education

X_2 = Taxpayer Perceptions

X_3 = Tax Compliance Costs

X_4 = Enforcement Measures

ε = error term

3.7.2 Tests of Regression Assumptions

3.7.2.1 Normality

A normality test is used to determine whether a sample or information set suits a standard normal distribution and the likeliness of the usually distributed underlying information (Anderson & Darling, 1954). To determine whether information is derived from a normally distributed population, a normality test is used. If normality hypothesis is not applicable, the test findings were unreliable. If a variable does not fulfil the test of normality and does not have outliers, it can be converted to normalize the information. The Shapiro Wilk test was used to test normality. The Shapiro Wilk test requires the null hypothesis that the population is normally distributed, if the p-value is lower than the alpha selected, then the null hypothesis is not approved and the information may not be normally distributed. If the p-value is higher than the alpha selected, however, the null hypothesis that the population is normally distributed.

3.7.2.2 Multicollinearity

Multicollinearity is a situation where two or more predictors are moderately or highly correlated in a regression model, thus limiting the conclusions that can be drawn. Exact

relationships generally lead from error or incomprehension (Kumar, 2012). Multicollinearity is a matter of degree rather than lack or presence. Multicollinearity is evaluated using the inflation factor of tolerance and variance. There is little multicollinearity in the degree of multicollinearity when closer to 0, and is more severe when a value is close to 1. The tolerance reciprocal is known as the Variance Inflation Factor (VIF), which is the factor that increases linear dependencies among regressors. VIF factor of more than 5 shows that this variable is connected with multicollinearity and is therefore poorly estimated.

3.7.2.3 Autocorrelation

Autocorrelation arises as a result of values of same variables being based on related objects, thus violating the assumption of independence. It persists in time-series data that is from the same source as opposed to being randomly selected. The causes include: specification errors, data manipulation, persistent shocks and observational error. The researcher used the New West method to determine the presence of autocorrelation.

3.7.2.4 Heteroscedasticity

Heteroscedasticity is defined as a systematic change in the spread of residuals over a range of the measured values. It assumes that all the residuals in a population have a constant variance and thus homoscedastic in nature. It was tested using the Breusch-Pagan test. This tests whether the variance of the residuals from the regression is dependent on the values of the independent variable, if this is the case, then heteroscedasticity is present.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter looked at the questionnaire response rate collected from 56 respondents, results of demographic characteristics of respondents, and the factors affecting VAT compliance: taxpayer education, taxpayer perceptions, compliance costs and enforcement measures amongst retail supermarkets in Kisumu County, Kenya. The chapter focused on presentation of empirical findings, data analysis and interpretation of the results. Data was cleaned, coded and analysed using the Statistical Package for Social Sciences (SPSS) version 23.

4.2 Response Rate

The study targeted 56 respondents and 39 questionnaires were returned for analysis giving a response rate of 70%. The response rate was achieved since the study was conducted in 8 selected supermarkets, as well as good coordination of the data collection exercise which was supported by the supermarket human resources management team. According to (Mugenda & Mugenda, 2003), a response rate of above 70% is good therefore the response was very good for the study. Figure 4.1 shows the response rate.

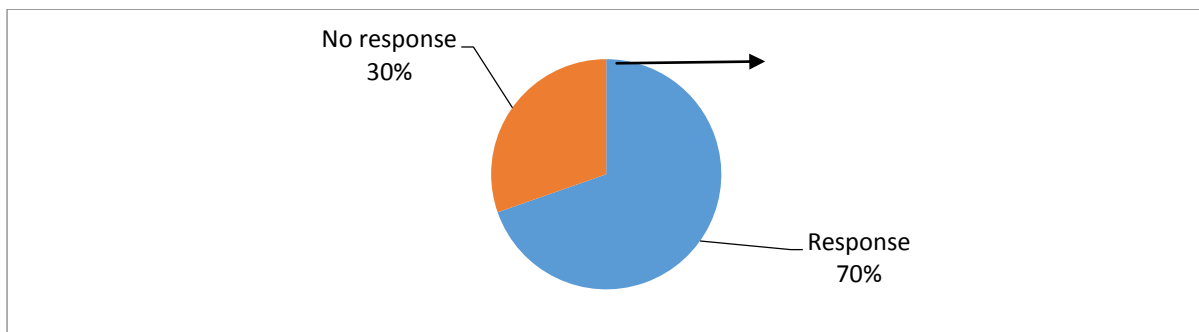


Figure 4.1: Response Rate

4.3 Demographic Information

The study sought to determine the background information of the respondents that were included in the study. The study determined the gender, education level, experience and

position of the respondents in the organization. The findings are indicated in the subsequent sections.

4.3.1 Gender of the Respondent

The study sought to determine the respondents' gender. From the findings majority of the respondent were male with 61.5% while their female counterpart were at 38.5%. All the genders were adequately represented in the study and in line with the Constitution of Kenya on gender rule.

Table 4.1 Gender of the Respondents

| | Frequency | Percept |
|--------------|------------------|----------------|
| Male | 24 | 61.5 |
| Female | 15 | 38.5 |
| Total | 39 | 100.0 |

4.3.2 Business Ownership Type

The study sought to determine the ownership type of the supermarkets under the study. From the findings, 43.6% of the respondents indicated that their supermarkets were under partnership ownership, 38.5% were under sole proprietorship, 10.3% of the supermarkets were owned by other ownership types which majority of the respondents indicated as family owned, and lastly 7.7% were limited companies.

Table 4.2: Business Ownership Type

| | Frequency | Percent |
|---------------------|------------------|----------------|
| Sole proprietorship | 15 | 38.5 |
| Partnership | 17 | 43.6 |
| Company Limited | 3 | 7.7 |
| others | 4 | 10.3 |
| Total | 39 | 100.0 |

4.3.3 Position of the Respondents in the Business

The study sought to determine the position of the respondents with regards to their work in the business. The findings are in Table 4.3. Included in the study were cashier with 51.35%, followed by Aisle attendant with 20.5%, Managers and Customer care both were 17.9% and lastly accountants with 10.3%. The study adequately sampled all the critical position in the business in terms of tax compliance therefore giving diversity and accuracy in the results.

Table 4.3: Position of Respondents in the Business

| | Frequency | Percent |
|-----------------|------------------|----------------|
| Managers | 7 | 17.9 |
| Cashier | 13 | 33.3 |
| Accountant | 4 | 10.3 |
| Customer care | 7 | 17.9 |
| Aisle attendant | 8 | 20.5 |
| Total | 39 | 100.0 |

4.3.4 Education Level of the Respondents

The study sought to determine the respondent's education level. From the findings, 41.0% had secondary certificates, 25.6% had college diploma, 23.1% had primary certificate and 10.3% were university graduates. This finding was in line with the fact that majority of the supermarket employees have trainings of college diploma and below (KNBS, 2017).

Table 4.4: Education Level of the Respondents

| | Frequency | Percent |
|-----------------------|------------------|----------------|
| Primary certificate | 9 | 23.1 |
| Secondary certificate | 16 | 41.0 |
| College diploma | 10 | 25.6 |
| University Graduate | 4 | 10.3 |
| Total | 39 | 100.0 |

4.3.5 Business Years of Operation

The study determined the number of the years the businesses had been in operation. The findings are in Table 4.5. Majority of the businesses have been operating for between 7-10 years with 43.6%, followed by between 4-6 years with 28.2%, between 1-3 years with 20.5% and less than one year with 7.7%. This is a clear indication that the businesses have been in operation for long time to pass through tax related challenges due to tax policies change, environment or financial constraints.

Table 4.5: Business Years of Operation

| | Frequency | Percent |
|--------------------|------------------|----------------|
| Less than One year | 3 | 7.7 |
| 1-3 Years | 8 | 20.5 |
| 4-6 Years | 11 | 28.2 |
| 7-10 Years | 17 | 43.6 |
| Total | 39 | 100.0 |

4.3.6 Business Average Turnover

The study sought to determine the average turnover of the business. Majority of the respondents had an average of between 5-10million with 35.9%, followed by 10-20million with 25.6%, 3-5 million with 15.4%, less than 3 million with 12.8% and over 20million with

10.3%. The findings reveal that the business have reasonable turnover therefore are liable for VAT.

Table 4.6: Business Average Turnover

| | Frequency | Percent |
|----------------------|------------------|----------------|
| least than 3 million | 5 | 12.8 |
| 3-5 million | 6 | 15.4 |
| 5-10million | 14 | 35.9 |
| 10-20million | 10 | 25.6 |
| >20million | 4 | 10.3 |
| Total | 39 | 100.0 |

4.3.6 Personal Identification Number (PIN) of the Business

The study sought to determine whether the business had Personal Identification Numbers (PIN). The findings are in Table 4.7. From the findings, 61.5% of the respondents had Personal Identification Numbers (PIN) while 38.5% did not have. This means that majority of the respondents have PINs therefore are obligated to pay their taxes, therefore, the findings were adequate to show how taxpayer education, taxpayer perceptions, compliance costs and enforcement measures affect VAT compliance.

Table 4.7: Personal Identification Number (PIN) of the Business

| | Frequency | Percent |
|--------------|------------------|----------------|
| Yes | 24 | 61.5 |
| No | 15 | 38.5 |
| Total | 39 | 100.0 |

4.3.7 Types of Businesses Tax Obligations

The respondents were required to indicate the type of businesses tax obligations they were registered for, 25.6% were registered for income tax, Turnover Tax (TOT) with 23.1%, Income Tax & VAT with 20.5%, Income Tax, PAYE & VAT with 17.9% and Income Tax & PAYE with 12.8%. The results reveal diversity in the findings.

Table 4.8 Types of Businesses Tax Obligations

| | Frequency | Percent |
|------------------------|------------------|----------------|
| Turnover Tax (TOT) | 9 | 23.1 |
| Income Tax | 10 | 25.6 |
| Income Tax & VAT | 8 | 20.5 |
| Income Tax & PAYE | 5 | 12.8 |
| Income Tax, PAYE & VAT | 7 | 17.9 |
| Total | 39 | 100.0 |

4.3.8 Knowledge of Due Date For Tax Obligations

The respondents required to indicate whether they knew their Tax obligation due dates. 76.9% of the respondents indicated that they knew the due dates for their Tax obligations while 23.1% did not know their Tax obligation due dates.

Table 4.9: Knowledge of Due Date For Tax Obligations

| | Frequency | Percent |
|--------------|------------------|----------------|
| Yes | 30 | 76.9 |
| No | 9 | 23.1 |
| Total | 39 | 100.0 |

4.3.8 Tax Compliance before Deadline

The respondents required to indicate whether they file their returns before the deadline, 84.6% of the respondents indicated that they file returns before the deadline while 15.4% don't.

Table 4.10: Tax Compliance before Deadline

| | Frequency | Percent |
|--------------|------------------|----------------|
| Yes | 33 | 84.6 |
| No | 6 | 15.4 |
| Total | 39 | 100.0 |

4.3.9 Business Possession of Valid Tax Compliance Certificate

The respondents required to indicate whether they have a valid tax compliance certificate. 76.9% of the respondents indicated that they had a valid tax compliance certificate while 23.1% did not have.

Table 4.11: Business Possession of Valid Tax Compliance Certificate

| | Frequency | Percent |
|--------------|------------------|----------------|
| Yes | 30 | 76.9 |
| No | 9 | 23.1 |
| Total | 39 | 100.0 |

4.3.10 TCC Application Rejection

The respondents required to indicate whether KRA had ever rejected their TCC application. 71.8% indicated that KRA had ever rejected their TCC application while 28.2% indicated that KRA had never rejected their TCC application.

Table 4. 12: TCC Application Rejection

| | Frequency | Percent |
|--------------|------------------|----------------|
| Yes | 11 | 28.2 |
| No | 28 | 71.8 |
| Total | 39 | 100.0 |

4.4 Descriptive Statistics

Descriptive statistics finding are presented in this section. The presentation of these findings was done with the degree of agreement with the research question asked. The study used percentages in terms of agreement or disagreement with the said questionnaire. The means of the findings was also recorded a mean that is more than 3.5 represent agreement and less than that represent disagreement.

4.4.1 Taxpayer Education and VAT Compliance

The respondents were required to indicate the level of their agreement or disagreement with statement formulated on how taxpayer education affects VAT compliance amongst retail supermarkets in Kisumu County, Kenya. The finding is in the following subsection:

4.4.1.1 Background Information on Taxpayer Education

The study formulated questionnaires with regard to respondent's background information on Taxpayer Education. They were therefore required to respond to them with regard to the response provided. The findings are in Table 4.13.

The respondents were required to indicate whether they had ever attended any sensitization seminar, 76.9% of the respondents stated that they had attended such initiatives while 23.1% had not. This finding is concurrent with (Ndirangu, 2014) who established that tax education has positive impact on tax compliance. Tax knowledge and education is statistically significant at 95% confidence level in explaining the variation in tax compliance. A unit increase in tax payer's knowledge in tax matters will lead to 0.038 units increase in tax compliance. Majority of the respondents that have attended seminars indicated that the seminar was organized by KRA at 51.3%, 28.2% of them stated that it was organized by professional experts, 20.5% stated that it was organized by educational institutions. This is in line with (Manaye,2018) who stated that there is a favorable understanding as to why individuals pay taxes and perhaps better outcomes can be accomplished if consecutive works are performed. The research found that tax understanding and education had an impact on tax compliance.

The respondents were required to indicate whether that they have seen a press advertisement on tax matters, 94.9% indicated that they have seen a press advertisement tax matters while 5.1% had not. This finding is in line with (Gitaru, 2017) which showed that indeed; Electronic taxpayer education, print media taxpayer education and stakeholder engagement have an impact on SME tax compliance in the CBD region of Nairobi. The findings also showed that the sensitization of stakeholders is positively linked to the education of taxpayers with a correlation coefficient of 0.810 to properly calculate tax compliance. Majority of the respondents noted that the advertisement tax matters they have seen were very easy to understand, 33.3% indicated that they were easy to understand, 7.75% indicated that they were difficult to understand, 5.1% indicated that they were very difficult to understand. This finding is concurrent with (Mohd, 2010) who stated that Taxation understanding is needed to raise public consciousness, particularly in the fields of tax law, the role of tax in domestic growth and, in particular, how and where the government spends the cash gathered.

The respondents were also required to indicate where they would go to get information on taxation, 41.0% of the respondents indicated that they would go to KRA offices, KRA website with 25.6%, professional consultants with 23.1% and from a business colleague with 10.3%. This finding is supported by (Christina *et al*,2003) who identified factors such as multifaceted nature of expenditure legislation, ability to pay, ignorance of duty legislation and the impression of elevated duty rates and unfairness of the evaluation structure to have an effect on tax compliance.

The respondents were required to indicate whether they face any challenges in trying to access information on tax issues, 71.8% indicate that they face any challenges in trying to access information on tax issues while 28.2% did not. This finding concurred with (Machogu & Amayi, 2013) who showed that there was no better knowledge of the vital legislation on expenditure. 78.7% of respondents agreed that they had the choice of understanding and winding up their citizens' rights and obligations through citizens' guidance. 21.3% of respondents said that citizens' education did not have the choice to help them understand and be aware of their spending freedoms and obligations. 83% of the respondents agreed that citizen training helped them to see clearly the method of settling public expenditure; whereas 17% stated that despite the evaluation instructions they received, they clearly did not see the technique of covering legislative expenditure.

Table 4.13: Background Information on Taxpayer Education

| Statements | Response Option | Frequency | Percentage |
|---|------------------------------|-----------|--------------|
| Have you ever attended any sensitization seminar? | Yes | 30 | 76.9 |
| | No | 9 | 23.1 |
| | Total | 39 | 100.0 |
| If yes, who had organized the training? | Kenya Revenue Authority | 20 | 51.3 |
| | Education Institution | 8 | 20.5 |
| | Professional Experts | 11 | 28.2 |
| | Total | 39 | 100.0 |
| Have you ever seen a press advertisement on tax matters? | Yes | 37 | 94.9 |
| | No | 2 | 5.1 |
| | Total | 39 | 100.0 |
| If yes, was the information easy to understand? | Very easy to understand | 21 | 53.8 |
| | Easy to understand | 13 | 33.3 |
| | Very difficult to understand | 2 | 5.1 |
| | Difficult to understand | 3 | 7.7 |
| | Total | 39 | 100.0 |
| If you need to obtain any information on taxation where would you go for the information? | A business colleague | 4 | 10.3 |
| | KRA website | 10 | 25.6 |
| | KRA offices | 16 | 41.0 |
| | Professional consultants' | 9 | 23.1 |
| | Total | 39 | 100.0 |
| Do you face any challenges in trying to access information on tax issues? | Yes | 28 | 71.8 |
| | No | 11 | 28.2 |
| | Total | 39 | 100.0 |

4.4.1.2 Rate of Challenges Experienced by Respondents

The respondents were required to indicate the challenges they experienced. The study formulated statements on them and the respondents were required to respond to them on a four-point likert scale. The study presented this using percentage of the respondents in agreement and compared the aggregate mean. A composite mean of above 3.0 indicate high effect of the challenges in overall VAT compliance. From the findings, 66.7% indicated that conflicting information from different source affected the process of raising their tax understanding matters. This finding is in line with KNBS (2003) who indicated that Radio, newspapers, seminars, coaching and television workshops are among the main means by which taxpayers have been provided with tax information.

The respondents also indicated that tax system (iTax) is not easy to understand and this affected the process of raising their tax understanding matters with 66.7%. This finding is in line with (Fjeldstad & Ranker, 2003) who stated that there is taxpayer education to encourage voluntary compliance by providing taxpayers with services. Low rates of voluntary tax compliance will require revenue authorities to use expensive and coercive compliance techniques. The respondents disclosed that the slow or non-functioning system had a 66.7% impact on the process of increasing their tax understanding issues. This finding is consistent with (Kimingu & Kileva 2007), which established that compliance issues in the informal industry will be addressed by the education element.

The respondents stated that long queues in gaining access to KRA offices affected the process of raising their tax understanding matters with 66.7%. This finding is in line with (Christina *et al*, 2003) who indicated that this is premised on the possibility that non-compliance being unintentional due to the ignorance of the law or may be intentional due to the negative compliance attitudes. The respondents stated that technical details on brochures and tax Acts that they don't understand affected the process of raising their tax understanding matters with 64.1%.

The respondent established that delay in receiving feedback on queries raised affected the process of raising their tax understanding matters with 53.8%. The respondents indicated that cumbersome and lengthy procedures on applications/requests affected the process of raising their tax understanding matters with 61.5%. This finding is in line with (Gitaru, 2017) that showed that tax education which included (electronic, print-media taxpayer education) affected tax compliance among SMEs in the CBD region of Nairobi.

The respondent stated that high fees charged by tax consultants and other professionals on services/advice affected the process of raising their tax understanding matters with 59.0%. The respondents stated that required information not in the website affected the process of raising their tax understanding matters with 66.7%. When tax payers asked why they were paying taxes, 58% of respondents said they were paying taxes because it was a government or state obligation and in the government's anticipation of public services (31%).

The composite mean was 3.53 indicating that challenges experienced in the process of raising tax understanding matters. This finding is consistent with (Christina *et al*, 2003) who recognized and acknowledged factors that caused them not to pay their taxes within the statutory period and not to declare the correct taxable revenue were their ability to pay, complexity of tax laws, ignorance of tax laws and perceptions of elevated tax rates and unfairness of the tax system.

Table 4. 14: Rate of Challenges Experienced by Respondents

| Statement | Not serious | serious | Not sure | Very serious | Mean |
|---|-------------|---------|----------|--------------|--------------|
| Conflicting information from different sources | 2.6 | 0 | 30.8 | 66.7 | 3.61 |
| Tax system (iTax is not easy to understand) | 2.6 | 0 | 30.8 | 66.7 | 3.61 |
| System slow / not functioning | 2.6 | 0 | 30.8 | 66.7 | 3.61 |
| Long queues in gaining access to KRA offices | 2.6 | 0 | 30.8 | 66.7 | 3.61 |
| Technical details on brochures and tax Acts that I don't understand | 2.6 | 2.6 | 30.8 | 64.1 | 3.56 |
| Delay in receiving feedback on queries raised | 7.7 | 7.7 | 30.8 | 53.8 | 3.3 |
| Cumbersome and lengthy procedures on applications/requests | 2.6 | 5.1 | 30.8 | 61.5 | 3.51 |
| High fees charged by tax consultants and other professionals on services/advice | 2.6 | 7.7 | 30.8 | 59.0 | 3.46 |
| Required information not in the website | 2.6 | 2.6 | 28.2 | 66.7 | 3.58 |
| Complex tax laws | 7.7 | 0 | 28.2 | 64.1 | 3.48 |
| Composite mean | | | | | 3.533 |

4.4.1.3 Taxpayer Education and VAT Compliance

The respondents were required to respond to statement formulated on Taxpayer Education on a five-point likert scale. The study presented this using percentage of the respondents in agreement and compared the aggregate mean. A composite mean of above 3.5 indicate agreement on the effect. From the findings, the respondents indicated that they know that they should register for tax obligation when they qualify with 61.5%. This finding is in line with (Thorndike, 2009) who noted that taxpayers should comply with their tax obligations and the government to secure the security of taxpayers.

The respondents indicated that they did attend tax trainings/ seminars with 77%. The respondents stated that they know which income should be included or excluded in determining the taxable income with 66.7%. The respondents agreed that they know that they should keep proper records with 61.5%. The respondents stated that they understand that they should pay taxes due with 59%. The respondents agreed that they know they should obtain PIN with 56.4%. This finding is consistent with (Kuria & Ombui, 2016) who stated that the understanding of tax burden by taxpayers was important predictors of the attitude of taxpayers.

The respondents stated that they look out for press advertisements by KRA with 56.4%. This finding coincides with (Jayawardane, 2015), which established that the attitude of taxpayers was recognized as a key factor in affecting tax compliance behaviour, and further substantiated that the 'effect' of a big amount of future determinants of voluntary compliance on their individual income or profit, i.e. social standards, equity and fairness, perception of government, and accountability towards tax compliance attitude. The respondent agreed that they know where to obtain tax education materials with 51.3%. The respondent stated that they know of KRA education programs with 48.7%. This finding is supported by (Onyiego, 2016) who revealed that tax comprehension and knowledge have a major impact on tax compliance. Better knowledge of VAT legislation promotes adherence on a voluntary basis.

The composite mean was 3.687 which indicated that the respondents agreed that taxpayer education affected their VAT Compliance. This finding is in line with (Ambrecht, 1998) who noted that there are many variables influencing tax compliance behaviours and tax compliance behaviours differ from nation to nation and from person to person.

Table 4.15: Taxpayer Education and VAT Compliance

| Statement | Strongly disagree | Disagree | Neutral | Agree | Strongly agree | Mean |
|--|-------------------|----------|---------|-------|----------------|--------------|
| I know that I should register for tax obligation when I qualify | 0 | 0 | 38.5 | 48.7 | 12.8 | 3.74 |
| I know that I should keep proper records | 10.3 | 7.7 | 20.5 | 25.6 | 35.9 | 3.69 |
| I understand that I should pay taxes due | 10.3 | 0 | 30.8 | 23.1 | 35.9 | 3.74 |
| I know I should obtain PIN | 15.4 | 0 | 28.2 | 23.1 | 33.3 | 3.69 |
| I know which income should be included or excluded in determining the taxable income | 10.3 | 12.8 | 10.3 | 30.8 | 35.9 | 3.61 |
| I know where to obtain tax education materials | 5.1 | 10.3 | 33.3 | 20.5 | 30.8 | 3.58 |
| I look out for press advertisements by KRA | 15.4 | 0 | 28.2 | 23.1 | 33.3 | 3.89 |
| I do attend tax trainings/ seminars | 12.8 | 0 | 10.3 | 38.5 | 38.5 | 3.64 |
| I know of KRA education programs | 12.8 | 0 | 38.5 | 20.5 | 28.2 | 3.61 |
| Composite mean | | | | | | 3.687 |

4.4.2 Taxpayer perceptions and VAT Compliance

4.4.2.1 Background Information on Taxpayer perceptions

The study formulated questionnaires with regard to respondent's background information on taxpayer perceptions. They were therefore required to respond them with regard to the response provided. The findings are in Table 4.16. The respondents agreed that they think paying taxes is everyone's obligation with 82.1% while 17.9% did not think so.

The respondents were required to indicate whether the taxes they pay benefit them in any way, 61.5% of the respondents agreed that the taxes they pay benefit them in any way while 38.5% disagree. The respondent also disagreed that the Kenyan tax system is fair with 76.9% while 23.1% agreed. The respondents disagreed that tax collected are placed in good use with 82.1% use while 17.9% agreed.

Table 4.16: Background Information on Taxpayer Perceptions.

| Statements | Response Option | Frequency | Percentage |
|--|------------------------|------------------|-------------------|
| Do you think paying taxes is everyone's obligation? | Yes | 32 | 82.1 |
| | No | 7 | 17.9 |
| | Total | 39 | 100.0 |
| Do the taxes you pay benefit you in any way? | Yes | 24 | 61.5 |
| | No | 15 | 38.5 |
| | Total | 39 | 100.0 |
| Do you perceive the Kenyan tax system as being fair? | Yes | 9 | 23.1 |
| | No | 30 | 76.9 |
| | Total | 39 | 100.0 |
| Are taxes collected put into good use? | Yes | 7 | 17.9 |
| | No | 32 | 82.1 |
| | Total | 39 | 100.0 |

4.4.2.2 Taxpayer perceptions and VAT Compliance

The respondents were required to respond to statement formulated on taxpayer perceptions on a five-point likert scale. The study presented this using percentage of the respondents in agreement and compared the aggregate mean. A composite mean of above 3.5 indicate agreement on the effect. From the findings, the respondents indicated that they did gain access to the public utilities and services funded by the taxes collected with 77%. This finding is in line with (Jackson & Milliron, 1986), which established that the second aspect is that the tax scheme should provide all taxpayers with equity in the tax burden.

The respondents established that they saw no point of paying taxes when it is being misused by individuals in government with 74.4%. This finding is in line with (Wanjohi ,2010) who established that most citizens believe Kenya's tax framework to be uncalled for. This was on the grounds that most members varied by paying a decent amount of expense; by announcing and making good on government obligation sincerely to their neighbors, companions; by

making charge guidelines easy to fathom, for example computing assessment recording and paying dates. They were additionally not interested in the installment of expense fines and punishments: KRA's forceful duty implementation endeavors, for example guaranteeing expense reviews and duty dodgers are arraigned.

The respondents stated that they believed it's their obligation as citizens to support the government by paying taxes at 61.5%. The respondents established that the tax system in place motivated them to voluntarily comply with their tax obligations with 61.5%. This finding is in line with (Christina *et al* ,2003) who indicated that this is based on the likelihood that failure to comply is unintentional owing to ignorance of the law or may be deliberate owing to adverse attitudes to compliance. The respondents agreed that they thought there was a great deal that could be achieved on our tax schemes to ease the tax return and deposit work by 61.5%. This finding is consistent with (Kimmingu & Kileva, 2007), which established that compliance issues in the informal industry will be addressed by the educational element.

The respondents stated that they felt that there is a lot that can be done on our tax with 61.5%. This finding is consistent with (Fjeldstad & Ranker, 2003) who indicated that there is taxpayer education to promote voluntary compliance by providing taxpayers with services. Low rates of voluntary tax compliance will require revenue authorities to use expensive and coercive compliance techniques. The composite mean was 3.78 which means the respondent agreed that taxpayer perceptions affect VAT Compliance.

Table 4.17: Taxpayer perceptions and VAT Compliance

| Statement | Strongly disagree | Disagree | Neutral | Agree | Strongly agree | Mean |
|---|-------------------|----------|---------|-------|----------------|-------------|
| I believe it's my obligation as a citizen to support the government by paying taxes | 0 | 0 | 38.5 | 48.7 | 12.8 | 3.74 |
| The tax system in place motivates me to voluntarily comply with my tax obligations. | 17.9 | 0 | 20.5 | 20.5 | 41.0 | 3.66 |
| I find it hard to comply with the tax laws as they are complicated | 12.8 | 0 | 30.8 | 23.1 | 33.3 | 3.64 |
| I see no point of paying taxes when it is being misused by individuals in government | 15.4 | 0 | 10.3 | 38.5 | 35.9 | 3.79 |
| I feel that there is a lot that can be done on our tax systems to ease the work of preparation of tax returns and payment | 0 | 0 | 38.5 | 30.8 | 30.8 | 3.92 |
| I feel that I can pay my taxes in all obligations without being followed | 12.8 | 0 | 25.6 | 17.9 | 43.6 | 3.79 |
| I do gain access to the public utilities and services funded by the taxes collected. | 2.6 | 15.4 | 5.1 | 38.5 | 38.5 | 3.94 |
| Composite mean | | | | | | 3.78 |

4.4.3 Tax Compliance Costs and VAT Compliance

4.4.3.1 Background Information on Tax Compliance Costs

The study formulated questionnaires with regard to respondents' background information on Tax Compliance Costs. They were therefore required to respond to them with regard to the response provided. The findings are in Table 4.18. The respondents agreed that the compliance costs that they incurred were affordable with 64.1% while 35.9 % did not. The respondents indicated that high compliance costs impede tax compliance with 69.2% while 30.8% did not.

Table 4.18: Background Information on Tax Compliance Costs

| Statements | Response Option | Frequency | Percentage |
|--|------------------------|------------------|-------------------|
| Are the compliance costs that you incur affordable | Yes | 25 | 64.1 |
| | No | 14 | 35.9 |
| | Total | 39 | 100.0 |
| Do high compliance costs impede tax compliance | Yes | 27 | 69.2 |
| | No | 12 | 30.8 |
| | Total | 39 | 100.0 |

4.4.3.2 Tax Compliance Costs and VAT Compliance

The respondents were required to respond to statement formulated on tax compliance costs on a five-point likert scale. The study presented this using percentage of the respondents in agreement and compared the aggregate mean. A composite mean of above 3.5 indicated agreement on the effect. From the findings, 79.5% of the respondents indicated that the cost of hiring a tax agent was high while 20.5% of the respondent indicated that it is fair. This finding is in line with (Mogeni, 2014) who established that that the price of compliance had an adverse impact on tax compliance level. Therefore, the price of tax compliance should be so that taxpayers are not encouraged to avoid tax.

The respondents indicated the inconvenience caused due to time spent in complying with tax laws was high with 74.4%, 15.4% stated that its fair while 10.3% indicates that its low. This finding is supported by (Mukabi ,2014) who revealed that all of the variables recognized directly impact taxpayer compliance attempts in turnover firms. The cost of tax compliance significantly determines the amount of turnover tax compliance. The respondents said the price of employing account employees for tax issues was high at 74.4%, 23.1% said it was reasonable, while 2.6% said it was small.

The respondents indicated that the cost impact on compliance was high at 74.4%, 15.4% said it was reasonable, while 10.3% indicated it was small. This finding coincides with (Abdul & Wang'ombe, 2017) who indicated that Kenya's tax compliance decreases considerably with higher tax compliance expenses, especially those linked to understanding current complicated tax legislation, changes in tax regulations, as well as overall costs of compliance and regulatory demands. The model constructs account for about 40% of differences in Kenya's tax compliance behavior, which for exploratory research is higher than the empirically

accepted minimum. The research proposes from the outcomes that tax authorities and policymakers concentrate on initiatives to decrease these cost of tax compliance recognized. Moreover, higher emphasis should be placed on investing in possibilities that decrease economic stress on companies, thereby promoting tax compliance.

The respondents found the price of traveling to file a return to be high at 69.3%, while 30.8 % said it was reasonable. This finding is consistent with (Eragbhe & Modugu, 2014) who established that Value Added Tax (VAT) has the largest TCC accounting for approximately 33% of the complete average cost of tax compliance. The research also showed that SMEs in the manufacturing industry have the largest relative average cost of tax compliance, while those in business services have the smallest average cost of tax compliance. The price burden of exporting SMEs in Nigeria is greater than non-exporting SMEs. Simplification of tax compliance and incentives to help reduce tax compliance costs for SMEs in Nigeria have been suggested.

The respondents agreed that the price of filing a tax return was high at 61.5%, while 38.5 % said it was reasonable. This finding is in line with (Vaillancourt, 1987), which stated that Value Added Tax (indirect tax) has a greater price of compliance than Income Tax (direct tax). The respondents stated that with 61.5%, the price of obtaining technology and training for tax issues was high, while 38.5% indicated it was reasonable. The composite mean was 4.061 this shows that compliance cost is associated with compliance with VAT. This finding is endorsed by (Akinboade, 2014) who stated that the tax officials around the globe strongly desire voluntary compliance with tax legislation and regulations among taxpayers. With its own coat, however, tax compliance comes with. Compliance costs are the amount of money spent by taxpayers in compliance with the requirements of the appropriate tax legislation, in relation to the quantity of tax they are needed to pay.

Table 4.19: Tax Compliance Costs and VAT Compliance

| Statement | Very low | Low | Fair | High | Very High | Mean |
|--|----------|-----|------|------|-----------|--------------|
| How do you rate the cost of filing a tax return? | 0 | 0 | 38.5 | 48.7 | 12.8 | 3.74 |
| How do you rate the cost of hiring a tax agent? | 0 | 0 | 20.5 | 33.3 | 46.2 | 4.25 |
| How do you find the cost of travelling in order to file a return? | 0 | 0 | 30.8 | 23.1 | 46.2 | 4.15 |
| How do you rate the cost of acquiring technology and training for tax matters | 0 | 0 | 38.5 | 30.8 | 30.8 | 4.33 |
| How can you rate the effect of costs on compliance | 2.6 | 7.7 | 15.4 | 38.5 | 35.9 | 3.92 |
| How can you rate the cost of hiring accounts staff for tax matters | 2.6 | 0 | 23.1 | 38.5 | 35.9 | 3.97 |
| How can you rate the inconvenience caused due to time spent in complying with tax laws | 2.6 | 7.7 | 15.4 | 38.5 | 35.9 | 4.07 |
| Composite mean | | | | | | 4.061 |

4.4.4 Enforcement measures and VAT Compliance

4.4.4.1 Background Information on Enforcement measures

The study formulated questionnaires with regard to respondents' background information on enforcement measures. They were therefore required to respond to them with regard to the information provided. The findings are in Table 4.20. The respondents disagreed that they have ever been penalized by KRA at 59.0% while 41.0% agreed. The respondents indicated that the fines and penalties were not affordable at 69.2% while 30.8% did. The respondents indicated that they have ever been audited by KRA at 64.1% while 35.9% had not been audited.

Table 4.20: Background Information on Enforcement Measures

| Statements | Response Option | Frequency | Percentage |
|---|-----------------|-----------|--------------|
| Have you ever been penalized by KRA? | Yes | 16 | 41.0 |
| | No | 23 | 59.0 |
| | Total | 39 | 100.0 |
| Are the fines and penalties affordable? | Yes | 12 | 30.8 |

| | | | |
|------------------------------------|--------------|-----------|--------------|
| | No | 27 | 69.2 |
| | Total | 39 | 100.0 |
| Have you ever been audited by KRA? | Yes | 25 | 64.1 |
| | No | 14 | 35.9 |
| | Total | 39 | 100.0 |

4.4.4.2 Enforcement measures and VAT Compliance

The respondents were asked to react to a five-point likert scale declaration on enforcement attempts. The research provided this using in agreement proportion of respondents and compared the overall mean. The impact agreement was stated by a composite mean of above 3.5. 76.9% of respondents agreed from the results that KRA's enforcement attempts were weak. This finding is consistent with (Badara, 2012) who established that tax audits decrease the tax evasion issue; tax audits had the issue of taxpayers' non-cooperation.

The respondents also stated that if they do not fulfill 69.2%, KRA would impose penalties. This finding is endorsed by (Kipkoech, 2016) who demonstrated that tax audits had the greatest beneficial impact on tax compliance, followed by tax rates, fines and penalties. The research concluded that lowering tax rates, providing tax incentives, educating taxpayers and raising awareness and enforcing fines and penalties would enhance tax compliance. The research suggested implementing fair and favourable rates, making tax audit results accessible to taxpayers, fines and penalties being imposed, and providing tax incentives. The respondents said the penalty levels were very small and they could afford 59% of the punishment. This finding is simultaneous with (Adesina, 2016) who observed that tax understanding encourages a greater level of tax compliance than fines and penalties.

The respondents said they believed the punishment was 59% smaller than their tax. The respondents indicated that KRA was close to zero with 58.9% to detect non-compliance. This finding is endorsed by (Mebratu, 2016), which established a powerful link between audit detection probability and tax compliance. The conclusion was that the tax audit contribution to enhancing tax compliance was important and therefore revenue authorities should focus more on the audit role by meeting staffing and training requirements, thereby improving compliance and meeting income requirements.

The respondents stated that the punishments were punitive and the likelihood of detection was high, resulting in them being 53.8% compliant with the tax legislation. This finding is

parallel with (Ayalew, 2014), which discovered a favourable connection between tax audits and tax compliance. The research also discovered that taxpayers are penalized by revenue authorities rather than educated when they are discovered to have infringed the law. The research found that tax legislation should be simplified and sensitization performed to educate taxpayers. The composite mean was 3.758 indicating that enforcement measures and compliance with VAT are related. This finding is consistent with (Merima *et al*, 2013), which indicated that a rise in people's perception of the difficulty of tax evasion increases the attitude of taxpayers towards compliance.

Table 4.21: Enforcement Measures and VAT Compliance

| Statement | Strongly disagree | Disagree | Neutral | Agree | Strongly agree | Mean |
|--|-------------------|----------|---------|-------|----------------|--------------|
| The penalty rates are very low and I can afford to pay the penalty | 20.5 | 0 | 20.5 | 28.2 | 30.8 | 3.48 |
| Enforcement efforts by KRA are weak | 12.8 | 0 | 10.3 | 35.9 | 41.0 | 3.92 |
| I believe that the penalty is lower than my tax saving due if not complying with tax laws. | 2.6 | 0 | 38.5 | 30.8 | 28.2 | 3.82 |
| KRA will impose fines if I don't comply | 7.7 | 2.6 | 20.5 | 33.3 | 35.9 | 3.87 |
| Chances of being detected by KRA for noncompliance are near zero | 10.3 | 0 | 30.8 | 33.3 | 25.6 | 3.64 |
| Penalties are punitive and the probability of detection is high, I better comply with the tax laws | 2.6 | 2.6 | 41.0 | 17.9 | 35.9 | 3.82 |
| Composite mean | | | | | | 3.758 |

4.4.5 VAT Compliance

The respondents were required to respond to statement formulated on VAT Compliance on a five-point likert scale. The study presented this using percentage of the respondents in agreement and compared the aggregate mean. A composite mean of above 3.5 indicate agreement on the effect. From the findings 64.1% of respondents determined that they file their return on time from the results. This is in line with (Manaye,2018) who indicated that there is a favourable understanding of why individuals are paying taxes and that it is likely

that better outcomes can be accomplished if consecutive works are performed. The research found that the impact of tax understanding and education on tax compliance was important.

The respondents found that they frequently file their return with 64.1%. This finding is consistent with (Gitaru,2017) showed that; electronic taxpayer education, print media taxpayer education, and stakeholder engagement influence tax compliance among SMEs in the CBD region of Nairobi. The findings also showed that the awareness of stakeholders is positively linked to the education of taxpayers with a correlation coefficient of 0.810 to properly calculate tax compliance. The respondents said 61.5% of them had KRA PIN. This finding is consistent with (Jackson & Milliron, 1986) who established that the second aspect is that the tax scheme should provide all taxpayers with equity in the tax burden.

The respondents stated that 56.4% had not responded to their organisation for not filing return. This finding is backed by (Mukabi, 2014), which revealed that all the variables recognized directly affect taxpayers ' attempts in turnover companies to comply with tax. Taxpayers ' views of the tax scheme significantly determine the amount of turnover tax adherence. The composite average was 3,822, a clear sign that VAT compliance was affected by these variables, followed by tax rates, fines and penalties. The research concluded that lowering tax rates, providing tax incentives, educating taxpayers and raising awareness and enforcing fines and penalties would enhance tax compliance. The research suggested implementing fair and favorable rates, making tax audit results accessible to taxpayers, fines and penalties being imposed, and providing tax incentives. The respondents said the penalty rates were very small and they were able to pay the penalty at 59%.

Table 4.22: VAT Compliance

| Statement | Strongly disagree | Disagree | Neutral | Agree | Strongly agree | Mean |
|--|-------------------|----------|---------|-------|----------------|------|
| Our organization have not been suctioned for not flinging return | 43.6 | 0 | 0 | 30.8 | 25.6 | 3.82 |
| We file our return on time | 5.1 | 2.6 | 28.2 | 38.5 | 25.6 | 3.76 |
| Our employees have KRA PIN | 0 | 0 | 38.5 | 43.6 | 17.9 | 3.79 |
| I file my return regularly | 2.6 | 7.7 | 25.6 | 23.1 | 41. | 3.92 |

4.5 Inferential Statistics

The study conducted inferential statistics including normality, multicollinearity, autocorrelation, heteroscedasticity and regression analysis. Correlation analysis was carried out to determine the relationship between the independent variables and VAT compliance.

4.5.1 Multicollinearity

The study conducted multicollinearity analysis to determine whether there is a relationship between the variables. The Findings in Table 4.23, from the coefficient table below, toleration values are less than .10 which implies that multicollinearity is not a problem. On the other hand the VIF for all the factors is less than 10 which implies that multicollinearity is not a problem. According to (Merima *et al* ,2013), tolerance of below 0.10 and VIF less than 10 is adequate to make a conclusion that multicollinearity is not a problem.

Table 4.23: Coefficients

| | Collinearity Statistics | |
|----------------------|-------------------------|-------|
| | Tolerance | VIF |
| Taxpayer Education | .135 | 7.385 |
| Taxpayer perceptions | .127 | 7.851 |
| Tax Compliance Costs | .622 | 1.608 |
| ENFORCEMENT MEASURES | .628 | 1.592 |

Dependent Variable: VAT compliance

4.5.2 Autocorrelation

The study conducted Autocorrelation analysis to determine whether there is a relationship between the variables. The Findings in Table 4.24, the value of Durbin-Watson as is 1.720 which is less than two. Therefore there is positive autocorrelation. According to (Merima *et al* , 2013), Durbin-Watson of less than 2 there is positive autocorrelation and more than two there is negative autocorrelation.

Table 4.24: Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-------------------|----------|-------------------|----------------------------|---------------|
| 1 | .793 ^a | .628 | .585 | 1.47215 | 1.720 |

a. Predictors: (Constant), Enforcement Measures, Tax Compliance Costs, Taxpayer Education, Taxpayer perceptions

b. Dependent Variable: VAT compliance

4.5.3 Heteroscedasticity

The study conducted heteroscedasticity analysis to determine whether there is a relationship between the variables. From figure 4.2 and 4.3, the heteroscedasticity histogram is normal indicating that there is no heteroscedasticity. Similarly in the P-P plot the points are aligned to the time supporting that there is no heteroscedasticity (Merima *et al*, 2013).

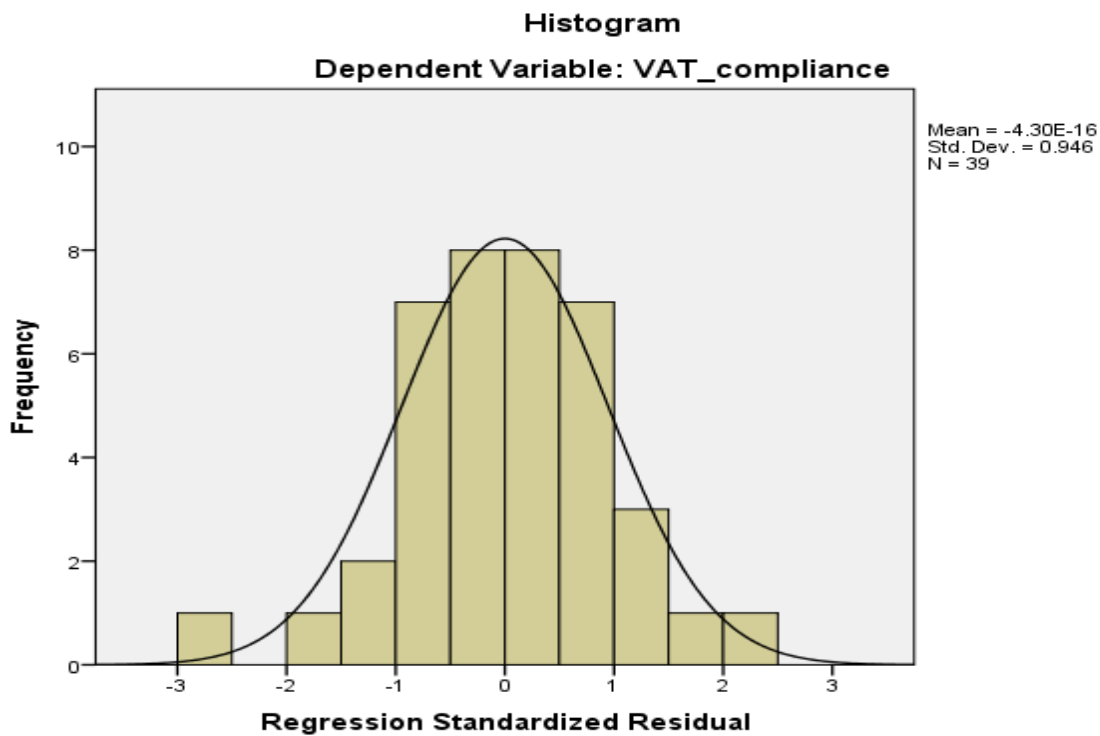


Figure 4.2: Heteroscedasticity Histogram

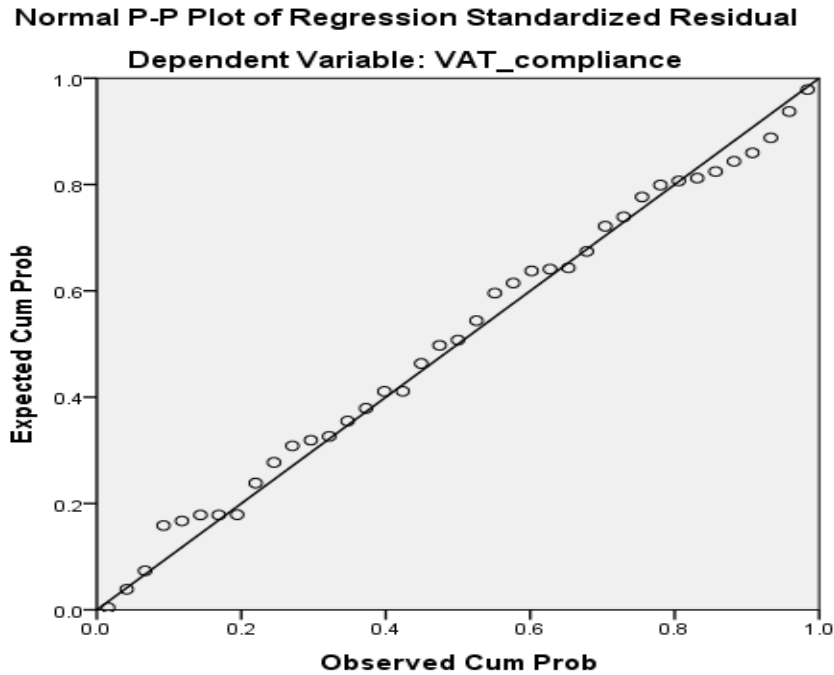


Figure 4.3: P-P Plot

4.5.4 Regression Analysis

The researcher conducted regression analysis so as to test relationship among the variables. Findings are in subsequent sections. Table 4.24 gives the findings of the Model Summary of the regression analysis. From the findings, the value of coefficient of R is .793 representing 79.3% this shows that there is a strong coefficient between the study variables. The value of R^2 is .585 which represents 58.6%, indicating that there are other factors other than enforcement measures, Tax Compliance Costs, Taxpayer Education, Taxpayer perceptions that affect VAT compliance amongst retail supermarkets in Kisumu County, Kenya.

At 5% confidence level, F- calculated was 14.376 and f-tabulated is 2.6189. This indicates that $F\text{-calculated} > F\text{-tabulated}$ ($14.376 > 2.6189$). This finding indicated that the overall regression was significant in investigating the factors affecting VAT compliance amongst retail supermarkets in Kisumu County, Kenya. Thus enforcement measures, tax Compliance costs, taxpayer education, taxpayer perceptions affect VAT compliance. According to (Kozak & Piepho, 2018), if the $F\text{-calculated} > F\text{-tabulated}$, and then the overall regressions was significant.

Table 4.25: ANOVA

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|--------------|------------|-----------------------|-----------|--------------------|----------|-------------|
| 1 | Regression | 124.622 | 4 | 31.156 | 14.376 | .000b |
| | Residual | 73.686 | 34 | 2.167 | | |
| | Total | 198.308 | 38 | | | |

a. Dependent Variable: VAT compliance

b. Predictors: (Constant), Enforcement measures, Tax Compliance Costs, Taxpayer Education, Taxpayer perceptions

From the overall regression coefficient Table 4.26, the findings indicated that when other factors are kept constant, VAT compliance would be at 15.712. The finding also indicated that an increase in Taxpayer Education would in turn increase VAT compliance by .326. This finding is in line with (Ndirangu, 2014) who established that tax knowledge and education has positive impact on tax compliance. Tax knowledge and education is statistically significant at 95% confidence level in explaining the variation tax compliance. A unit increase in tax payer’s knowledge in tax education will lead to 0.038 units increase in tax compliance.

An increase in taxpayer perceptions would increase VAT compliance by .083. This finding is in line with (Manaye,2018) who stated that there is a positive understanding as to why people pay taxes and if successive works are done probably better results can be achieved. The study concluded that tax knowledge and education has a significant effect on tax compliance. Tax Compliance Costs also would increase VAT compliance by .319 when there is unit increase. This finding is concurrent with (Ndirangu, 2014) who established that tax knowledge and education has positive impact on tax compliance. Tax knowledge and education is statistically significant at 95% confidence level in explaining the variation tax compliance. A unit increase in tax payer’s knowledge in tax and education will lead to 0.038 units increase in tax compliance

Enforcement measures also would increase VAT compliance by .340 when there is unit increase. This finding is endorsed by (Kipkoech, 2016) who demonstrated that tax audits had the greatest beneficial impact on tax compliance, followed by tax rates, fines and penalties. The research concluded that lowering tax rates, providing tax incentives, educating taxpayers and raising awareness and enforcing fines and penalties would enhance tax compliance. The research suggested implementing fair and favourable rates, making tax audit results accessible to taxpayers, fines and penalties being imposed, and providing tax incentives. The respondents said the penalty levels were very small and they could afford 59% of the

punishment. This finding is simultaneous with (Adesina, 2016) who observed that tax understanding encourages a greater level of tax compliance than fines and penalties.

At 5% level of significance, the study documents that Taxpayer Education ($p < 0.05$) with a positive beta coefficient. This shows that Taxpayer Education has a positive and significant effect on VAT compliance. This finding is in line with (Gitaru, 2017) which showed that indeed; Electronic taxpayer education, print media taxpayer education and stakeholder engagement have an impact on SME tax compliance in the CBD region of Nairobi. The findings also showed that the sensitization of stakeholders is positively linked to the education of taxpayers with a correlation coefficient of 0.810 to properly calculate tax compliance. Majority of the respondents noted that the advertisement tax matters they have seen were very easy to understand, 33.3% indicated that they were easy to understand, 7.75% indicated that they were difficult to understand, 5.1% indicated that they were very difficult to understand. This finding is concurrent with (Mohd, 2010) who stated that Taxation understanding is needed to raise public consciousness, particularly in the fields of tax law, the role of tax in domestic growth and, in particular, how and where the government spends the cash gathered.

Taxpayer perceptions ($p < 0.05$) has a positive beta coefficient. This can be interpreted to mean that Taxpayer perceptions have a positive and significant effect on VAT compliance. This finding is concurrent with (Kipkoech, 2016) that showed that tax audits had the biggest positive effect on tax compliance, followed by tax rates, fines and penalties. The study found that it would improve tax compliance by reducing tax rates, offering tax incentives, educating taxpayers and increasing consciousness and implementing fines and penalties. The study proposed fair and favourable tax rates, making tax audit results available to taxpayers, applying fines and penalties and offering tax incentives.

Tax Compliance Costs ($p < 0.05$) has a positive beta coefficient. This shows that Tax Compliance Costs have a positive and significant effect on VAT compliance. This finding is supported with (Adesina, 2016) who noted that Tax understanding fosters a greater level of tax compliance than fines and penalties. The participants said they believed the punishment was 59 percent smaller than their tax. The participants indicated that with 58.9 percent, KRA's likelihood of non-compliance were close to zero. This finding is supported by (Mukabi, 2014) who revealed that All of the variables recognized directly impact taxpayer

compliance attempts in turnover firms. The cost of tax compliance significantly determines the amount of turnover tax compliance.

Enforcement measures ($p < 0.05$) has a positive beta coefficient. This shows that enforcement measures have a positive and significant effect on VAT compliance. This finding is endorsed by (Mebratu, 2016), which established a powerful link between audit detection probability and tax compliance. The conclusion was that the tax audit contribution to enhancing tax compliance was important and therefore revenue authorities should focus more on the audit role by meeting staffing and training requirements, thereby improving compliance and meeting income requirements..

From Table 4.25, the following model is extracted;

$$Y = 15.712 + .326X_1 + .083X_2 + .319X_3 + .340X_4$$

Table 4.26: Coefficients

| | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|----------------------|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| (Constant) | 15.712 | 2.424 | | 6.482 | .000 |
| Taxpayer Education | .326 | .096 | .965 | 3.398 | .002 |
| Taxpayer perceptions | .083 | .019 | .309 | 4.279 | .007 |
| Tax Compliance Costs | .319 | .097 | .438 | 3.304 | .002 |
| ENFORCEMENT MEASURES | .340 | .081 | .553 | 4.171 | .000 |

a. Dependent Variable: VAT compliance

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study sought to investigate the factors affecting VAT compliance amongst retail supermarkets in Kisumu County, Kenya. This chapter gives a brief overview of the findings based on the objectives of the study. It also gives conclusion of the study and finalizes by recommending and suggesting areas for further research.

5.2 Summary of the Study

5.2.1 Taxpayer Education

The study found that taxpayer education has a beneficial and substantial impact on VAT compliance. The research also found that conflicting data from distinct sources, tax system (iTax) is not simple to comprehend, system slow / non-functional, long queues to gain access to KRA offices, technical details on brochures and tax regulations not understood by the respondent, delay in obtaining feedback on queries raised, complicated and lengthy application / request procedures, elevated fees are some of factors that hamper access to taxpayer education.

The research found that supermarket staff knew they should register for tax obligations when they qualified, they attended tax training or seminars, they knew which earnings should be included or excluded in determining taxable revenue, they knew they should maintain adequate documents, they understood they should pay taxes due at 59%, they knew they should receive PIN, they knew they should receive PIN. The staffs were generally well trained on issues of VAT compliance.

5.2.2 Taxpayer Perceptions

The research found that views of taxpayers have a beneficial and substantial impact on compliance with VAT. The research also established that the organisation gained access to public utilities and facilities financed by the taxes gathered, saw no point in paying taxes when it was misused by people in government, thought that it was their duty as citizens to

help the government by paying taxes, the tax scheme in place encouraged them to willingly fulfil their tax commitments.

5.2.3. Tax Compliance Costs

Tax Compliance costs affect VAT compliance positively and significantly. The study indicated that the cost of hiring a tax agent was high, the inconvenience caused by the time spent complying with tax law was high, the cost of hiring account staff for tax matters was high, the effect of costs on compliance, the cost of traveling to make a return is high, the cost of filing a tax return was high, the cost of acquiring technology and training was high. The research generally found that the expenses of tax compliance were related to VAT compliance.

5.2.4 Enforcement Measures

The research established that enforcement measures have a beneficial and substantial impact on compliance with VAT. The research also found that KRA's enforcement attempts were poor, KRA imposed fines if they failed to comply, the penalty levels were very low and they could afford to pay the penalty, the respondents believed that the penalty was smaller than their tax, the possibility of KRA detecting non-compliance through tax audits was close to zero. The enforcement measures generally influenced VAT compliance.

5.3 Conclusions of the Study

The study concludes that taxpayer education has a positive and substantial impact on VAT compliance. The research also concluded that conflicting data from distinct sources, tax system (iTax) is not simple to comprehend, slow / non-functional system, long queues to gain access to KRA offices, technical details on brochures and tax regulations that the respondent are some of the factors that hamper access to tax education.

The study concluded that views of taxpayers have a beneficial and substantial impact on compliance with VAT. The research also concludes that the organisation gained access to public utilities and facilities financed by the taxes gathered, saw no point in paying taxes when it was misused by people in government.

The study concludes that tax compliance costs affect VAT compliance positively and significantly. The research concludes that tax collection costs were high, the inconvenience

created by the moment spent complying with tax legislation was high, the cost of training employees for tax matters was high, the cost of acquiring technology was high, the cost of filing a tax return was high, the cost of obtaining technology and tax training was high. The research in particular disclosed that the cost of tax compliance is associated with VAT compliance is high.

The research concluded that enforcement measures have a beneficial and substantial impact on compliance with VAT. The research also concludes that KRA's enforcement attempts were weak, KRA imposed fines if they failed to comply, the penalty levels were very small and they could afford to pay the penalty, the organisation believes the punishment was smaller than their tax, the possibility of KRA detecting non-compliance through tax audits was close to zero was close to zero.

5.4 Recommendations of the Study

The taxpayer is less likely to comply with an unfair tax system. The enforcement approach adopted by regulatory officials should be fair, and a good link between individuals and the authority to enhance compliance should be established. Tax payers are always gambling where they perceive grey tax law areas and then try to minimize the tax they have to pay. As such, an effective compliance enhancement policy should be created by the tax office. A bridge between the tax office and the taxpayer should be constructed.

The tax office should also work with other organisations to increase the commitment of the taxpayer to the tax system and to seal loopholes so that there is no alternative to fail to declare sales. The tax office should also seek to ensure full adoption of the ETR devices as they increase the reported VAT. The tax authority should also attempt to build systems that can be integrated with previously acquired software. They should also embrace technology and create an Internet-based strategy that is more user-friendly.

KRA should also improve recruitment and registration processes to guarantee quality taxpayer registration. Registered taxpayers should also be better tracked and supervised to guarantee correct tax returns are made, correct credits are claimed and accurate taxes are paid. Therefore, KRA should empower the segment of the taxpayer education service to enable taxpayers to be trained in order to understand their taxpayer rights and obligations. This will enhance the tax compliance rate.

5.5 Areas for Further Studies

From the regression assessment, the adjusted R square was .585 demonstrating that the recognized factors (enforcement measures, tax compliance costs, taxpayer education and taxpayer perceptions) explain 58.6% change in VAT compliance. This suggests that there are other determinants that the present research did not cover that explain 41.4% of the change in VAT compliance. Future studies should therefore be carried out to cover these other variables which may include technology, tax policies, staff training, management culture among others.

The present research concentrated on supermarkets in Kenya. However, there are other sectors with tax compliance issues which further studies can concentrate on. The study therefore recommends that other studies should be conducted in these other sectors. The other sectors include the transport sector, the real estate sector, the services sector among others. This would make it easier to compare the results for informed decision making.

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APPENDICES

Appendix I: List of Supermarkets in Kisumu

The following is a list of supermarkets operating within Kisumu County, Kenya.

1. Tusker Mattresses Limited
2. Nakumatt Supermarket
3. Naivas Supermarket
4. Choppies Supermarket
5. Tumaini Supermarket
6. Chandarana Supermarket
7. Kibuye Matt Limited
8. Khetia's Supermarket

Appendix 2: Questionnaire

The purpose of this survey is to study the factors affecting VAT compliance amongst retail supermarkets in Kisumu County, with an aim of enhancing tax compliance with tax laws. The information obtained will only be used for academic purposes and shall be treated with utmost confidentiality. You are kindly requested to complete this questionnaire objectively.

Instructions

Please tick in the appropriate box and also fill in the blank spaces provided for those questions where elaborate answers are required. Feel free to use the back pages if you need more space for narrative responses.

SECTION A: GENERAL INFORMATION

i) Name of business (Optional).....

ii) Kindly indicate your gender: Male Female

iii) Business ownership type

- Sole proprietorship Partnership
 Company Limited Others (Specify).....

iv) What is your position in the business?

- Business Owner Cashier
 Customer care Accountant (employee)
 Aisle attendant Others (Specify).....

v) What is your level of education?

- No formal education Primary education
 Secondary education Technical level
 Undergraduate and above Others (Specify).....

vi) How long have you been in the retail industry?

- Less than One year 1-3 Years
 4-6 Years 7-10 Years
 More than 10 Years

vii) What is your average turnover of the business?

| Annual Turnover(Kshs.) | Tick |
|-------------------------------|-------------|
| <3 million | |
| 3-5 million | |
| 5-10million | |
| 10-20million | |
| >20million | |

viii) Does your business have a Personal Identification Number (PIN)?

Yes No

ix) If yes, what are the tax obligations is the business registered for?

| Registered Tax Obligation | Tick |
|----------------------------------|-------------|
| Turnover Tax (TOT) | |
| Income Tax | |
| Income Tax & VAT | |
| Income Tax & PAYE | |
| Income Tax, PAYE & VAT | |

x) Do you know the due dates for the obligations that you are registered for?

Yes No

xi) If yes, do you file your returns before the deadline?

Yes No

xii) Do you have a valid tax compliance certificate? Yes No

xiii) Has KRA ever rejected your TCC application? Yes No

If yes, on what basis was it rejected.....

SECTION B: FACTORS AFFECTING VAT COMPLIANCE AMONGST RETAIL SUPERMARKETS IN KISUMU COUNTY, KENYA.

1. Taxpayer Education

i) Have you ever attended any sensitization seminar?

- Yes No

ii) If yes, who had organized the training?

Kenya Revenue Authority

Education Institution

Professional Experts

Other (specify).....

iii) Have you ever seen a press advertisement o tax matters?

- Yes No

iv) If yes, was the information easy to understand?

Very easy to understand

Easy to understand

Very difficult to understand

Difficult to understand

v) If you need to obtain any information on taxation where would you go for the information?

A business colleague KRA website

A friend / relative KRA offices

Professional consultants' Other (specify).....

vi) Do you face any challenges in trying to access information on tax issues?

- Yes No

vii) If yes, how would you rate the challenges experienced in the process of raising your tax understanding matters?

Tick your opinion in a scale of 1-4; where 1-not serious and 4-very serious

| Challenge | 1 | 2 | 3 | 4 |
|---|----------|----------|----------|----------|
| Conflicting information from different sources | | | | |
| Tax system (iTax is not easy to understand) | | | | |
| System slow / not functioning | | | | |
| Long queues in gaining access to KRA offices | | | | |
| Technical details on brochures and tax Acts that I don't understand | | | | |
| Delay in receiving feedback on queries raised | | | | |
| Cumbersome and lengthy procedures on applications/requests | | | | |
| High fees charged by tax consultants and other professionals on services/advise | | | | |
| Required information not in the website | | | | |
| Complex tax laws | | | | |
| Others | | | | |

viii) Do you agree with the following statements?

Tick as appropriate, where 1-Strongly disagree,2-Disagree,3-Not certain,4-Agrees 5-Strongly agree

| Question | Rate | | | | |
|---|-------------|----------|----------|----------|----------|
| | 1 | 2 | 3 | 4 | 5 |
| I know that I should register for tax obligation when I qualify | | | | | |
| I know that I should keep proper records | | | | | |
| I understand that I should pay taxes due | | | | | |
| I know I should obtain PIN | | | | | |

| | | | | | |
|--|--|--|--|--|--|
| I know which income should be included or excluded in determining the taxable income | | | | | |
| I know where to obtain tax education materials | | | | | |
| I look out for press advertisements by KRA | | | | | |
| I do attend tax trainings/ seminars | | | | | |
| I know of KRA education programs | | | | | |

2. Taxpayer perceptions

i) Do you think paying taxes is everyone’s obligation?

Yes No

ii) Do the taxes you pay benefit you in any way?

Yes No

iii) Do you perceive the Kenyan tax system as being fair?

Yes No

iv) Are taxes collected put into good use?

Yes No

v) Please rate the following statements on a scale of 1-5 where 1= Strongly disagree and 5= Strongly agree

| | | 1 Strongly Disagree | 2 Disagree | 3 Not Sure | 4 Agree | 5 Strongly Agree |
|-----------|---|------------------------------------|-----------------------|---------------------------|--------------------|---------------------------------|
| a) | I believe it’s my obligation as a citizen to support the government by paying taxes | | | | | |
| b) | The tax system in place motivates me to voluntarily comply with my tax obligations. | | | | | |

| | | | | | | |
|-----------|---|--|--|--|--|--|
| | | | | | | |
| c) | I find it hard to comply with the tax laws as they are complicated | | | | | |
| d) | I see no point of paying taxes when it is being misused by individuals in government | | | | | |
| e) | I feel that there is a lot that can be done on our tax systems to ease the work of preparation of tax returns and payment | | | | | |
| f) | I feel that I can pay my taxes in all obligations without being followed | | | | | |
| g) | I do gain access to the public utilities and services funded by the taxes collected. | | | | | |

3. Tax Compliance Costs

i) Are the compliance costs that you incur affordable?

Yes No

ii) Do high compliance costs impede tax compliance?

Yes No

iii) Do you agree with the following statements?

Tick appropriately, where 1-Very low,2-Low,3-Fair,4-High and 5-Very High

| Question | Rate | | | | |
|--|------|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| How do you rate the cost of filing a tax return? | | | | | |
| How do you rate the cost of hiring a tax agent? | | | | | |
| How do you find the cost of travelling in order to file a return? | | | | | |
| How do you rate the cost of acquiring technology and training for tax matters | | | | | |
| How can you rate the effect of costs on compliance | | | | | |
| How can you rate the cost of hiring accounts staff for tax matters | | | | | |
| How can you rate the inconvenience caused due to time spent in complying with tax laws | | | | | |

iv)How much do you spend per year to submit income tax return and pay the tax payable?

| Amount spent-internal & external (Kshs.) | Tick |
|--|------|
| <5,000 | |
| 5-10,000 | |
| 10,000-20,000 | |
| 20,000-30,000 | |
| >30,000 | |

4. Enforcement Measures

i) Have you ever been penalized by KRA?

Yes No

ii) Are the fines and penalties affordable ?

Yes No

iii) Have you ever been audited by KRA?

Yes No

iv) If yes, how much additional principal tax was raised per tax audit.....

v) Do you agree with the following statements?

Tick as appropriate, where 1-Strongly Disagree 2.Disagree,3-Disagree,4-Not certain,4-Agrees 5-Strongly agree

| Question | Rate | | | | |
|--|------|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| The penalty rates are very low and I can afford to pay the penalty | | | | | |
| ENFORCEMENT MEASURES by KRA are weak | | | | | |
| I believe that the penalty is lower than my tax saving due if not complying with tax laws. | | | | | |
| KRA will impose fines if I don't comply | | | | | |
| Chances of being detected by KRA for noncompliance are near zero | | | | | |
| Penalties are punitive and the probability of detection is high, I better comply with the tax laws | | | | | |

Below are my details

Name : Sarah Misuko Cell phone: 0718088137

Respondent's name (Optional)..... Cell phone.....

Appendix 3: Budget

The following is the approximated budget until the conclusion of the study:

| Description | Amount(KES) |
|--------------------|--------------------|
| Printing charges | 5,000.00 |
| Binding | 4,000.00 |
| Transport & fuel | 15,000.00 |
| Stationery | 2,000.00 |
| Internet | 8,000.00 |
| Miscellaneous | 12,000.00 |
| Publishing | 20,000.00 |
| Total | 76,000.00 |

Appendix 4: Work Schedule

The table below shows my work schedule during the entire study period.

| | July | August | September | December 2019 |
|------------------------------|------|--------|-----------|---------------|
| Proposal writing | | | | |
| Presentation | | | | |
| Correction & data collection | | | | |
| Data Analysis & Review | | | | |
| Publishing | | | | |

Appendix 5: Introduction Letter



KENYA REVENUE
AUTHORITY

ISO 9001:2015 CERTIFIED

REF: KESRA/NRB/036

24th Sept, 2019

TO WHOM IT MAY CONCERN

RE: REQUEST FOR RESEARCH PERMIT:
SARAH KERUBO MISUKO - REG. NO. HDB336-C016-6383/2016

This is to confirm that the above named is a student at Kenya School of Revenue Administration (KESRA) Nairobi Campus pursuing Post Graduate Diploma in Tax Administration.

The named student is undertaking Research on "Factors affecting VAT compliance amongst retail supermarkets in Kisumu County, Kenya."

The purpose of this letter is to request your good office to assist the above student with the information required to enable her finalize er project.

Thank you.

KENYA SCHOOL OF REVENUE
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Tulipe Ushuru. Tujitegemee !

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