

**EFFECT OF BLOCK MANAGEMENT SYSTEMS ON RENTAL INCOME
TAX PERFORMANCE BY KENYA REVENUE AUTHORITY MOMBASA**

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DECLARATION

This research project is my original work and has not been presented for any award in any other academic or non-academic institutions

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DEDICATION

I would like to dedicate this research work to the almighty God for his grace, wisdom and knowledge to carry on this academic work even with other attached responsibilities.

ACKNOWLEDGEMENT

I wish to express my appreciation to my supervisor Mr. Thomas Ongallo for their immense support to ensure that this project is a success.

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ABBREVIATIONS AND ACRONYMS

ATAF	African Tax Administration Forum
BMS	Block Management System
CRM	Cash Register Machine
EFDs	Electronic Fiscal Devices
ERCA	Ethiopian Revenues and Custom Authority
FAD	Fiscal Affairs Department
GDP	Gross Domestic Product
GNP	Gross National Product
SMEs	Small and Micro enterprises
TRA	Tanzania Revenue Authority
URA	Uganda Revenue Authority
VAT	Value Added Tax

DEFINITION OF KEY TERMS

- Block Management System:** A tax administration reform instrument designed to enhance taxpayer compliance by simplifying the tax process which minimizes the compliance cost and by following up taxpayers closer and delivering services and support from a nearby location (Berhane & Yesuf, 2016).
- Landlord:** A landlord is the owner of a house, apartment, condominium, land, or real estate which is rented or leased to an individual or business (Karanja, 2016).
- Tax Avoidance:** According to Yitzhaki (2015), tax avoidance is about getting round the law to reduce a tax liability to the tax collectors.
- Tax Administration:** Management, conduct, direction and supervision of the execution and application of Government, country or state's taxation laws and related statutes (Wawire, 2015).
- Tax Compliance:** The word compliance is used to refer to registration with KRA as taxpayer, keeping of business records, filing of self-assessment returns and payment of taxes when they are due (Gale & Samwick, 2015).
- Tax Evasion:** This often entails taxpayers intentional misrepresenting the true state of their affairs to the tax authorities in order to lower their tax liability and includes dishonest tax reporting (Cobham, 2015).

Tax Enforcement:

System by which Authorities act in an organized manner to enforce taxation laws by punishing tax payers who violate the rules and norms regarding taxation (OECD, 2016)

ABSTRACT

Block management system is a tax administration reform instrument designed to enhance taxpayer compliance by simplifying the tax process which minimizes the compliance cost and by following up taxpayers closer and delivering services and support from a nearby location. The purpose of the BMS is to identify and facilitate easy registration of new taxpayers and facilitate the close monitoring of taxpayers' activities and their movements. This study sought to investigate the effect of block management systems on rental income tax performance by Kenya Revenue Authority Mombasa. The specific objectives were; tax administration, tax enforcement and tax education. The study was anchored on three theories; Fischer Tax Compliance Model, Optimum Income Tax Theory and Economic based theory. The target population comprised of 137 respondents from Mombasa regional office. The study employed descriptive research design. Stratified random sampling technique was used to select the sample size of 110. A pilot study was undertaken on 10 of the respondents to test the reliability and validity of the questionnaire. Primary data was collected using questionnaires which were closed ended. Quantitative data was analyzed using SPSS version 25. Descriptive analysis measures such as frequency, percentage, mean and standard deviation was used in data interpretation. Regression analysis was used to examine the effects of the independent variables; tax administration, tax enforcement, tax education and rental income tax performance (the dependent variable). The R^2 analysis was used to measure the goodness of fit of the model being assessed. Correlation analysis was used to determine the strength of relationship between the variables. The study found out that there was a positive and significant relationship between tax administration and rental income tax performance. Further, the results revealed that there was a positive and significant relationship between tax enforcement and rental income tax performance. Lastly, there was a positive and significant relationship between tax education and rental income tax performance. Based on the findings, the study concluded that tax administration, tax enforcement and tax education have a positive and significant effect on rental income tax performance. The study recommends that emphasis should be on tax administration to broaden the tax base so that existing tax rates can be reduced without affecting government revenues. Further, there is need for a well-functioning tax enforcement system to increase tax compliance, tax audits and tax assessment. Lastly, to enhance rental income tax performance there is need to intensify taxpayer education in terms of increasing the number of sessions and broadening coverage to include tax consultants. This will enlighten the taxpayers on existing law and any other tax liability. The research findings were expected to benefit, property owners/landlords, researchers and academicians, KRA as well as other government collection agents.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Block management system is a tax administration reform instrument designed to enhance taxpayer compliance by simplifying the tax process which minimizes the compliance cost and by following up taxpayers closer and delivering services and support from a nearby location (Osebe, 2016). According to Thananga, Wanyoike & Wagoki (2015), the BMS helps to meet taxpayers' requirements promptly and enhances the expansion of the tax base both quantitatively and qualitatively. It facilitates the setting of collection targets, especially with respect to small taxpayers or individual taxpayers in the block. The BMS helps to combat tax evasion emanating from under-declaration of business transactions and provides a feasible way of touching base with the informal sector through simplified field visits. It enhances tax compliance through permanent visits to business premises which also enables dissemination of taxpayer education and prompt delivery of services (Coolidge, 2016).

In Tanzania, the implementation of a Block Management System (BMS) which “focuses on the physical identification and mapping of taxpayers,” resulted in TRA registering an additional 13,300 new taxpayers in 2007/08 (TRA, 2018). Tanzania took this approach, as part of a broader set of reforms targeted at micro and small firms since 2002, and introduced a Block Management System (BMS) aimed at promoting compliance and registering all eligible traders within particular geographic areas.¹⁹ The BMS is set up so that main market areas are mapped and divided into small and manageable blocks on the basis of logical geographic boundaries. A BMS team with the mandate to perform all relevant tax functions (identification, registration, assessment, and accounting) move block by block in order to identify, register, educate, and interact with taxpayers, particularly those within the informal economy. According to Coolidge (2016), each block is set a target for registration and revenue collection, with presumptive taxes being used for assessment purposes. The BMS system attempts to use scarce administrative

resources in a targeted fashion by rotation. Existing evidence suggests that the BMS has resulted in increasing the number of businesses registering with the tax administration. While the initiative came as part of the tax authority's efforts to broaden the tax base, part of the push was from formal firms who were being undercut by informal sector businesses. Whether increased revenue collection was accompanied by greater bargaining for services or became largely coercive remains to be assessed (Fajnzylber, 2019a).

There is an ongoing initiative to widen the tax base by establishing the Small and Medium Taxpayers Office (SMTO) and embarking on implementation of the block management system (BMS) to facilitate —the registration of more taxpayers through education, close monitoring and audit from their proximity (Kiregu, 2019). In 2017, Rwanda Revenue Authority (RRA) reports that the SMTO had registered 9,662 taxpayers, undertook 455 audits (compared to 480 planned audits) and raised Rwf 3.2 billion (about US\$ 5.4 million) in tax revenues. However, the average compliance rate in SMTO for returns filing during 2008 was about 49%. Filing compliance for SMTO remains below the average and requires more efforts (RRA, 2018).

The Block Management System (BMS) emerged from the so-called “physical surveys”, where tax authority personnel went out whenever personnel and money was available. This system was neither cost effective nor did it enhance compliance. The BMS is not periodic, but permanent and continuous and is therefore easier to integrate into KRA's operations. The ongoing major initiative to widen the tax base by establishing and embarking on implementation of the block management system (BMS) to facilitate the registration of more taxpayers through education, close monitoring and audit from their proximity (Karingi & Wanjala, 2015). In 2017, KRA reports that the average compliance rate in for rental income returns filing during 2017 was about 49%. Filing compliance by property owners remains below the average and requires more efforts (KRA, 2017).

The Kenya Revenue Authority is conducting a countrywide crackdown on landlords who will have failed to file returns by today's deadline. It has sent tax compliance notices to more than 60,000 landlords across the country. Landlords who do not file their

returns in time could eventually lose a significant amount of their rental income should the tax collector decide to use all the weapons in its arsenal to enforce compliance. In Nairobi alone, the KRA has deployed 300 officers to gather information on landlords through the block management system, a move geared towards obtaining as much information as possible on the landlords' tax obligations (Bello & Danjuma, 2015).

From third-party information available at public institutions, KRA has particulars of all owners of rental buildings. However, KRA is undertaking an exercise to physically identify where all these properties are located so as to gather more actual information on the owners, number of units or rooms, rent charged per unit and estimated tax per property. At the moment, the KRA has 20,200 landlords in its database and expects to recruit 5,000 more this tax season. Frequent visit by tax officers to collect business information increase voluntary compliance. KRA (2016) stipulated that frequent visits made to taxpayers to collect business information which is known as block management system impact taxpayers' compliance. The block management system simplifies the collection task of necessary business information for tax purposes from the taxpayers. Under the system, revenue officers are given tasks of visiting taxpayers in their respective areas at least once for every three months. The aim of the visit is to find out client's general business information, identify non-filers, identify unregistered clients, and make sure that business tax information is up-to-date. This increases the understanding of taxpayers on tax issues that can enable them to comply voluntarily with the tax system (Bello & Danjuma, 2015).

Although the real estate sector in Kenya has continued to grow, the revenue that KRA had been collecting was not equal to that growth, as a result the KRA launched an aggressive tax compliance campaign in July 2012 increasing revenues – “block management.” However, the following challenges were experienced: huge back taxes, poor record keeping particularly on expenses and informal practices and a complex tax system (Mengere, 2015). In 2015, KRA sought to encourage 20,000 building owners to join the tax net with an aim of collecting at least Kshs 3 Bn. The block management system was intended to create a database through agents who collect data relating to buildings and their owners. Agents include: property management companies who

collect rent on behalf of landlords, government ministries, departments and agencies that pay rent to act as withholding agents for rental income, Independent entities who collect data (Karingi & Wanjala, 2015).

1.2 Statement of the Problem

Tax compliance is growing international concerns for tax authorities and public policy makers as tax evasion seriously threatens the capacity of government to raise public revenue. Block management system is one of the tax administration reform tools designed in a manner where each block is mandated to operate all the key tax administration functions of registering, assessing, collecting and accounting for revenue collected (Aidt, 2016; Hoelzl & Wahl, 2018). Most landlords avoid the outright non-compliance where they do not submit returns or pay taxes at all instead they have irregular payment and tax reduction. These findings concur with the study conducted by KRA, KIPPRA and the Treasury, based on 2013/2014 data revealed that rental income compliance was as low as 55% while return lodgment compliance was 65% (Karingi & Wanjala, 2015).

According to Wagacha (2017), various difficulties witnessed like poor administration, failure to collect adequate tax revenues, structures in taxation system where tax horizontal and vertical equity considerations are not cohesive, government and economic instability. Kenya, like most other developing countries, express challenges in collecting revenue (most from rental income) to the level required for the advancement of economic growth. Evidence suggests that lack of appropriate tax policy, low compliance and poor tax administration are linked to high levels of tax evasion and avoidance reported in developing countries (GFI, 2017). KRA (2017) revealed that less than 40 per cent of the landlords and developers had complied with tax requirements, and government went in to reinforce the rental income tax provisions.

Despite the fact that there are many studies related to tax compliance for developed country, there is little or no empirical verification on the subject of the effect of block management systems on rental income tax performance by Kenya Revenue Authority, Mombasa. There is paucity of study on effect of block management systems for developing countries especially for Kenya. Some related studies, in particular (Djankov,

McLiesh & Schleifer, 2016; Tanzi & Zee, 2015; Gerxhani, 2017) have investigated the relationship between perception, tax audit and tax evasion; and also discussed about ethics on tax evasion among landlords in Kenya. Little is known on the research regarding the effect of block management systems on rental income tax performance by Kenya Revenue Authority Mombasa. It is in this view that this study sought to investigate the effect of block management systems on rental income tax performance by Kenya Revenue Authority, Mombasa.

1.3 Objectives of the Study

This study was guided by the general and specific objectives.

1.3.1 General Objective

To investigate the effect of block management systems on rental income tax performance by Kenya Revenue Authority, Mombasa.

3.2 Specific Objectives

- i. To examine the effect of tax administration on rental income tax performance by Kenya Revenue Authority, Mombasa.
- ii. To analyze the effect of tax enforcement on rental income tax performance by Kenya Revenue Authority, Mombasa.
- iii. To investigate the effect of tax education on rental income tax performance by Kenya Revenue Authority, Mombasa.

1.4 Research Questions

- i. What is the effect of tax administration on rental income tax performance by Kenya Revenue Authority, Mombasa?
- ii. What is the effect of tax enforcement on rental income tax performance by Kenya Revenue Authority, Mombasa?
- iii. What is the effect of tax education on rental income tax performance by Kenya Revenue Authority, Mombasa?

1.5 Significance of the Study

The importance of this study is to the following:

The study will aid in policy making by the government which can improve compliance levels of tax payment by the Kenyan property owners. This will help the government raise more domestic revenue from tax collection which will be used in realizing the government goals in Vision 2030.

Landlords will understand the critical role of voluntarily tax compliance as an engine to economic development and reduce noncompliance costs. This in return is going to improve the performance of the government and they will enjoy the low cost of doing business due to improved services by the government.

This study gives an insight to KRA to understand the challenges the property owners face in their quest to meet their tax obligation. This study will help KRA to come up with policies and regulations that will enhance voluntary tax compliance on rental income among taxpayers not only in Mombasa but all over the country.

The study will add to the body of knowledge to both researchers and academicians who pursue to discover or examine the factors affecting compliance on rental income tax policy by landlords in Mombasa. It will lay the basis of other studies to be carried on the same topic.

1.6 Scope of the study

The interest of this target population was driven by the fact that KRA requires very highly skilled workers to deliver on their respective mandates as well as vision 2030. The target population comprised of workers from Risk Management and Internal Audit Department, Ethics and Internal Audit Department, Information Communication Technology Department, Finance Department, Administration and Logistics Department, Research and Corporate Planning Department, Human Resource Department, Compliance, Risk and Quality Management Department and Kenya school of Revenue Administration. The categories of staff that were selected for the study included; risk managers, internal audit officers, and information communication

technology officers, finance officers, administrative officers, logistic officers, compliance & quality managers, and corporate tax managers.

1.7 Limitations of the Study

The respondents were reluctant in giving information fearing that the information sought would be used to intimidate them or print a negative image about them or institution. The researcher handled the problem by carrying an introduction letter from KESRA and assured them that the information they gave would be treated confidentially and it would be used purely for academic purposes. In addition, the findings of this study were limited to the extent to which the respondents were willing to provide accurate and reliable information. The researcher checked for consistency and tested the reliability of the data collected which made the study a success.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Under this chapter the study reviewed literature of past studies on taxation in relation to rental income tax performance. Literature was reviewed under the following subheadings; tax administration, tax enforcement and tax education. The chapter also consisted of theoretical framework and conceptual framework.

2.2 Theoretical Framework

Theoretical framework guides research in determining what variables to measure and what statistical relationships to look for in to understand the variables of the study and; provides a general framework for data the context of the problems under study (Bryman & Bell, 2015). The study was anchored on three theories; Fischer Tax Compliance Model, Optimum Income Tax Theory and Economic Based Theory.

2.2.1 Economic Based Theory

According to Gale and Samwick (2015), economic based theory was postulated by the works of Becker in 1968 and has evolved over a period of years with different researchers looking at different variables and challenging the findings made by the predecessor. According to the Becker he viewed economic theory in terms of economic theory in relation to crime. This stipulates that individuals are driven by purely self-interest. Economic or deterrence theory means that there are factors that prevent individuals from achieving full compliance levels due to some harboring factors such as the cost benefit effect of the same. The works of Becker were challenged by the works of Allingham and Sandmo in 1972 which stated that taxpayers usually want to maximize their gains. The economic also known as deterrence theory place emphasis on rewards and incentives obtained from the process (Yitzhaki, 2015). According to Gerxhani (2017), economic based theory basically places emphasis on economic factors such as costs incurred, the probability of detection and punishment that an individual may get due to failure to comply with some regulations. Most landlords try to incur less costs and in cases where there are detected and or the fine they can pay when detected is less, they

tend to overlook the compliance aspect (Ghura, 2018). According to Osofsky (2015), taxpayers normally adjust their returns when filing to suit them. Therefore, the best way to prevent deterrence is by increasing fines and penalties once a taxpayer has been identified for the acts of omission and or commission.

According to Slemrod (2015), the taxpayer's attitude and behavioral aspects towards risk whether risk averse or risk taker influences the level of compliance in that risk aversion decreased with increase in the level of income. Thus due to the varying opinions on what actually should be done to improve compliance level within the small scale traders, this study would be useful in further determining what actually can deal with the gaps in the various theories and increase the knowledge gap.

The theory links to the current study in that despite there being the knowledge of penalties and fines and the taxpayer's attitude towards risk, and the compliance level of the landlords. This is because most of the persons in this group are not in the tax bracket. The knowledge of how the fines and penalties affect their compliance level would actually be important in understanding their compliance level (Karanja, 2016; Slemrod, 2015). Other studies suggested a system comprising of both the punitive and persuasive measures may counter the problem of deterrence and therefore improve compliance level (Fajnzylber et al., 2019a).

This theory is relevant to the tax enforcement independent variable of this study because it clarifies the punitive and persuasive measures that may be used by KRA to counter the problem of deterrence and therefore improve compliance level. Most landlords basically place emphasis on economic factors such as costs incurred, the probability of detection and punishment that one may get due to failure to comply with some regulations.

2.2.2 Fischer Tax Compliance Model

According to Devos (2015), tax compliance determinants based on Fischer model have been an important subject of research in developed countries over the past couple of years. Fischer tax compliance model provides a framework for understanding the influence of socio economic and psychological components on taxpayers' compliance decision. These factors are categorized by Fischer and associates into 4 groups in his

expanded model (Fischer Model). Demographic with parameters of age, gender and education, Noncompliance opportunity for example income level, income source and occupation, Attitudes and perceptions for instance fairness of the tax system and peer influence and Tax system/structure with examples of complexity of the tax system, probability of detection and penalties and tax rates.

Thus Fishers' Model of tax compliance incorporates economic, sociological and psychological factors into a comprehensive one. In Kenya Revenue Authority, revenue collection is managed by two Revenue departments, that is, Customs services and Domestic Taxes. According to Fishers' model of tax compliance, tax revenue has been suffering some setbacks despite the fact that the registered taxpayers' population has grown substantially in the last ten years as well as the evident economic growth that the country has experienced in the recent past. Most of the tax administrations are organized along functional lines (Attila, 2018).

The theory therefore lays emphasis on changing individual/tax payers' attitudes towards tax compliance by facilitating tax education to change the attitude of rental income tax payers. Fischer Tax Compliance Model is relevant to tax education variables because the theory suggests that Kenyan rental income taxpayers would comply better when the reforms are favorable. According to this theory, property owners are under the influence of definite factors, originate from certain reasons and emerge in a planned way. The ability to perform a particular behavior depends on the fact that the individual has a purpose towards that behavior.

2.2.3 Optimum Income Tax Theory

According to Yitzhaki (2015), the optimum income taxation theory was pioneered by Mirrlees in 1971 though in the recent past there are a number of theorists who have examined it including. The theory postulates that in any economic system where equality is valued, the assumption is, income taxation would be a vital instrument of policy. It is further stated that the redistributive progressive taxation is often linked to a man's income. According to Ross (2017), population's economic performance ceases to be desirable for the tax system. The foregoing observation leads to a number of queries regarding the kind of principles that are supposed to govern optimum income tax, the

nature of the tax schedule, and the degree of inequality upon the establishment of the tax schedule.

Recent advances in optimal tax theory have made the theory far much easier to apply and could possibly facilitate to explain some of the current trends in international tax policy (Slemrod, 2015). According to Mauro (2016), the classical political economists came up with a normative analysis of tax policy which tended to follow a principles oriented approach where it was stated that a good tax system ought to satisfy certain desirable criteria. According to this theory, tax system should be productive, computable, popular, equal, frugal, divisible, and incorruptible. It is exemplified that in the event that the social welfare issues implied by the current tax system are not monotonically decreasing with the taxpayer's level of income, it would presumably be difficult to defend such a system and as such reforming the system would be considered.

This theory is relevant to tax administration (independent variable) and the dependent variable (rental income tax performance) of this study because it clarifies the necessity of reforming effective and efficient systems with a view of maximizing tax performance on the rental income tax.

2.3 Conceptual framework

Conceptual framework is a written or visual presentation that explains either graphically, or in narrative form, the main things to be studied, it indicates the key factors, concepts or variables and the presumed relationship among them (Kothari, 2014). A conceptual framework consists of independent variables that cause changes in the dependent variable. The conceptual framework is shown in Figure 2.1.

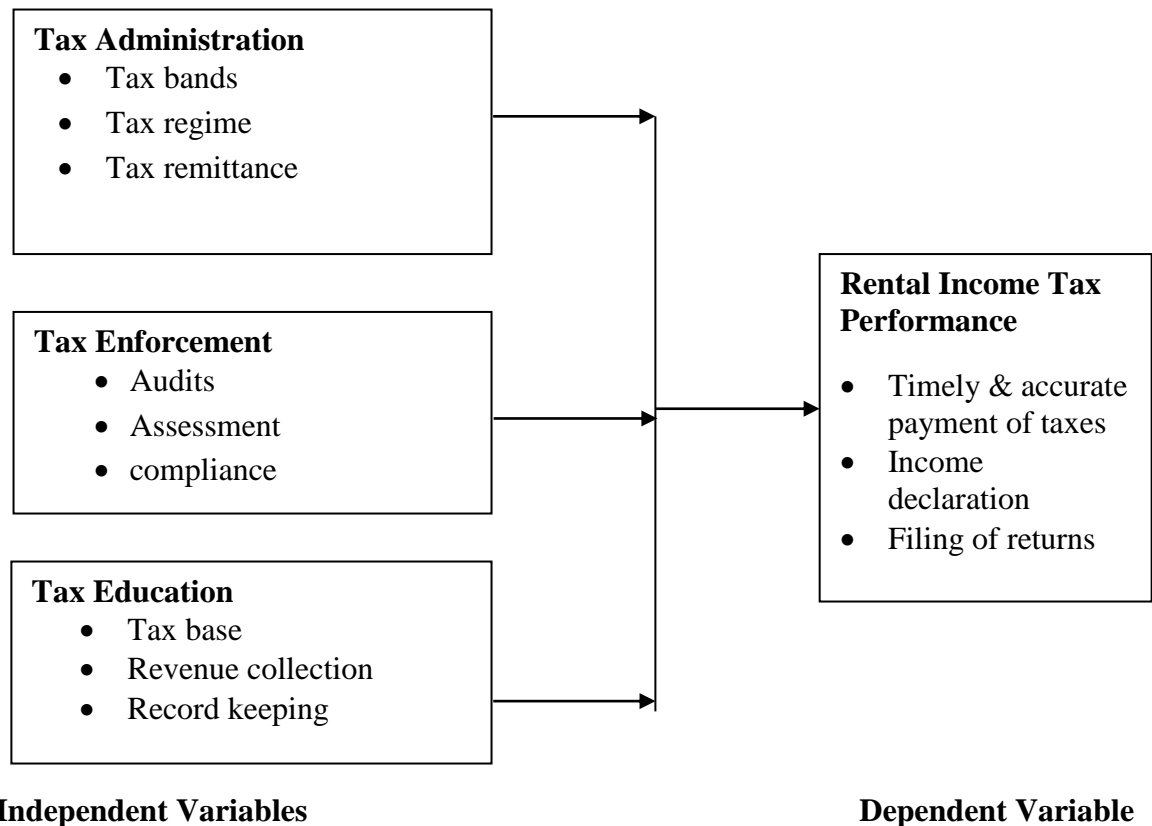


Figure 2.1: Conceptual Framework

2.4 Review of Literature on Variables

2.4.1 Tax Administration

The emphasis that has been placed on increasing tax revenue through improvements in tax administration is itself a tax policy and to dress it up as anything else will distort the options available to the Kenyan government. This is because in an economy as strapped for cash as the Kenyan economy the financial resources, time and energy that have been spent on the KRA represent a significant and real opportunity cost to the Kenyan government (KRA 2016). These are resources that could have been spent elsewhere but have not been as a direct result of the focus on tax administration. What is more, the KRA and the Kenyan government are being tempted into considering the expenditure of vast sums on further improvements to the KRA's capacity (Kimuyu, Wagacha & Abagi, 2019). The use of information technology in support of tax administration has boosted

the tax administration in countries such as Spain, Mexico, Canada, Singapore and New Zealand (Gale & Samwick, 2015).

KRA has come up with effective systems and administration measures that have enhanced protection of revenue collection, efficient and effective provision of services to public and taxpayers. The system has on-line services such as; electronic transactions, enquiries and electronic applications for KRA processes. The revised administrative and systems has components such as Taxpayer Register (TRE), Tax Returns Processing (TRP), Banks Collection (BCL), Taxpayer Services (TPS), External Information Management (EIM), Data Base Management (DBM), Taxpayer Account (TCA), Payment Plans Processing and Control (PPP) and Tax Credits and Refunds (TCR). All these have contributed greatly to the tax collections growth, (KRA, 2016).

Given that direct taxation is unlikely to be able to make up the lost revenue, the Kenyan government is likely to turn to VAT. Although there are problems with expanding VAT as discussed above, VAT collection is far straighter forward than direct taxation (Waithira, 2015). However, an increase in the rate of VAT will increase incentives for companies to stay in the informal sector and ‘dodge’ the tax. This may damage tax compliance and constrain attempts to expand the tax base. Furthermore, VAT hurts those who consume a higher proportion of their income (to the extent that standard consumption goods such as basic foodstuffs are in the formal sector) and is therefore damaging to the standards of living of the poorest members of society (Kimuyu, et al., 2019).

The resources that have so far been spent on increasing capacity have not resulted in significant increases in tax revenue, and what needs to be proved before more is spent is that such increases exist to be realized. There is nothing wrong with having closing the taxation gap as a long term plan but what is dubious is the idea that there is scope for realizing serious gains in revenue from income tax by closing the taxation gap in the short-term (Karingi & Wanjala, 2015). What seems more likely is that there is little scope for gains in this area for a number of reasons, most importantly the widespread levels of poverty which are increasing year on year and the elusive nature of the informal economy. In other words, the supposed taxation gap which the KRA is hell

bent on closing may in reality be a mirage that, as the KRA perceives itself to be getting closer to closing it, will simply slip further away (Kimuyi et al., 2019).

2.4.2 Tax Enforcement

To spur tax compliance, two opposite set of tax enforcement approaches are used: the coercive and persuasive approaches (Djankov, McLiesh & Schleifer, 2016). The coercive approach advocates hard actions and the persuasive approach advocates collaborative working with the taxpayers. Little attention has been paid to understand the combined effects of these conflicting approaches. Spurring tax compliance is a commonly experienced challenge for tax authorities in developed and developing countries (Ross, 2017). In response to this challenge, which largely depends on taxpayer's type and size, tax authorities have innovated diverse compliance approaches and techniques. Approaches used to address small and large business tax compliances differ due to the risks they impose and the revenues they provide to the tax system, (TRA, 2018).

Large corporate taxpayers (also referred to as large taxpayers) provide the majority of tax revenues to the tax system and play an instrumental role to its revenue imperatives. Large taxpayers are different from other taxpayers not only for the huge tax revenues they provide, but also for the risks and complexities they exert to the tax system. Tax authorities across the world have created Large Taxpayer Office (LTO) to secure tax compliance of the large taxpayers by employing an approach that tends to rely more on the persuasive than the coercive instruments (Wagacha, 2017)

Tax audit exert only a modest positive effect on tax compliance. Another important factor affecting tax compliance is the relationship between tax compliance and the severity of sanctions. The idea is that fear of penalties prohibits tax noncompliance behavior. Establishing an effective system to penalize tax evaders is an important measure to encourage tax compliance (Ross, 2017). Taxpayers will be more likely to comply if noncompliance may result in severe penalties. The persuasive or the collaborative approach views that respectable treatment of the taxpayers with a chance of participation in the taxation process may enhance tax compliance. Coercive instruments enforce obedience to tax obligation by external material, for instance, tax

penalty, whereas persuasive instruments induce compliance by means of psychic influence on the taxpayers, for instance, taxpayer service. An obvious question arising is which set of instruments is more important to the understanding of small and medium tax compliance and why (Tanzi & Zee, 2015).

Ariel (2016) asserted that in the small and medium taxpayer's division the coercive philosophy also called deterrence or stick based approach is common, where taxpayers conform to their tax obligations if they are punished for noncompliance. In general, higher audit probabilities and severe penalties encourage tax compliance. Probability of detection refers to the likelihood that the tax authorities will discover an individual's noncompliance and seek to remedy the evasion. Individuals normally would like to evade their tax liabilities entirely and the only reason they might not do so is that there is some non-zero probability of being caught (Ghura, 2018). Raising the probability of detection will increase tax compliance and tax audit represents one of the effective detective measures used by tax authorities. In fact, tax audits are considered to have both direct deterrent effects on the taxpayers' actually audited and indirect deterrent effect on taxpayers not audited (Gerxhani, 2017).

To assist the government in collecting appropriate tax revenue necessary for budget, maintaining economic and financial order and stability, to ensure that satisfactory returns are submitted by the tax payers, to minimize the degree of tax avoidance and tax evasion, to ensure strict compliance with tax laws by tax payers, to improve the degree of voluntary compliance by tax payers and to ensure that the amount due is collected and remitted to government (Ariel, 2016; Kimuyu, Wagacha & Abagi, 2019). According to Batrancea and Nichita (2016), tax compliance involves two opposite set of tax enforcement approaches namely, coercive and persuasive approaches. The coercive approach advocates hard actions and the persuasive approach advocates collaborative working with the taxpayers. Little attention has been paid to understand the combined effects of these conflicting approaches. Spurring tax compliance is a commonly experienced challenge for tax authorities in developed and developing countries (Djankov et al., 2016; Batrancea & Nichita, 2016).

In response to this challenge, which largely depends on taxpayer's type and size, tax authorities have innovated diverse compliance approaches and techniques. Approaches used to address small and large business tax compliances differ due to the risks they impose and the revenues they provide to the tax system (Fisman & Svensson, 2018). Large corporate taxpayers (also referred to as large taxpayers) provide the majority of tax revenues to the tax system and play an instrumental role to its revenue imperatives. Large taxpayers are different from other taxpayers not only for the huge tax revenues they provide, but also for the risks and complexities they exert to the tax system. Tax authorities across the world have created Large Taxpayer Office (LTO) to secure tax compliance of the large taxpayers by employing an approach that tends to rely more on the persuasive than the coercive instruments, (Djankov et al., 2016; Berhane & Yesuf, 2016).

2.4.3 Tax Education

Taxpayer education has provided a comprehensive awareness and information that has promoted partnership and voluntary compliance and further maximized revenue collection for national growth and development as well as broadening the tax base. For instance, as at midnight of Tuesday (30th June) 2015, the KRA's, taxpayer recruitment drive, anchored on online tax filings, had managed to register approximately two (2) million iTax users heralding a new dawn in the use of information technology systems for tax administration, this has broadened the tax base and increased the revenue generated (Kimuyu et al., 2019). Greater education potentially increases compliance; as educated taxpayers are more aware of their responsibility as well as the sanctions to be imposed if they were not compliant with tax laws. Education levels become more important in increasing tax compliance across countries. One of the measures to increase voluntary compliance is by assuring that taxpayers have a certain level of qualifications, ability and confidence to exercise their tax responsibility (Mohani, 2015; Brockington, 2018; Berhane, & Yesuf, 2016).

Mengere (2015) sought to review research about Kenya's individual tax compliance. While empirical research in this jurisdiction is still in its infancy, the scale of the problem might be under estimated, or at least over looked. The effectiveness of media

campaigns in the TV, use of tax information magazines, business customers/prospects and national newspapers will enhance awareness, tax filing, and ultimately tax morale among the tax payers. Clear scope of work- Periods and records to be covered have been clearly defined under tax laws which are advertised under print media channels, Returning of confiscated tax payers records. Abroad campaign to publicize tax and sensitize tax payers need to be carried out. This includes activities such as regular radio programs, banners, permanent signs, ward meeting, street theatre, announcements at local church, mosque or football match, town-crier, vehicle signs, posters, newspapers, and business promotion. More so, the revenue authority can employ focused education on specific areas of tax generation as in case by KRA who has focused on education on rental income and the importance of compliance (KRA, 2017).

As for the case of Rwanda, the main responsibility of the Taxpayer Services Department is to foster mutually beneficial relationships with external stakeholders through a variety of taxpayer services including customer education and Public Relations. The Department disseminates legal and technical tax information in a simplified way for everyone to understand, so as to promote voluntary compliance. Some of the methods used to deliver these services include tax clinics tailored to meet the specific needs of customers, participation in public events such as shows and exhibitions, and the annual Taxpayers Day (Oladipupo & Obazee, 2016).

Sensitization need to be done to encourage tax payer on voluntary compliance to tax payment. Tax education need to be part and parcel of KRA. New products and upgrading of the systems is important and aim to achieve the optimal objective for tax compliance but without communication all these will be drawbacks to the tax institution (Li, Xu, & Zou, 2016). According to KRA (2017), the property developers in Kenya and Nairobi in particular has rapidly been growing for the past five years. Estates, apartments and office block for either sale or rent has surged but there has been no reflection in tax revenue. The rental sector according to KRA (2017) is notoriously difficult to taxation especially in developing countries due to most of the construction are informal, limited registration and rental payment is basically in cash. It for this reason that the KRA opt to focus some of its resources in educating and sensitization the

taxpayers with the main focus on the landlords. Facilitating taxpayers through automation, education and sensitization, continuous auditing of the system is being done to boost the level of tax compliance among the taxpayers on rental income in Kenya. ICT Excellence, voluntary disclosure of income encourages taxpayers to voluntarily comply with tax authority (Mauro, 2016).

Tax knowledge is an understanding of essential tax concepts within a country. It is important in determination of the correct tax liability in the era of self-assessment and according to KRA policy which is aimed at Trust and facilitation whereby it is expected that the taxpayer is aware and educated on the tax rules and regulations (Fauziati, Minovia, Muslim & Nasrah, 2016). Osofsky (2015) established that the SMEs in developed countries do not comply to the tax laws and noted that introductory classes be introduced at the basic learning levels.

Oladipupo and Obazee (2016) states that absence of tax knowledge may lead to tax noncompliance. Nyamwananza, Mavhiki, Mapetere and Nyamwanza (2016) stated that tax awareness is not the only contributor of tax noncompliance. Tax awareness is the knowledge of which is required to be able to fulfill the various obligation by an individual whereas education involves impacting the know how to an individual with a view of producing a positive result. Tax awareness involves the knowledge recognition respect and obedience towards applicable laws and regulation in relation to taxation (Li et al., 2016). Increasing awareness through and education and other modes of facilitation impacts either way in that it may increase tax compliance or might not have any change. Tax awareness is an interterm in that the two goes hand in hand through education and facilitation the tax knowledge and awareness for mutual benefits of the government and public and may improve the way the taxpayers view the tax laws and their implementation (Nyamwananza et al., 2014; Yitzhaki, 2015).

2.4.4 Rental Income Tax Performance

Rental income tax performance relies not only on the enforcement effort but also on the inherent factors that exist between individual and government (Oladipupo & Obazee, 2016). According to Mohani (2015), the level of enforcement also determines the level of rental income tax performance, for example, in South Africa, tax evasion or deliberate

non-compliance of rental income tax payment is considered as a severe crime whereas in Botswana, the attitude of the tax authority appears to be accommodating, example being the general tax amnesty conducted in 1999. Kenya has also been accommodating when it comes to the issue of tax compliance with amnesty given on various occasion, example, amnesty has been given on land rates and rental income to defaulters in a move to encourage them to voluntary comply with tax payment, In South Africa, this has never happened (Gurawa & Mansor, 2015).

Comparing tax morale in Botswana and Kenya is definitely usual. Though geographic difference, the social histories of Kenya and Botswana could be similar, having obtained independence nearly at the same time, political history of Botswana's is practically exceptional among African countries. Even though it was a British colony and gained independence in 1966, it is one of the oldest Africa's multiparty democracies and it has progressively made the evolution to self-governance. In this scenario, the government of Botswana sends out a clear message to its citizens that the government is working for you hence this make paying taxes as part of this social contract (Attila, 2018).

Kenya has had a part of her share with numerous scandals involving the political leaders. Subsequently, the respect of citizens for the government and the institutions that are not able to effectively govern their revenue is low and this makes the level of tax compliance very low. The ability of the government to commendably articulate and implement comprehensive policies on the effective utilization of the revenue encourages taxpayers to voluntary comply with tax payment (Becker, 2018; Kimuyu et al., 2019). The views of most of Kenyan taxpayers are that politicians are corrupt and they misuse the public resources. The alleged corruption of Kenyan political bodies is contended to affect the voluntary and willingness of taxpayers to comply with the tax payment. If taxpayers were to perceive that their interests are well represented in political institutions and their revenues is put into well utilization, voluntary tax compliance will increase. Whereas, the government where corruption is widespread, the citizens lack trust in the authority and thus low compliance level (Batrancea & Nichita, 2016).

2.5 Empirical Literature Review

Wawire (2015) did a study on the tax buoyancy and income-elasticity of Kenya's tax system. Tax revenues from various sources were regressed on their tax bases. The study concluded that the tax system had failed to raise necessary revenues. However, the shortcomings of the study were that it never considered other important determinants of tax revenue, for instance the unusual circumstances that could have affected tax. It also never disregarded tax revenue data by source hence it was difficult to say which tax bases contributed more to the exchequer. Finally, it never considered the time series properties of the data used.

Waithira (2015) investigated the determinants of residential rental income tax adoption by property owners in Thika Town. The findings of the study found a significant positive relationship between tax rate, tax knowledge and residential rental income tax compliance and an insignificant positive relationship between attitude and perception and residential rental income tax compliance. The study also found an insignificant negative effect between income levels, fines and penalties and residential rental income tax compliance by property owners. The study concluded that tax rate, tax knowledge, attitude and perception positively influence residential rental income tax compliance while income levels, fines and penalties negatively influence residential rental income tax compliance by property owners.

Berhane and Yesuf (2016) assessed the challenges and opportunities of house rental income business tax in Regional state of Tigray in Ethiopia. The study collected data via a survey questionnaire. The study findings established that there exists inefficiency and insufficient number of business house rent tax assessment and collection officers in the regional state of Tigray. Moreover, the study found that most taxpayers lack sufficient knowledge of tax assessment and collection procedures. Thus, most of business house rent taxpayers do not know the existing applicable rules and regulations. Further, the study found that due to negligence, delay in tax payment and evasion are taken by taxpayers as solution to escape from payment of proper business house rental income taxes.

Thananga, Wanyoike and Wagoki (2015) carried out a study on how landlords in Nakuru County responded to new taxation measures, and factors which influence compliance. The study used a sample of 94 respondents and questionnaires for data collection. The findings of the study revealed that compliance level to provisions of rental income tax policy by landlords was very low and non-compliance was due to expenses overstatement and deductions which would in turn reduce taxable pay.

Karanja (2016) examined factors affecting voluntarily tax compliance in Kenya by landlords in Nairobi County. The study adopted a descriptive research design and a sample of 45 respondents was selected and questionnaire used for data collection. The findings of the study established that attitude and perception that politicians misuse taxes, financial and family obligation had strong positive responses. The study findings also revealed that social norms and respondent's income levels strongly influenced tax noncompliance level among the Kenyan taxpayers on rental income. The study concluded that attitude factors, high tax rate, unfair tax system, social norms, gender and education level factors are significant and play a great role towards the compliance or noncompliance of Kenyan taxpayers.

2.6 Critique of Existing Literature

Waithira (2015) investigated the determinants of residential rental income tax adoption by property owners in Thika Town. The study also found that attitude and perception towards the tax authority influences compliance of residential rental income tax by property owners. The study failed to recommend that the tax authority in Kenya (KRA) need to be involved to develop effective policies to develop a positive relationship and trust with taxpayers since this would encourage tax compliance.

Wawire (2015) estimated the tax buoyancy and income-elasticity of Kenya's tax system. Tax revenues from various sources were regressed on their tax bases. The study concluded that the tax system had failed to raise necessary revenues. However, the shortcomings of the study were that it never considered other important determinants of tax revenue, for instance the unusual circumstances that could have affected tax revenue productivity. It also never disintegrated tax revenue data by source hence it was difficult to say which tax bases contributed more to the exchequer.

Muriithi and Moyi (2015) analyzed the productivity of Kenya's tax structure in the context of the tax reforms focusing on pre and post reform period. In the study, they assessed the buoyancy and elasticity of individual taxes and the overall tax system. Their findings suggested that tax reforms had a positive impact on the overall tax structure and on the individual tax handles, even though the impact of the reforms was not always uniform. The reforms had a bigger impact on direct taxes than on indirect taxes, suggesting that revenue leakage is still a major problem for indirect taxes. Even though the current study adopted model used by Muriithi and Moyi (2015), it differs from their study in some dimension. First, this study used data of since 1963–2010. Second, nominal figures were converted to real figures. Finally, this study considered stationary of a time series data and the data regressed for the whole period of the study which was not applicable in different economic conditions.

2.7 Research Gaps

A number of gaps have not been addressed by the reviewed literature and need to be addressed. First, the standardization of procedures which includes procedural manuals and electronic forms should be made widely available to the tax payers to make the services more transparent as well as reducing discretion of Officials and strengthen accountability and possibilities for control. Secondly, the tax system should be simplified because complex tax system makes it difficult to understand and gives Officials discretionary powers which encourage corruption (Ghura, 2018).

The other variable that needs fast track address is professional standards in tax administration which needs to be put in place starting with professional managers as opposed to politically appointed senior managers. More so staff needs to be recruited and promoted on merit while compensation needs to be sufficient and regular trainings should be adapted to the needs of staff members. In addition, responsibilities should be clearly defined and functions duly separated. Staff rotations schemes should be put in place enhance experience (Karingi & Wanjala, 2015; Osebe, 2016; Waithira, 2015). Finally, there is paucity on studies that tackle effect of block management systems on rental income tax performance. This current study seeks to fill a gap in literature by examining three variables; tax administration, tax enforcement and tax education.

2.8 Summary

This chapter reviewed various theoretical literatures, the empirical literature and conceptual framework that is used in this study. Specifically, it outlines the Fischer Tax Compliance Model, Optimum Income Tax Theory, Theory and Economic Deterrence Model. The empirical literature was done in accordance to the study objectives and the conceptual framework gives a diagrammatical explanation of the variables. Tax administration, tax enforcement and tax education as independent variables and rental income tax performance as a dependent variable.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is defined by Bryman and Bell (2015) as the general approach the researcher takes in carrying out the research project. This chapter covered the methodology and described the research design, the target population sample size, sampling procedure, data collection tools and procedure for data collection and analysis.

3.2 Research Design

The study adopted descriptive research design. This enabled the researcher to deeply analyze the phenomena with a view to generalization about a wider population which will be suitable for finding out the effect of block management systems on rental income tax performance. According to Bryman and Bell (2015), a descriptive research design is flexible and it provides an opportunity to examine all aspects of a problem and it captured all the characteristics of the target population. The major purpose of adopting descriptive design method is that it measures the accuracy of the variables. Descriptive design is further justified because it focuses on complex analysis to bring out the correlation of variables. Descriptive research will be restricted to facts findings and may result in formulation of important principles of knowledge and solutions to significant problems. It's more than collection of data and it involves measures, classification, analysis and interpretation (Kothari, 2014). This design was appropriate because of the purpose of the study, topical scope, researcher involvement, time period over which the data will be collected, nature of data to be collected and the type of analysis to be performed.

3.3 Target Population

According to Cooper and Schindler (2013), population means all elements in a research area of interest. It is the group of individuals or objects from which samples are taken for measurement. Target population is the totality of cases that conform to some designated specifications, which could be people, events or things of interest to the researcher (Vos, Strydom, Fouche & Delport, 2014). According to Creswell (2014), target population is

an entire group of individuals or objects to which researchers are interested in generalizing their conclusions. It also refers to the people events or records that contain the desired information for the study that determine whether a sample or a census should be selected (Kothari, 2014). The target population were the employees of Kenya Revenue Authority in Mombasa regional Office.

The interest of this target population was driven by the fact that KRA requires very highly skilled workers to deliver on their respective mandates as well as vision 2030. The categories of staff that were selected for the study included; risk managers, internal audit officers, and information communication technology officers, finance officers, administrative officers, logistic officers, compliance & quality managers, and corporate tax managers.

Table 3.1: Target Population

Category	Target Population
Risk Managers	5
Internal audit officers	28
ICT officers	22
Finance officers	25
Admin & Logistic officers	18
Compliance & quality officers	22
Corporate tax officers	17
Total	137

Source: KRA Human Resource Department (2019)

3.4 Sampling Frame

The sampling frame describes a list of all population units from which the sample was selected (Cooper & Schindler, 2013). It is a physical representation of the target population and comprises all the units that are potential members of a sample (Kothari, 2014). For the purpose of this study, the sampling frame was sourced from KRA's regional office in Mombasa County. This therefore constituted of all the employees who were in the middle and senior management.

3.5 Sampling Size and Sample Technique

A sample design refers to a plan to be used in obtaining a sample from a population. It is a technique or procedure which a researcher adopts when selecting sample items (Kothari, 2014). The researcher used stratified random sampling because this sampling method is suitable because of ease of assembling the sample and it is also considered as a fair way of selecting a sample from a given population since every member is given equal opportunity of being selected (Creswell, 2014). According to Ghauri and Gronhaug (2018), the bigger the size of the sample, the lower the possible error in taking a broad view of the population. The sample size is the number of sampling units selected from the population for investigation. The researcher used Yamane formula.

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

Where

n= corrected sample size,

N = population size,

and e = Margin of error (MoE),

e = 0.05 based on the research condition.

$$N= 137/(1+137(0.05^2)) = 102$$

Table 3.2: Sample Size

Category	Target Population	Sample Size
Risk Managers	5	4
Internal audit officers	28	21
ICT officers	22	16
Finance officers	25	19
Admin & Logistic officers	18	13
Compliance & quality officers	22	16
Corporate tax officers	17	13
Total	137	102

3.6 Data Collection Instruments

The researcher utilized questionnaires and key informant interviews as the main research tools. The use of questionnaire was considered appropriate since the data was generated from primary source. Structured questionnaire was used to collect data from the sampled landlords. A five point Likert-scale was used in designing closed ended questions where respondents were asked to rate their opinion from two extremes for example “strongly agree and strongly disagree”. In addition, interviews were used to collect data from key informants which acted as a back-up of data from the questionnaire.

3.7 Data Collection Procedure

Vos et al., (2014) define data collection as the precise, systematic gathering of information relevant to the research sub-problems, using methods such as interviews, participant observations, focus group discussion, narratives and case histories. Some questionnaires were self-administered with the help of two research assistants while others were administered via mail. The questionnaires were administered through two methods a drop and pick method and mail survey due to the busy schedules of the respondents.

To enhance the response rate, the study considered the research ethical issues that include confidentiality and anonymity. The researcher explained to the respondents the importance of the study and sought informed permission prior to the research date. The

study assured the respondents of the confidentiality and anonymity of their identities, the respondents were briefed in cases where there were challenging questions and voluntary participation by respondents was enhanced.

3.8 Pilot Study

Pilot test is an activity that assists the research in determining if there are flaws, limitations, or other weaknesses within the data collection instruments. It allows the researcher to make necessary revisions prior to the implementation of the study. According to Kothari and Garg (2014), conducting a pilot involves a few of the target population being given the questionnaires with an intention of pre-testing the questions. According to Tabachnick and Fidell (2015), extant literature suggests that a pilot study should be 10% of the sample projected for the larger parent study. In order to test validity of data collection instruments, the researcher sampled 10 questionnaires. This helped the researcher to test the reliability of questionnaires.

3.8.1 Validity

Validity is the degree to which results obtained for the analysis of the data actually represent the phenomena under study. It indicates how accurate the data obtained in the study represent the variables of the study (Kothari, 2014). The researcher used the most common internal consistency measure known as cronbach alpha (α). It may be mentioned that its value varies from 0 to 1 but, satisfactorily value is required to be more than 0.6 for the scale to be reliable (Creswell, 2014). The recommended value of 0.7 was used as a cut off of reliability.

3.8.2 Reliability

Testing of the reliability of the scale is very important as it shows the extent to which a scale produces consistent results if measurements are made repeatedly. This is done by determining the association in between scores obtained from different administrations of the scale. If the association is high, the scale yields consistent results, thus it is reliable. Cronbach's alpha was used to determine the internal reliability of the questionnaire used in this study. Values ranges between 0 and 1.0; while 1.0 indicates perfect reliability, the value 0.70 is deemed to be the lower level of acceptability (Creswell, 2014).

3.9 Data Processing and Analysis

At the end of each interview the filled questionnaires were cross checked for completeness and any missing entries corrected. The quantitative data collected was then coded, processed and cleaned of any inconsistencies and outliers. The researcher employed the use of the Statistical Package for Social Sciences (SPSS version 25) in the data analysis. Descriptive analysis measures such as frequency, percentage, mean and standard deviation was used in data interpretation. Regression analysis was used to examine the effects of the independent variables; tax administration, tax enforcement, tax education and rental income tax performance (the dependent variable). The R² analysis was used to measure the goodness of fit of the model being assessed.

The following model for the regression model was used to analyze the relationship:

The multiple regression formula is presented as;

$$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + e_i$$

Where:

Y = Rental Income Tax Performance

β_0 = Constant

X_1 = Tax administration

X_2 = Tax enforcement

X_3 = Tax education

e_i = Stochastic term

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

In this chapter, raw data from the questionnaires was analyzed and interpreted. Various tests were used to test the relationship between variables, level of significance, reliability and random distribution of data. Specifically, the following were used, Cronbach's alpha test, descriptive statistics test, Pearson Bivariate correlation and Regression analysis. The independent variables of the study were tax administration, tax enforcement and tax education and how they affected the dependent variable which was the rental income tax performance by Kenya Revenue Authority, Mombasa.

4.2 Response Rate

The study targeted 102 respondents in investigating the effect of block management systems on rental income tax performance by Kenya Revenue Authority, Mombasa of which 92 respondents responded making a response rate of 90.1% as summarized in table 4.1. This response rate was appropriate since Kothari (2014) argued that 50% response rate is adequate, 60% good and above 70% rated as appropriate for analysis.

Table 4.1: Response Rate

Response	Frequency	Percentage %
Responses	92	90.1%
Non responses	10	9.8%
Total	102	100

The recorded high response rate as shown in Table 4.1 was attributed to the data collection procedures, where the researcher pre-notified the potential participants of the intended survey, utilized a self-administered questionnaire where the respondents completed and immediately after, they were picked. Follow up calls were also made to clarify queries in the questionnaires.

4.3 Pilot Results

4.3.1 Reliability analysis

The Cronbach's alpha approach is effective in determining the reliability of the questionnaire. The researcher utilized this approach in the mock survey where sample questionnaires were issued to a group of respondents. The main areas of concern were language and question clarity, and suitability. The Cronbach's alpha was employed in measuring the internal consistency or reliability of the questionnaires. The study conducted a pretest to test the reliability of the research instrument. Table 4.2 shows the results.

Table 4.2: Reliability Test

Scale	Cronbach's Alpha	Number of Items	Remarks
Tax Administration	.841	5	Accepted
Tax Enforcement	.820	5	Accepted
Tax Education	.843	5	Accepted
Rental Income Tax Performance	.829	5	Accepted

From the pretest, all the alpha values were more than 0.7 as indicated in Table 4.2. Tax administration had an alpha value of 0.841, Tax enforcement had Cronbach's alpha value of 0.820, tax education had an alpha value of 0.843 and rental income tax performance had a Cronbach's alpha value of 0.829. Accordingly, all the Cronbach alpha values were found to be above 0.7 for all the variables and therefore the construct was found to be acceptable. Based on results in table 4.2 it is clear that the research instrument was reliable with Cronbach's alpha value of above 0.7. These results correlate with Oladipupo & Obazee (2016) argument that coefficient of 0.6 to 0.7 is a commonly accepted rule of thumb that indicates acceptable reliability and 0.8 or higher indicated good reliability.

4.3.2 Validity

Validity refers to the extent at which generated results reflect a true reality. The questionnaire used was simplified in a language that all participants were familiar with. And, to determine internal validity of a questionnaire, researcher did a pilot test, where 10% of participants from the targeted population were selected to fill the questionnaire. The results of the pilot test established that the questionnaire was relatively easy to answer as the questions were well understood by the respondents.

Factor analysis was undertaken to reduce on the number of dimensions and retain the most important for each variable. Prior to undertaking factor analysis, Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's Test of Sphericity were examined to evaluate the factorability of the components. KMO varies between 0 and 1 ($0 < \text{KMO} < 1$). According to Tabachnick and Fidell (2016), the sample is termed adequate when KMO ranges from 0 and 1. Table 4.3 shows the KMO was above 0.50 levels implying that the variables had an acceptable degree of sampling adequacy for factor analysis.

Table 4.3: Factor analysis -KMO and Bart

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy. .837		
Bartlett's Test of Sphericity	Approx. Chi-Square	328.714
	df	6
	Sig.	.000

The study applied the KMO measures of sampling adequacy and Bartlett's test of sphericity to test whether the relationship among the variables has been significant or not as shown in below in table 4.3. Factor 1 was based on five items that represented tax administration; Factor 2 was based on five items that represented tax enforcement; Factor 3 was based on five items that represented tax education and Factor 4 with five items represented rental income tax performance by Kenya Revenue Authority, Mombasa. The Kaiser-Mayor-Oklin measures of sampling adequacy shows the value of

test statistic as 0.837, which is greater than 0.5 hence an acceptable index. While Bartlett's test of sphericity shows the value of test statistic as 0.000 which is less than 0.05 acceptable indexes. This result indicates a highly significant relationship among variables.

4.4 Descriptive Statistics

This section outlined the demographic data.

4.4.1 Demographic data

The study sought to establish the demographic data of the respondents. The researcher begun by a general analysis on the demographic data obtained from the respondents which included; level of education and years of experience. This research targeted 102 respondents in regard to investigate the effect of block management systems on rental income tax performance by Kenya Revenue Authority, Mombasa.

4.4.2 Work Experience

The respondents were requested to indicate the number of years they had been working in the Organization. According to table 4.4, 30.4% of the respondents unanimously indicated that they had been working in the Organization for a period of 11-15 years, 27.2% of them had been working in KRA for a period of less than 5 years, 26.1% of the respondents had been working in the institution for a period of 5 – 10 years, 16.3% of the respondents had been working in the institution for a period of more than 15 years. This implies that most of the respondents participating in this study had been working in the organization for an ample time thus they were conversant with the information sought by the study.

Table 4.4: Work Experience

Duration	Frequency	Percent
< 5 year	25	27.2
5 – 10 years	24	26.1
11 – 15 years	28	30.4
Above 15 years	15	16.3
TOTAL	92	100

4.4.3 Level of Education

The outcomes depicted in Table 4.5 show that the majority of the respondents had at least a bachelor’s degree and hence understood the information sought by this study. According to the foregoing tabulation, 45.7% of the respondents unanimously reiterated that they had attained a university level of education. 32.6% of the respondents comprised of respondents who had attained a college level of education as their highest level of education, while 21.7% of the respondents had a postgraduate level of education. These outcomes mean that majority of the respondents had at least a college level of education and hence understood the information sought by this study.

Table 4.5: Level of Education

Level	Frequency	Percent (%)
College	30	32.6
Bachelor’s degree	42	45.7
Postgraduate	20	21.7
TOTAL	92	100

4.5 Descriptive Analysis

The following presents the findings on the various study variables.

4.5.1 Tax Administration

The study sought to examine the effect of tax administration on rental income tax performance by Kenya Revenue Authority, Mombasa. Table 4.6 summarizes

respondents' level of agreement on the effect of tax administration on rental income tax performance by Kenya Revenue Authority, Mombasa. Most of the respondents agreed that tax on rental Income has enhanced income tax on landlords as shown by a mean score of 4.35. Most of the respondents also agreed that Income Tax administration is well managed at KRA as shown by a mean score of 4.23. Respondents agreed that the tax rates are well administered and don't need review as shown by a mean score of 4.21. Respondents also agreed that Tax On Turnover plays a role in tax administration in KRA as shown by a mean score of 4.18 and a mean score of 2.34 was obtained on the question that the VAT from commercial properties contribute significant revenue to the total rental income taxes collected by KRA. From these results it is evident that tax administration in KRA have significant effect on rental income tax performance. These findings are consistent with Mengere (2015) who revealed that KRA has come up with effective systems and tax administration measures that have enhanced protection of revenue collection, efficient and effective provision of services to public and taxpayers. The system has on-line services such as; electronic transactions, enquiries and electronic applications for KRA processes. The revised administrative and systems has components such as Taxpayer Register (TRE), Tax Returns Processing (TRP), Banks Collection (BCL), Taxpayer Services (TPS), External Information Management (EIM), Data Base Management (DBM), Taxpayer Account (TCA), Payment Plans Processing and Control (PPP) and Tax Credits and Refunds (TCR). All these have contributed greatly to the tax collections growth.

Table 4.6: Tax Administration

	N	Mean	Std. Deviation
VAT from commercial properties contribute significant revenue to the total rental income taxes collected by KRA	92	2.34	.745
Tax On Turn Over plays a role in tax administration in KRA	92	4.18	.390
Tax on rental Income has enhanced income tax on land lords	92	4.35	.479
Income Tax administration is well managed at KRA	92	4.23	.422
Tax rates are well administered and don't need review	92	4.21	.407
Valid N (listwise)	92		

4.5.2 Tax Enforcement

The study sought to analyze the effect of tax enforcement on rental income tax performance by Kenya Revenue Authority, Mombasa. Table 4.7 summarizes respondents' level of agreement on the effect of tax enforcement on rental income tax performance by Kenya Revenue Authority, Mombasa. The statement that the audit department conduct tax audits on tax payers often and tax audit helps tax payers on compliance both had a mean score of 4.33. Respondents agreed that the tax assessment helps to improve taxpayers' compliance as shown by a mean score of 4.18. Respondents also agreed that rental income tax compliance assist in solving tax evasion cases amongst tax payers as shown by a mean of 4.22 and a mean score of 4.30 was obtained on the question that rental income tax compliance assists in improving on tax avoidance amongst tax payers. These results imply that KRA innovated Tax enforcement approaches and techniques to address tax compliance, assist in solving tax evasion cases, assists in improving on tax avoidance and increase of more tax payers into the taxable blanket. These study findings are supported by Cobham (2015) who found that higher

audit probabilities and severe penalties encourage tax compliance. Attila (2018) established that tax enforcement reforms had a positive impact on the overall tax structure and on the individual tax handles, even though the impact of the reforms was not always uniform.

Table 4.7: Tax Enforcement

	N	Mean	Std. Deviation
Audit department conduct tax audits on tax payers often	92	4.33	.471
Tax audit helps tax payers on compliance	92	4.33	.494
Tax assessment helps to improve tax payers compliance	92	4.18	.381
Rental income tax compliance assist in solving tax evasion cases amongst tax payers	92	4.22	.415
Rental income tax compliance assists in improving on tax avoidance amongst tax payers	92	4.30	.504
Valid N (listwise)	92		

4.5.3 Tax Education

The study sought to investigate the effect of tax education on rental income tax performance by Kenya Revenue Authority, Mombasa. Table 4.8 summarizes respondents' level of agreement on the effect of tax education on rental income tax performance by Kenya Revenue Authority, Mombasa. Most of the respondents agreed that good record keeping facilitates correct filing of rental income taxes as shown by a mean score of 4.35. The statement that taxpayer sensitization has played a vital role in changing the attitudes of rental income taxpayers had a mean score of 4.33. The statement that taxpayer awareness programs by KRA have resulted into increased tax base and revenue collection had a mean score of 4.21. The statement that taxpayer awareness has enlightened the public on the need to pay rental income taxes had a mean score of 4.17. The statement that taxpayer awareness has enabled landlords file their returns easily had a mean score of 4.15. These results are in agreement with Waithira

(2015) who analyzed the effectiveness of taxpayer education as a revenue collection strategy in KRA focusing on Nairobi Region. The focus was on the concept of ‘Tax Clinics’ adopted in 2005. The findings established that the taxpayer education strategy had enhanced revenue collection by KRA. The findings revealed that taxpayer education had enhanced the following aspects in regard to revenue collection: the public level of understanding on various taxes at KRA; tax compliance among non-cooperative taxpayers; reduction of tax evasion; and ease of filing tax returns by taxpayers.

Table 4.8: Tax Education

	N	Mean	Std. Deviation
Taxpayer awareness has enabled landlords file their returns easily	92	4.15	.361
Taxpayer awareness programs by KRA have resulted into increased tax base and revenue collection	92	4.21	.407
Taxpayer sensitization has played a vital role in changing the attitudes of rental income taxpayers	92	4.33	.471
Good record keeping facilitates correct filing of rental income taxes	92	4.35	.523
Taxpayer awareness has enlightened the public on the need to pay rental income taxes	92	4.17	.381
Valid N (listwise)	92		

4.5.4 Rental Income Tax Performance

The respondents were requested to state their individual opinions on five specific statements regarding the rental income tax performance by Kenya Revenue Authority, Mombasa. The statement that landlords file tax returns every month had a mean score of 4.20. The statement that landlords declare correct monthly rental income had a mean score of 4.30. The statement that landlords file tax returns only to avoid penalties had a

mean score of 4.32. The statement that KRA has offered an enabling environment for tax filing had a mean score of 4.17. The statement that landlords file returns on time and as required by law had a mean score of 4.33. This finding is consistent with that of Wagacha (2017) who noted that tax performance relies not only on the enforcement effort but also on the inherent factors that exist between individual and government. Wagacha further opines that the level of enforcement also determines the level of tax compliance, for example, in South Africa, tax evasion or deliberate non-compliance of tax payment is considered as a severe crime whereas in Botswana, the attitude of the tax authority appears to be accommodating, example being the general tax amnesty conducted in 1999. Kenya has also been accommodating when it comes to the issue of tax compliance with amnesty given on various occasion, example, amnesty has been given on land rates and rental income to defaulters in a move to encourage them to voluntary comply with tax payment.

Table 4.9: Rental Income Tax Performance

	N	Mean	Std. Deviation
Landlords file tax returns every month	92	4.20	.399
Landlords declare correct monthly rental income	92	4.30	.458
Landlords file tax returns only to avoid penalties	92	4.32	.490
KRA has offered an enabling environment for tax filing	92	4.17	.381
Landlords file returns on time and as required by law	92	4.33	.471
Valid N (listwise)	92		

4.6 Bivariate Analysis

To establish the relationship between the dependent and independent variables, the study conducted a bivariate analysis which involved coefficients of correlation and determination.

4.6.1 Coefficient of Correlation

Pearson Bivariate correlation coefficient was used to determine the correlation between the dependent variable, rental income tax performance by Kenya Revenue Authority, Mombasa and the independent variables; tax administration, tax enforcement and tax education. As stated by Vos et al., (2014), the correlation is assumed to be linear with correlation coefficient ranging from -1.0 (perfect negative correlation) to +1.0 (perfect positive relationship). The correlation coefficient was computed to establish the strength of the relationship between dependent and independent variables (Kothari & Gang, 2014).

From table 4.10, the results generally indicate that independent variables (tax administration, tax enforcement and tax education) were found to have positive significant correlations on rental income tax performance by Kenya Revenue Authority, Mombasa 5% level of significance. There was a strong positive and highly significant correlation between tax administration and rental income tax performance ($r = 0.674$, $P < 0.05$). There was a strong positive and highly significant correlation between tax enforcement and rental income tax performance ($r = 0.894$, $P < 0.05$). There was a strong positive and highly significant correlation between tax education and rental income tax performance ($r = 0.860$, $P < 0.05$). The results imply that independent variables; tax administration, tax enforcement and tax education significantly influenced the rental income tax performance. The findings are consistent with the results of the study by Karanja (2016) which showed that block management systems contribute significantly towards rental income tax collection.

Table 4.10 Pearson Correlations

		TA	TEN	TED	RITP
TA	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	92			
TEN	Pearson Correlation	.630**	1		
	Sig. (2-tailed)	.000			
	N	92	92		
TED	Pearson Correlation	.611**	.850**	1	
	Sig. (2-tailed)	.000	.000		
	N	92	92	92	
RITP	Pearson Correlation	.674**	.894**	.860**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	92	92	92	92

**Correlation is significant at the 0.01 level (2-tailed).

Key: TA=Tax Administration, TEN=Tax Enforcement, TED=Tax Education, RITP=Rental Income Tax Performance

4.7 Regression Analysis

4.7.1 Coefficient of Determination (R^2)

To ascertain the research model, a confirmatory factors analysis was conducted. The independent variables were subjected to linear regression analysis in order to measure the success of the model and predict causal relationship between the independent variables; tax administration, tax enforcement, tax education and the dependent variable; rental income tax performance.

The model, shown in table 4.11, explains 84.2% of the variance (R Square = 0.842) on rental income tax performance. Clearly, there are factors other than the three proposed in this model which can be used to predict rental income tax performance. However, this is still a good model as pointed out by Cooper and Schinder (2013) the model is acceptable in social science if adjusted R square value is not lower than 0.10. This implies that

84.2% of the relationship is explained by the identified three factors namely; tax administration, tax enforcement, tax education. The rest 15.8% is explained by other factors not considered in the model.

Table 4.11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.921 ^a	.848	.842	.12770

a. Predictors: (Constant), Tax Education, Tax Administration, Tax Enforcement

4.7.2 Analysis of Variance (ANOVA)

The ANOVA result displays the sum of squares due to regression and due to residuals. It also displays the F ratio value and its significance. The F depicts the significance or the fitness of the regression model. It indicates how significant the predictors can predict the dependent variable. The results findings show that the Regression Model is significant (F = 163.209, p = 0.000). The significance of a regression model is considered significant if its p-value is less or equal to 0.05. In table 4.12, is a regression model established with its p-value of 0.000 significance which is less than 0.05. This indicates that the regression model was statistically significant in predicting the effect of block management systems on rental income tax performance by Kenya Revenue Authority, Mombasa.

Table 4.12: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.984	3	2.661	163.209	.000 ^b
	Residual	1.435	88	.016		
	Total	9.419	91			

a. Dependent: Rental Income Tax Performance

b. Predictors: (Constant), Tax Education, Tax Administration, Tax Enforcement

4.7.3 Multiple Regression

Table 4.13 presents the Regression Coefficients and the Significance of the Regressions (p-value). From the regression result, the coefficient of tax administration is .121. This implies that one unit change in tax administration, increases rental income tax performance by .121 units holding other factors constant. Therefore, tax administration was found to have statistically significant effect on rental income tax performance by Kenya Revenue Authority, Mombasa ($\beta = 0.144$; $t = 2.642$; $p < 0.05$). The coefficient of tax enforcement is .543. This implies that one unit change in tax enforcement, increases rental income tax performance by .543 units holding other factors constant. Therefore, tax enforcement was found to have statistically significant effect on rental income tax performance by Kenya Revenue Authority, Mombasa ($\beta = 0.532$; $t = 6.509$; $p < 0.05$). The coefficient of tax education is .351. This implies that one unit change in tax education, increases rental income tax performance by .351 units holding other factors constant. Therefore, tax education was found to have statistically significant effect on rental income tax performance by Kenya Revenue Authority, Mombasa ($\beta = 0.319$; $t = 3.977$; $p < 0.05$).

Table 4.13: Multiple Regression (Coefficients)

Model		Unstandardized		Standardized		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.033	.198		0.167	.867
	Tax Administration	.121	.046	.144	2.642	.010
	Tax Enforcement	.543	.083	.532	6.509	.000
	Tax Education	.351	.088	.319	3.977	.000

a. Dependent Variable: Rental Income Tax Performance

$$Y = -0.033 + 0.121X_1 + 0.543X_2 + 0.351X_3$$

Where:

Y = Compliance on Turnover Tax

β_0 = Constant

X_1 = Tax Administration

X_2 = Tax Enforcement

X_3 = Tax Education

e_i = Stochastic term

4.8 Discussion of the Key Findings

This section discusses the research findings presented in the previous section based on the objectives and hypotheses of the study. The general objective of the study was to investigate the effect of block management systems on rental income tax performance by Kenya Revenue Authority, Mombasa. The variables under study were tax administration, tax enforcement and tax education.

4.8.1 Effect of Tax Administration on Rental Income Tax Performance

Pearson Bivariate correlation was used to compute the correlation between influence of tax administration and rental income tax performance by Kenya Revenue Authority, Mombasa. There was a strong positive and highly significant correlation between tax administration and rental income tax performance ($r = 0.674$, $P < 0.05$). Standard multiple regression was conducted and there was positive and statistically significant effect of tax administration on rental income tax performance by Kenya Revenue Authority, Mombasa ($\beta = 0.144$; $t = 2.642$; $p < 0.05$). These findings are consistent with Mengere (2015) who revealed that KRA has come up with effective systems and tax administration measures that have enhanced protection of revenue collection, efficient and effective provision of services to public and taxpayers. The system has on-line services such as; electronic transactions, enquiries and electronic applications for KRA processes. The revised administrative and systems has components such as Taxpayer Register (TRE), Tax Returns Processing (TRP), Banks Collection (BCL), Taxpayer Services (TPS), External Information Management (EIM), Data Base Management (DBM), Taxpayer Account (TCA), Payment Plans Processing and Control (PPP) and Tax Credits and Refunds (TCR). All these have contributed greatly to the tax collections growth.

4.8.2 Effect of Tax Enforcement on Rental Income Tax Performance

Pearson Bivariate correlation was used to compute the correlation between influence of tax enforcement and rental income tax performance by Kenya Revenue Authority, Mombasa. There was a strong positive and highly significant correlation between tax enforcement and rental income tax performance ($r = 0.894$, $P < 0.05$). Standard multiple regression was conducted and there was positive and statistically significant effect of tax enforcement on rental income tax performance by Kenya Revenue Authority, Mombasa ($\beta = 0.532$; $t = 6.509$; $p < 0.05$). These results imply that KRA innovated Tax enforcement approaches and techniques to address tax compliance, assist in solving tax evasion cases, assists in improving on tax avoidance and increase of more tax payers into the taxable blanket. These study findings are supported by Cobham (2015) who found that higher audit probabilities and severe penalties encourage tax compliance. Attila (2018) established that tax enforcement reforms had a positive impact on the overall tax structure and on the individual tax handles, even though the impact of the reforms was not always uniform.

4.8.3 Effect of Tax Education on Rental Income Tax Performance

Pearson Bivariate correlation was used to compute the correlation between influence of tax education and rental income tax performance by Kenya Revenue Authority, Mombasa. There was a strong positive and highly significant correlation between tax education and rental income tax performance ($r = 0.860$, $P < 0.05$). Standard multiple regression was conducted and there was positive and statistically significant effect of tax education on rental income tax performance by Kenya Revenue Authority, Mombasa ($\beta = 0.319$; $t = 3.977$; $p < 0.05$). The findings revealed that taxpayer education enhances the following aspects in regard to rental income tax performance by Kenya Revenue Authority; tax compliance among non-cooperative taxpayers: reduction of tax evasion; and ease of filing tax returns by taxpayers. The study suggested the need for continuous improvement and expansion of taxpayer support services by KRA as a strategic shift towards the realization of some of the revenue collection goals. Djankov et al., (2016) opined that there are numerous features to taxpayer education, including outreach programs, small ventures instruction programs, programs at post and auxiliary instructive foundations, specialist training, tax facilities, crisis help, media-data

programs, and the appropriation of tax structures and distributions. Taxpayer training and effort can be a proactive technique for upgrading compliance. These results are in agreement with Waithira (2015) who analyzed the effectiveness of taxpayer education as a revenue collection strategy in KRA focusing on Nairobi Region. The focus was on the concept of 'Tax Clinics' adopted in 2005. The findings established that the taxpayer education strategy had enhanced revenue collection by KRA. The findings revealed that taxpayer education had enhanced the following aspects in regard to revenue collection: the public level of understanding on various taxes at KRA; tax compliance among non-cooperative taxpayers; reduction of tax evasion; and ease of filing tax returns by taxpayers.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter accordingly summarizes the findings in line with the objectives, draws conclusions and makes the necessary recommendations. Areas of further study that may enrich the study area are also suggested.

5.2 Summary of Findings

The first objective of the study was to examine the effect of tax administration on rental income tax performance by Kenya Revenue Authority, Mombasa. Tax administration was found to be satisfactory in explaining on rental income tax performance. Further, results showed that tax administration is a good predictor of rental income tax performance. Correlation analysis revealed that tax administration was positively and significantly associated to rental income tax performance. Regression of coefficient revealed that there was a positive and significant relationship between tax education and rental income tax performance. This means that an improvement in tax education leads to an improvement in rental income tax performance.

The second objective of the study was to examine the effect of tax enforcement on rental income tax performance by Kenya Revenue Authority, Mombasa. Tax enforcement was found to be satisfactory in explaining on rental income tax performance. Further, results showed that tax enforcement is a good predictor of rental income tax performance. Correlation analysis revealed that tax enforcement was positively and significantly associated to rental income tax performance. Regression of coefficient revealed that there was a positive and significant relationship between tax enforcement and rental income tax performance. This means that an improvement in tax enforcement leads to an improvement in rental income tax performance.

The third objective of the study was to examine the effect of tax education on rental income tax performance by Kenya Revenue Authority, Mombasa. Tax education was found to be satisfactory in explaining on rental income tax performance. Further, results showed that tax education is a good predictor of rental income tax performance.

Correlation analysis revealed that tax education was positively and significantly associated to rental income tax performance. Regression of coefficient revealed that there was a positive and significant relationship between tax education and rental income tax performance. This means that an improvement in tax education leads to an improvement in rental income tax performance.

5.3 Conclusions

5.3.1 Tax Administration

Based on the findings, the study concluded that tax administration has a positive and significant effect on rental income tax performance. The tax system should be made simple and more user friendly to encourage voluntary compliance, thereby broadening rental income tax base. Moreover, KRA needs to come up with effective administration systems and measures that will enhance protection of revenue collection.

5.3.2 Tax Enforcement

Based on the findings, the study concluded that tax enforcement has a positive and significant effect on rental income tax performance. The study concludes that tax enforcement approaches and techniques to address rental income tax performance assist in solving tax evasion cases, assists in improving on rental tax avoidance and increase of more rental tax payers into the taxable blanket. Lower tax rates make it less attractive to evade taxes as opposed to high rates. High penalty rates will increase compliance but only marginally. This penalty rates should be kept at an optimum level not to discourage taxpayers. Also consider uniform penalty rates for all tax heads. The intuition is that high tax rates increase the tax burden and, hence, lower the disposable income of the taxpayer.

5.3.3 Tax Education

Based on the findings, the study concluded that tax education has a positive and significant effect on rental income tax performance. From the explanations given it could be concluded that compliance increases with being taught how to calculate the tax payments and how to file returns while registering for rental income tax. Most respondents agreed that tax awareness on rental income tax affects its compliance by

landlords. It can be concluded that tax awareness programs improve accounting standards of most landlords as a result of proper bookkeeping and accounting. Availability of tax information, information received by taxpayers is an important factor that contributes to their understanding of tax responsibilities, especially regarding registration and filing requirements.

5.4 Recommendations

5.4.1 Tax Administration

Tax administration especially tax bands, tax returns management, tax audit policies, tax remittance/payment policies and taxpayer regimes and tax collection enforcement policies affect rental income tax performance. Emphasis should be on improving tax administration to broaden the tax base so that existing tax rates can be reduced without affecting government revenues.

5.4.2 Tax Enforcement

There is need for a well-functioning tax enforcement system to increase tax compliance, tax audits and tax assessment. The tax system should be able to tap the gains from economic growth. This would be enhanced by ensuring efficient computerization of systems to increase compliance as it would improve the interaction of the tax authority with taxpayers and facilitate follow-up using the Personal Identification Number. Computerization would also make it easier to consolidate payment of all taxes and levies.

5.4.3 Tax Education

To enhance rental income tax performance there is need to intensify taxpayer education in terms of increasing the number of sessions and broadening coverage to include tax consultants. This will enlighten the taxpayers on existing law and any other tax liability. This will also provide a forum for taxpayers to air their complaints and or compliments. Various channels like tax seminars, booklets and media channels will greatly improve the landlords'/property owners' level of compliance as the great complexity associated with tax matters will be demystified.

5.5 Areas for Further Research

The study sought to investigate the effect of block management systems on rental income tax performance by Kenya Revenue Authority, Mombasa. This called for the analysis of Mombasa regional office only, thus area for further studies could consider other regional offices for purpose of making a comparison of the findings with those of the current study. The study used only three variables that is tax administration, tax enforcement and tax education as the only variables that influences rental income tax performance. Future studies can incorporate other variables which are not captured by this study.

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APPENDICES

Appendix I: Letter of Introduction to Respondents

Dear Respondent

RE: REQUEST FOR FILLING QUESTIONNAIRES

I am Elisha Kessy Garise a student at KESRA - Mombasa Campus pursuing a Post Graduate Diploma in Tax Administration and carrying out a research study in the field of block management systems and rental income tax performance. The purpose of these questionnaires is to collect data which is to be used in assessing the effect of block management systems on rental income tax performance by Kenya Revenue Authority Mombasa. The information will be strictly treated as confidential. Please assist in filling the questionnaire attached herewith. I will appreciate your co-operation.

Yours faithfully,

Elisha Kessy Garise.

Appendix II: Research Questionnaire

I am a student pursuing a Post Graduate Diploma in Tax Administration at the Kenya School of Revenue Administration carrying out a research on the effect of block management systems on rental income tax performance by Kenya Revenue Authority Mombasa.

Your cooperation and support will be highly appreciated.

CONFIDENTIALITY CLAUSE:

The responses you provide will be used for academic research purposes, will be strictly confidential and will be handled ethically.

SECTION A: BASIC INFORMATION

- 1) How long have you been working with this Organization?
 Below 5 years 5 - 10 years 11 - 15 years Above 15 years
- 2) Level of education
 College Bachelor's degree Postgraduate

Section B: TAX ADMINISTRATION

Please indicate on the scale provided below by ticking the extent to which you agree with the following statements.

Strongly Agree=5, Agree=4, Uncertain=3, Disagree=2, Strongly Disagree=1

	Statement	1	2	3	4	5
1	VAT from commercial properties contribute significant revenue to the total rental income taxes collected by KRA					
2	Tax on Turnover plays a role in tax administration in KRA					
3	Tax on rental Income has enhanced income tax on land lords					
4	Income Tax administration is well managed at KRA					
5	Tax rates are well administered and don't need review					

SECTION C: TAX ENFORCEMENT

Please indicate on the scale provided below by ticking the extent to which you agree with the following statements.

Strongly Agree=5, Agree=4, Uncertain=3, Disagree=2, Strongly Disagree=1

	Statement	1	2	3	4	5
1	Audit department conduct tax audits on tax payers often					
2	Tax audit helps tax payers on compliance					
3	Tax assessment helps to improve tax payers compliance					
4	Rental income tax compliance assist in solving tax evasion cases amongst tax payers					
5	Rental income tax compliance assists in improving on tax avoidance amongst tax payers.					

SECTION D: TAX EDUCATION

Please indicate on the scale provided below by ticking the extent to which you agree with the following statements.

Strongly Agree=5, Agree=4, Uncertain=3, Disagree=2, Strongly Disagree=1

	Statement	1	2	3	4	5
1	Taxpayer awareness has enabled landlords file their returns easily					
2	Taxpayer awareness programs by KRA have resulted into increased tax base and revenue collection					
3	Taxpayer sensitization has played a vital role in changing the attitudes of rental income taxpayers.					
4	Good record keeping facilitates correct filing of rental income taxes					
5	Taxpayer awareness has enlightened the public on the need to pay rental income taxes					

Section E: RENTAL INCOME TAX PERFORMANCE BY KRA MOMBASA

Please indicate on the scale provided below by ticking the extent to which you agree with the following statements.

Strongly Agree=5, Agree=4, Uncertain=3, Disagree=2, Strongly Disagree=1

	Statement	1	2	3	4	5
1	Landlords file tax returns every month					
2	Landlords declare correct monthly rental income					
3	Landlords file tax returns only to avoid penalties					
4	KRA has offered an enabling environment for tax filing					
5	Landlords file returns on time and as required by law					

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