

**FACTORS AFFECTING THE UPTAKE OF TAX AMNESTY BY REAL ESTATE
OWNERS IN MOMBASA, KENYA**

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DECLARATION

This project is my original work and has not been presented for a postgraduate diploma in any other academic or non-institution.

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HDB-336-C016-2395-2016

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

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Date.....

BENN MUMIA

DEDICATION

This research project is dedicated to my late Dad and Mom for their kindness, encouragement and moral support; they have given me the strength to continue with my studies.

ACKNOWLEDGEMENT

I feel greatly indebted to my supervisor Mr. Benn Mumia for the invaluable guidance and assistance provided by her throughout the study.

I also extend my utmost appreciation to my wife for her encouragement and support.

To my colleagues at work place, thumb up to you all.

And last but not least to my friends and fellow students, thanks for your cooperation and support. May the Almighty bless you all abundantly.

TABLE OF CONTENTS

DECLARATION	ii
ACKNOWLEDGEMENT	iv
LIST OF TABLES	viii
LIST OF FIGURES	ix
ACRONYMS/ABBREVIATION	x
DEFINITION OF TERMS	xi
ABSTRACT	xii
CHAPTER ONE	1
INTRODUCTION	1
1.1 The study background	1
1.2 Statement of the Problem	4
1.3 Objective of the study	6
1.3.1 General Objective.....	6
1.3.2 Specific objectives.....	6
1.4 Research Questions	6
1.5 Justification	6
1.6 Scope of the study	7
1.7 Limitations	7
CHAPTER TWO	8
LITERATURE REVIEW	8
2.1 Introduction	8
2.2 Theoretical Review	8
2.2.1 Fisher’s Tax Model	8
2.2.2 Tax compliance Theory.....	11
2.2.3 Amnesty Theory.....	11
2.3 Conceptual Framework	13
2.4 Review of Literature Variables	14
2.4.1 Enforcement of Tax Amnesty	14
2.4.2 Tax Payer Education	15

2.4.3 Politics on Uptake of Tax Amnesty	17
2.4.4 Uptake of Tax Amnesty	20
2.5 Empirical Review	22
2.6 Critique of the existing literature	23
2.7 Research Gaps	24
2.8 Summary	25
CHAPTER THREE	26
RESEARCH METHODOLOGY.....	26
3.1 Introduction	26
3.2 Research Design	26
3.3 Target Population	26
3.4 Sample Frame.....	27
3.5 Sample Size and Sampling Technique	27
3.6 Data collection instruments	28
3.7 Data Collection procedures	28
3.8 Pilot Testing	29
3.8.1 Reliability of Research Instruments	29
3.8.2 Validity of the Instrument	30
3.9 Data analysis	30
CHAPTER FOUR.....	31
RESEARCH FINDINGS AND ANALYSIS	31
4.1 Introduction	31
4.2 Response Rate	31
4.3 Reliability Test of Data Collection Instruments.....	32
4.4 Demographic Analysis	32
4.4.1 Business Turnover Characteristics	32
4.4.2 Annual Rent Turnover.....	33
4.5 Descriptive Analysis	34
4.5.1 Enforcement of Tax Amnesty	34
4.5.2 Taxpayer Education.....	35

4.5.3 Politics on Uptake of Tax Amnesty	37
4.5.4 Uptake of Tax Amnesty	38
4.6 Correlation Analysis between Variables	39
4.6.1 Coefficient of Correlation	39
** Correlation is significant at the 0.01 level (2-tailed).....	41
4.6.2 Regression Analysis	41
4.6.3 Regression Coefficient	43
CHAPTER FIVE.....	45
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	45
5.1 Introduction	45
5.2 Summary	45
5.2.1 Enforcement of Tax Amnesty	45
5.2.2 Tax Payer Education	46
5.2.3 Politics on Uptake of Tax Amnesty	46
5.3 Conclusion	47
5.3.1 Enforcement of Tax Amnesty	47
5.3.2 Tax Payer Education	47
5.3.3 Politics on Uptake of Tax Amnesty	48
5.4 Recommendations	48
5.5 Suggestions for Further Study	49
REFERENCES	50
APPENDICES	55
APPENDIX I: LETTER OF INTRODUCTION	55
APPENDIX II: QUESTIONNAIRE	56

LIST OF TABLES

Table 3.1: Target Population	27
Table 3.2: Sample Size	28
Table 4.1: Response Rate	31
Table 4.2: Reliability Results	32
Table 4.3: Business/Taxpayers Characteristics	33
Table 4.4: Annual Rent Turnovers	33
Table 4.5: Enforcement of Tax Amnesty	35
Table 4.6: Taxpayer Education.....	37
Table 4.7: Politics	38
Table 4.8: Uptake of Tax Amnesty	39
Table 4.9: Correlations	41
Table 4.10: Model Summary	41
Table 4.11: ANOVA.....	42
Table 4. 12: Coefficients	42

LIST OF FIGURES

Figure 2.1: Fisher <i>et al.</i> (1992) tax compliance model.	10
Figure 2.2: Conceptual Framework.....	13

ACRONYMS/ABBREVIATION

FIRS	Federal Inland Revenue Service
GDP	Gross Domestic Product
KRA	Kenya Revenue Authority
LCDs	Less Developed Countries
OECD	Organisation Economic Cooperation Development
PIN	Personal Identification Number
USA	United State of America
V.A.T	Value Added Tax

DEFINITION OF TERMS

Real estate owners Landlord refers to the organization or the person who owns a piece of land or a building. The property owned by the landlord is paid for by other people to use it.

Tax Amnesty Tax amnesty refers to a one time opportunity that is limited that is offered by the taxation system aiming at giving a chance to a specified group of taxpayer to comply by paying a defined amount of money. The amount of money paid by the amnesty period is traded by forgiveness of a liability tax such as penalties and interests that relate to the period(s) of tax without fearing being prosecuted for criminal offences. (Malherbe, 2011).

Taxpayer education Taxpayer education refers to the bridge that connects citizens, tax administration and the key the tool that is key for the transformation of tax culture (Noor, 2004).

ABSTRACT

Globally people tend to have a negative perspective towards payment of tax. This means that the government at times if not all times does not collect what is due to it because of noncompliance. Kenya revenue authority and various county governments have offered tax amnesty to defaulters. Despite all these efforts by the government to entice defaulters, the uptake of tax amnesty has been low. The study thus aims at analyzing the factors affecting the uptake of tax amnesty by real estate owners in Mombasa, Kenya. The objectives of the study are to investigate whether enforcement, taxpayer education and politics has an effect in the uptake of tax amnesty among real estate owners in Mombasa, Kenya. This research project adopted a descriptive research design. The study is based on the Kenya revenue authority officers and management in Mombasa Southern region. The target population for this study was the real estate owners in Mombasa region whose tax compliance was under review by the Kenya Revenue Authority. The population was 1240 real estate owners according to Kenya Revenue Authority Report (2017) report. Stratified random sampling method was used to select relevant respondents from the real estate owners in Mombasa region whose tax compliance was under review by the Kenya Revenue Authority. The researcher used the drop and pick method whereby the questionnaires were given out to the respondents for them to fill out. The researcher then collected them at a later time for data analysis. The collected data was analyzed quantitatively. Descriptive and inferential statistics were done using SPSS version 25. The results were presented in table forms for ease of comparison and understanding. From the model summary it is clear that the adjusted R^2 was 0.908, explaining 90.8% of the variance of the independent variable (Enforcement of tax amnesty, Taxpayer Education, and Politics) indicating that; Enforcement of tax amnesty, Taxpayer Education, and Politics have significant effect on uptake of tax amnesty by real estate owners in Mombasa. Thus factors not studied in the research contribute 9.2% of uptake of tax amnesty by real estate owners in Mombasa. The P- value of 0.000 (Less than 0.05) implies that the model of project on tax amnesty uptake on real estate in Mombasa, Kenya is significant at the 95% confidence level. The researcher concluded that inadequacy in enforcement of tax amnesty, lack of tax payer education on tax amnesty and low frequency of tax amnesty negatively affected uptake of tax amnesty by real estate owners in Mombasa. The study thus recommends that KRA should revamp the enforcement department and transform law enforcement to be more tax payer friendly. Consultants should also be sensitized on tax amnesty matters to empower them, give proper advice to tax payers. Also, the mode of disseminating information about amnesty should be well thought out to have a wide coverage so as to reach majority of tax payers. KRA officers should also have a positive attitude towards amnesty and should be alert to facilitate tax payers. Finally, since most tax payers are reluctant to comply due to frequent amnesty, the authority should reduce the number of amnesty offered in a particular period.

CHAPTER ONE

INTRODUCTION

1.1 The study background

Every year the tax collection authority loses large amount of expected revenue due to the taxpayers' evasion to tax compliance. In Italy for example tax avoidance is estimated at 20% of gross domestic product each year. In the United State, it is estimated that the government loses potential revenue to the tune of \$100 billion per year (Plumer, 2011). The problem of nonpayment of tax is more serious in the countries that are highlighted to be the least developed (LCDs), where large percentage of the population fails to pay taxes fully.

According to market watch, an American based research group 45.3% of American house hold that is roughly 77.5 million Americans pay no federal income tax. Amnesty refers to a limited period that is offered to a specific group of taxpayers, which relates to previous periods of tax without fear of facing prosecution over criminal offenses. Tax amnesties has been applied frequently in Mombasa, Kenya. There have been fifteen tax amnesties put into effect since 2010. This research project will look into the various factors that affect the uptake of the opportunity offered by the amnesty (Demirbas, 2002).

Tax amnesty has been used by the tax revenue authority to generate or improve revenue due to the government. This is as a result of pressure from political and financial concerns. Kenya revenue authority is under the National treasury and therefore always experience immense pressure from political class as well as national treasury. The term amnesty means "to renounce a right". It is the act of reducing or eliminating completely a definite or on indefinite punishment by authoritative governmental bodies. It means the legal transactions that eliminate and prevention of penalty imposition and prevention of either partly or completes penalty execution for a criminal act (Demirbas, 2002). The income tax and Kenyan constitution grant the Commissioner General Powers to offer amnesty and its technical aspect are specified by the Act.

The aim of tax amnesty is to provide a way to collect tax. With tax amnesty the disputes caused by the previous practices are removed and it helps in tax management. Tax amnesty reduces the probability of a sanction execution against those who violate tax laws (Keles, 2002). It is a trait of the modern tax systems to bring a resolution of the disputes that exists between the citizens and the government without executing a legal action.

Granting of tax amnesties is based on various reasons; the reasons can be political, financial, administrative and technical. Amnesty for political reason takes place in the cases when the government wants to overcome political and financial crises to stimulate the market. However, in the underdeveloped countries, tax amnesties are applied to discharge or sustain the government financially. Tax amnesty for financial reasons is implemented to meet the increasing requirement for revenue when the voluntary participation remains insufficient to fulfill the cost for public requirement (Gokbel, 2003).

Occasionally Government uses tax amnesties to stimulate the market. Amnesty has also been used to treat black money that has a negative effect on the national economy. Tax amnesty provide an opportune moment when the declared hidden assets are taxed at a very low rate and all hidden assets are brought to light as a result of revoking the penalty. Turkey has had numerous tax amnesties since 1924. The tax amnesties have been made for political, economic and various technical reasons in the country. Turkey has experienced twenty-nine fiscal amnesties. This translates to two to three years tax amnesties been done in turkey over the period.

In Mombasa, Kenya, tax amnesty has been issued on rental income. Kenya revenue authority made this in the year 2014. County governments have also made amnesties regarding land rates. These have been granted by the county government of Mombasa, Kilifi, Nakuru and Uasin Gishu just to mention a few.

For whatever reason it might be, the amnesties relating to tax are among the factors that either or both negatively or positively, affect the tax compliance on the voluntary basis

(Lerman,1986) the tax amnesties granted for once only, and supported by harsh sanction mechanism may facilitate the taxpayers' willingness for taxpaying (Yumusak, 1997).

The positive effect of tax amnesty cannot be overemphasized; neither can the negative effects be overlooked! The negative effects of tax amnesty are sound. One of the reasons for opposing tax amnesty is the fact that it goes against justice and equity principle (Leonard & Zeckhauser, 1986) In addition it influences the equality of competitiveness negatively, as well as spoiling the justice and equity principle or canon of taxation. Tax penalties and late fees have a role in the equity of the competitiveness. With tax amnesties tax penalties and late fees are watered down neutralizing equality of the politics (Leonard & Zeckhauser, 1986)

According to Leonard & Zeckhauser, (1986); "amnesty sets in the rise in the perception of unfair tax system in the honest taxpayer, it encourages prospective tax disputes as well as vanish the thought that tax evasion is a false behavior" The view depicts that long term result of tax amnesty have significant negative effects on voluntary compliance. Frequent application of tax amnesties will negatively affect taxpayer's behaviors of compliance to tax since tax amnesty will be encouraging for tax offence. It is stated that the higher the likelihood of tax amnesty, the less declaration of income there will be. This is an evidence of negative tax amnesty on the compliance to tax (Malik & Schwab, 1991).

Kenya is regarded as one of the countries with low income and tax compliance in Mombasa, Kenya has significantly been low. Kenya revenue authority has been performing taxpayer's sensitization on newly registered taxpayers on weekly and monthly basis. This is in addition to the long taxpayer's week in which Kenya revenue authority educates tax payers. Whether the increased and revamped taxpayer education has actually led to improved compliance, it has not been captured in any observed study (KRA, 2011).

The focus of this research project is to find out the reasons that hold back taxpayers-property owners from taking up tax amnesty offered by Kenya revenue authority. It is a law under the Income Tax Act that any income generated from any investment within the

boundaries of our lovely country Kenya is subject to taxes. The government of Kenya since 2003 has been alert to mobilizing domestic revenue for the sole purpose of financing recurrent expenditure. For instance, the 2015 recurrent expenditure was financed to a level of 96% through taxes. It is worth noting that there has been a tremendous growth in tax collection by over 300 % (2003-2011), but the contribution by real estate owners has been very low despite the necessary effort by government to offer tax amnesty on rental income. The government is calling on its entire citizen to be patriotic enough and support the development of the economy through payment of relevant taxes (KRA, 2013).

1.2 Statement of the Problem

Rental revenue has remained low in comparison to other incomes such as excise duty. This is despite the spirited effort by the government to bring on board all the real estate owners to be compliant by carrying out routine audits of various premises, effecting fines and closure of non-compliant property owner's premises, inspection of books from estate agents. All this efforts has not improved rental revenue. Recently the government opened a window of tax amnesty on all real estate owners who came forth and willingly declared their assets as well as incomes from the same. Kenya revenue authority aggressively implored property owners through the media, road shows, talk shows and the social media to come forth and declare their rental income. Nevertheless, they achieved little if any! This could be attributed to negative perception towards payment of taxes, fear of authority, conflict of interest, self-enrichment motive, illegality or black money, poor or low enforcement mechanism or policies, general defiance, ignorance, expectation of a follow-up tax amnesty as well as politics among property owners. Another attribute that may course low rental income is the Kenya revenue authority Personal identification number (PIN) base.

Taxation has been an uphill task to most developing countries. This has seen the government and local revenue authorities putting more efforts and striving to achieve their targets of full compliance. It is observed that developing countries lack enough human resource to administer and monitor compliance among rental taxpayers (Enoch, 2011).

Kenya just like its counterparts lacks enough capacity to monitor and collect rental income. It faces a challenge of mapping out and identifying every rental asset to a particular taxpayer.

A study by Jemaiyo & Mutai (2016) on the determinants of tax compliance and their influence on the level of tax compliance in the real estate sector, Eldoret town-Kenya. The study specifically sought to determine the effects of tax compliance cost, tax knowledge, tax penalties, tax amnesty and tax audit on tax compliance in the sector. The study established from their findings that tax compliance cost, tax knowledge coupled with tax penalties and tax audit had significant influence on degree of tax compliance.

A study by Kasipillai & Abdul Jabbar, (2006) on the forms and nature of tax non-compliance in Mombasa, Kenya. This study also found out the tax noncompliance is widespread and constitutes one of the major determinants to the failure of most nations to generate income for economic development and would thus lead to economic stagnation and attendant socioeconomic malaise. This study only showed the description of forms of tax noncompliance that is important to the present study as it offers the measures on tax compliance or lack of it.

General defiance is the act of not caring, the act of doing contrary to the law with little or no regard to the consequences. Amos (2007) some property owners may just be defiant to the call by the government to pay tax. The degree of the effect of attitude, defiance, ignorance, poor enforcement, frequency of tax amnesties and ineffective policies are topics, which have not been extensively looked at in addressing the issue of non-uptake of amnesty in Mombasa, Kenya. Consequently covering this knowledge gap in tax amnesty on rental income forms the basis of this research project. It is for this reason that I wish to research on this factors in order to find out what really influences the uptake or otherwise of tax amnesty.

1.3 Objective of the study

1.3.1 General Objective

The broad objective of this research is to analyze the factors affecting the uptake of tax amnesty by real estate owners in Mombasa, Kenya.

1.3.2 Specific objectives

The specific objectives of the study are-

- i. To investigate whether enforcement has an effect on uptake of tax amnesty by real estate owners in Mombasa, Kenya.
- ii. To determine whether taxpayer education on tax amnesty has an effect on its uptake by real estate owners in Mombasa, Kenya.
- iii. To determine the effect of politics in uptake of tax amnesty on real estate in Mombasa, Kenya.

1.4 Research Questions

- i. How does enforcement affect uptake of tax amnesty by real estate owners in Mombasa, Kenya?
- ii. How does taxpayer education affect tax amnesty uptake by real estate owners by real estate owners in Mombasa, Kenya?
- iii. What is the relationship between politics and uptake of tax amnesty on real estate in Mombasa, Kenya?

1.5 Justification

The findings of this research project will be of much benefit to the revenue authority. The Authority will gain from the research by having knowledge and understanding of the various factors that influence or hinder the uptake of tax amnesty. The study benefits the National and County government in formulating policies that improve compliance levels. It also makes them be alive to the sentiment and perception of taxpayers towards the tax that they pay. Future academicians will greatly benefit from this research project as it forms a reference base for their research work. The public also benefits from this research project. It is believed that this work helps them have a better understanding of tax amnesty.

The property owner understands the importance of tax amnesty as well as why they should take the opportunity and by extension the importance of voluntary tax compliance. This reconsideration is going to improve revenue performance and the authority enjoys low cost of administering rental income.

1.6 Scope of the study

The study was based in Mombasa South. Mombasa South was chosen because of the proximity to the researcher and the fact that the regional head quarters of Kenya revenue authority Southern region is based here. The study focused on Kenya revenue authority taxpayers on individual income tax and particularly rental income. The study focused on taxpayers based on Domestic taxes South of Mombasa. The study focused on attitudes as well as intentions of real estate owners toward amnesty. The choice of Mombasa South is because it can be used to replicate to other regions. The study was based on both primary and secondary data and information available and data collected as primary sources of data.

1.7 Limitations

The limitations that the researcher come across during the conduct of this research include: Authority to gain access to personnel, organizations as well as documents necessary for the study. KRA staff with great experience in rental tax matters proved hard to interact with due to time limitations on their side. This can really affect the depth of the research because it is people who are within the organization with experience who can provide details on taxpayers. Property owners availing details also was an uphill task due to fear of tax authority. The researcher overcome this by making prior appointments to real estate owners and KRA staff and also engaging fellow students who work at the KRA.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter deals with Theoretical review, Empirical review, Conceptual framework, Critique of the existing literature relevant to the study, Summary and Research gap. Theoretical review should be clearly linked to the study. Empirical review consists of the various studies that may have been conducted in the past in the same area. Conceptual framework is the illustration of the variables under study which will be followed by literature under each variable presented in the conceptual framework. Critique of the existing literature relevant to the study and bring in the concurrences and the disagreements that emanate from the literature presented. Summary will deal with key items in the literature and finally the Research Gap by bringing out the missing the links in the literature.

2.2 Theoretical Review

The theoretical review was based on the three most common theories used in examining the factors affecting the uptake of tax amnesty by real estate owners in Mombasa, Kenya. These theories were; fisher's tax model', tax compliance theory and amnesty theory. A theoretical framework is a collection of interrelated ideas based on theories (Kombo & Tromp 2012).

2.2.1 Fisher's Tax Model

This study was embedded on the Fishers's tax model as argued by Fisher *et al*, (1992). Tax evasion is a global spectacle that occurs and witnessed in all societies and financial systems not excluding both developed and developing countries. Consequently, and based on the importance of the matter, tax compliance antecedents based on Fischer model (Fischer *et al.*, 1992) have been a significant theme of research in developed countries over the recent past. Primarily, the Fischer tax compliance model delivers a framework for comprehending the influence of socio-economic and psychological antecedents on taxpayers' compliance decision. Fisher *et al*, (1992) created certain salient factors that

determine the compliance rate of taxpayers and showed that all or some of them working together generate non-compliance.

Jackson and Milliron (1986) did a wide-ranging review of the tax compliance literature and classified 14 key antecedents or determinants that have consequently been studied by numerous researchers on tax compliance. These antecedents are classified succinctly by Fischer in an expanded form (Fischer *et al.*, 1992) into 4 notable groups which have hitherto been known as the Fischer Model: first is the demographic angle comprising of age, gender and education among others. Secondly, noncompliance opportunity which is categorized into income level, taxpayer's occupation and source of income. Thirdly, attitudes and perceptions for instance fairness of the tax system, peer influence and feelings towards the benefits of paying tax) and fourthly, the tax system/structure which is characterized by the complexity of the tax system, likelihood of detection, penalties together with tax rates and its attendant costs). Accordingly, Fisher model of tax compliance integrates economic, sociological and psychological antecedents into a wide-ranging one.

Reflectively and based on the variables of the present study, according to KRA (2010), real estate developers in Mombasa, Kenya have exponentially grown over the past couple of years. Both small and major properties exemplified by rentals, estates, both small scale and high end apartments coupled with office blocks for either sale or rent have poured out in the market and yet there has been no echo in tax revenue. The rental segment in particular according to KRA (2010) is disreputably tough to tax particularly in developing countries because of the informal nature of the construction process, limited registration and rental payment is fundamentally done in cash. Consequently, the taxman has opted to focus some of its resources in training and informing the taxpayers on taxes structure and means to comply with the chief focus being the real estate owners. Simplifying taxpayers through modernization, education and mobilization and consequently, continuous auditing of the tax system is being done to enhance the degree of tax compliance among the taxpayers on rental income in Mombasa, Kenya (KRA, 2010). Thus, aspects of amnesty cleanly fall

within the laps of the Fisher's tax model which is the theoretical framework anchoring this study.

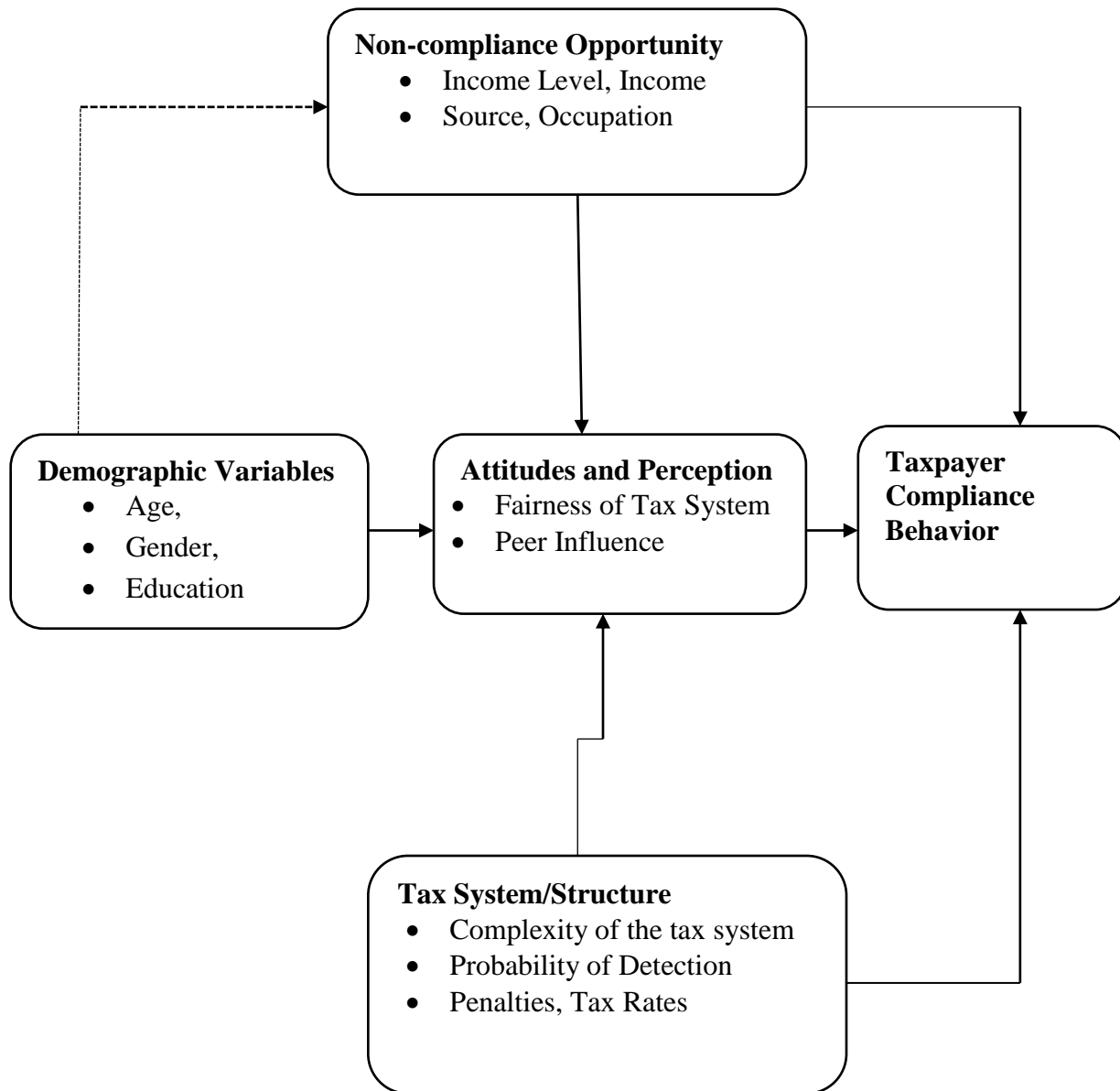


Figure 2.1 Fisher et al. (1992) tax compliance model.

2.2.2 Tax compliance Theory

There are two broad classes of tax compliance theories; (a) the economics-based theory which emphasize incentives (Cuccia, 1994, Torgler, 2002) and (b) psychology based theory which emphasizes attitudes (Aim and McKee, 1998). The economic based theory suggests that the taxpayers try to maximize on the benefit associated with tax evasion, through “playing the audit lottery”. The probability of detection for audit, coupled with the consequences either encourages or deters taxpayers. The taxpayers finally make a choice of the alternative which maximizes their economic benefit, hereby discussed as after-tax return. For such taxpayers, Cuccia (1994) argues that increasing audit visits, interest and penalties would affect their compliance levels.

The psychological based theory on the other hand relies on moral and ethical concerns of the taxpayers. Regardless of the risk of being caught, the taxpayers’ attitude to voluntary compliance would still remain high (Aim & McKee, 1998). Increasing compliance with such taxpayers requires a change of their attitude. Governments driven by the desire to increase compliance for psychology based taxpayers do so by increasing taxpayer education, reducing operational costs of return filing. Aim & McKee (1998) argue that amnesty offer and the subsequent participating is one way of educating the taxpayers on the procedures and legal implication of evasion.

However, the two theories are not completely independent and measures put in place to influence one may impact the other. Aim and McKee (1998) points out that amnesty creates an environment where both theories are understood and consequences addressed in a holistic manner. Taxpayers are made aware of their exposed risk of being caught and reduced chances of benefiting from evasion (Torgler, 2002). Testing the effectiveness of either theories require the examination of the variables underlying these theories and their effects on compliance.

2.2.3 Amnesty Theory

Amnesty theory is also referred to as the deterrence theory. According to Trivedi & Shehata (2005), theories of economy suggests that taxpayer’s makes calculate the

consequences of economy of various compliant options like if taxes should be evaded or not, chances of detecting the consequences thereof, and to pick the options that increase their expectations after filing profits or tax returns This therefore will be the basis in which a landlord evaluates if he or she needs to take up amnesty or not.

The studies of the economy indicate that taxpayers' behaviors affected by the motives that are driven by the economy like the probability of being detected or maximizing profits ((Trivedi & Shehata, 2005), the taxpayers who work in informal economic sectors (Etchberry, 1992) among other factors. Even though the methods has received fair share of criticism on account of focusing on the compliance that is coercive in nature, which is done at the consensual expense (Sandmo, 2005) the evidence to support the coercive measures of ensuring compliance is established and well canvassed (McKerchar & Evans 2009). For instance, the underlying fear of being caught evading tax or putting applying the strategies that increases the fear of detected have been found to have been effective in ensuring total compliance and truthful behavior. The theoretical framework of this theory has been broadly adopted and implemented by administrations of tax in the development of a strategy that is enforced which principally depends on the underlying fear of detection or being caught and the ensuing penalty.

Trivedi & Shahata (2005) made the conclusion that taxpayer's behaviour may depend on economic or psychological theories and sometimes, the two may apply. Psychological and economic theories extend beyond the interests of the academics on the account that they differ on where KRA should commit its resources. While economic theorists argue that KRA should invest on bringing up policies that increase its audits and harsh penalties to tax evaders, psychological theorists insists that KRA should come up with policy prescriptions that de-emphasize penalties and audits. Instead, psychologists argue that KRA should come up with policies to change individuals' behaviours and their perceptions to the taxation system. In general, accounts, the two theories work on the precepts of establishing the major reasons of tax noncompliance.

2.3 Conceptual Framework

A conceptual framework refers to a tool that is used for analytical purposes through various context and variations. In most cases, it is used in establishing distinctions that are conceptual in nature and in making of ideas that are organized. Conceptual framework that is strong captures a concept that is real in a way that easy to apply and remember. The use of conceptual framework linked the aspects that were inquired such as the definition of the problem, purpose of the study, methods used, data to be used and analysis. (Mugenda & Mugenda, 2003).

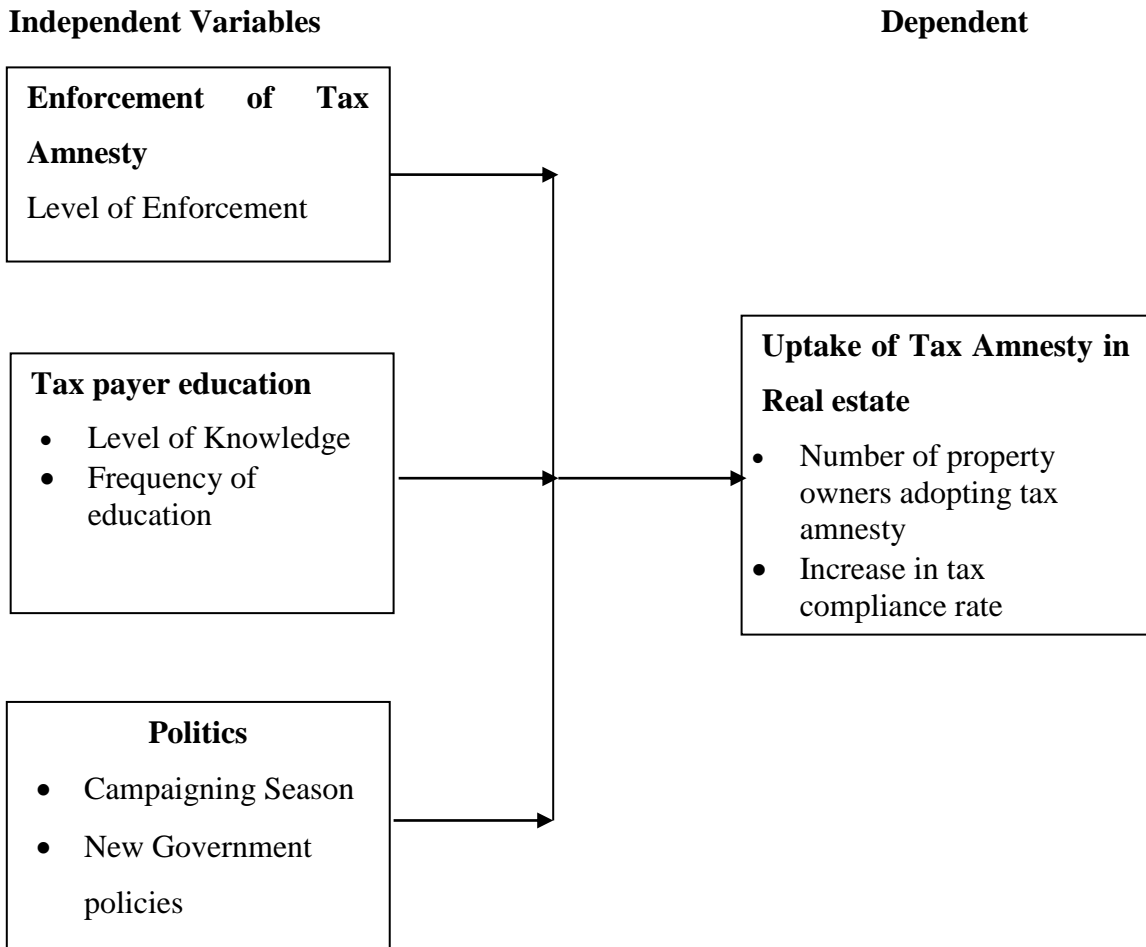


Figure 2.2: Conceptual Framework

2.4 Review of Literature Variables

2.4.1 Enforcement of Tax Amnesty

The understanding of tax amnesty in many countries is currently vague. However, an analysis of the cross-national understanding of the financial experience indicates that the success of concepts like that of the tax amnesty is not always offered. (Luitel & Sobel, 2005). Moreover, there is an ongoing discussions on the long term impacts of tax amnesties of tax compliance (Laborda & Rodrigo, 2003). This connotes that tax amnesties ought not to be with a fiscal panacea viewpoint. A major controversy exists in the literature regarding evidence on the effect of tax amnesty on tax compliance. The existing literature on amnesty has created two different debate groups separating the supporters of compliance induced amnesty from those opposing it (Luitel & Sobel, 2005). One strand of literature argues that tax amnesty leads to improved short-term revenue collection and strengthen long-term tax compliance, Alm (1998). The other strand, however, proposes that tax amnesty leads to depressed short-term revenue collection and weakens long-term tax compliance, Alm & Beck (1993).

The theory of tax evasion theory explains that a taxpayer who is rational should only appreciate an amenity in the event of enforcement, tax parameters, penalties varies in a manner that offers extra incentives in participations of such programs (Alm & Beck 1991). (Maliko & Scwab 1991) explained that the citizens who are eligible for paying tax are at first not sure on the risks and preferences. They further explained that the taxpayers later learn about the risks and preferences upon the announcement of the amnesty. Graetz & Wilde on the other hand, introduces a model that is supposed to motivate the taxpayers on the need to accept the amnesties that are issued on the account that upon detection, tax evaders are eligible to heavy fines that are imposed by the taxation administration. Therefore, tax amenities should be introduced by the use of a method that ensures taxpayers are constrained from the credit and thus evade taxes on the account with reasons that consumption-smoothing may demonstrate why cultural amenities are considered.

A motive that was short-term based for amnesty consideration recently made documentation by Ross & Bulkwater (2013) with a strategic delinquency which through their estimations accounted for about 34.3% and 16.5% of the revenues that are collected by the USA. Taxpayers who knows that amnesty is about to be adopted opt to make a declaration of less of their income so as to realize some interests through a deliberate delay of the taxation process awaiting the announced amnesty to ensue. In order for the citizens to engage in tax planning that is strategic in this sort, the delinquency between the individuals who are faced with interests and rates on the tax payment that is required. Another situation that may induce tax evasion comes in when amnesty is ordered while there is a shock between tax evaders and tax system.

In the past, most countries both developed and less developed, have developed measures of tax amnesty (Andreoni, 1991, Luitel & Sobel, 2005). However, type of implementation programs varies from time to time. The time for implementation could be temporary or permanent amnesties. Luitel & Sobel (2005) also noted that on some occasions tax evaders who have already been detected by way of inspection and audits have been allowed to participate in the amnesty. Some countries have however restricted participation to only those whose past records are not subject to any fraudulent investigation (Lopez-Laborda & Rodrigo, 2003). In terms of contents various types of taxes have been offers for some period of time while others restrict time and the type of the tax head eligible (Luitel & Sobel, 2005). Some countries have offered amnesties for very specific type of fraud while others legislating for the totality of the tax regimes currently in force (Lopez-Laborda & Rodrigo, 2003).

2.4.2 Tax Payer Education

Taxpayer education is referred as the bridge that is established that connects the citizens and tax administration, which is a key tool in the transformation of tax culture. In the contemporary world, the governments are striving to mobilize the taxpayers to comply with the taxation system and submit their revenues. In the course of taxpayer education, the tax administration reaches out to the create awareness and engage the already paying

citizenry and the prospective ones. Tax education majorly aims at fostering an overall culture of tax compliance that is centered on responsibilities and rights through which the citizens considers paying taxes as an aspect of the integral relationship between them and the government.

Arkansas City previously made an announcement on the amnesty system. In this case, traders who had not been complying with the taxation system were offered a waiver. The waiver was conditioned by the account that those who would benefit from the amnesty were those who were ready to submit their revenues. The amnesty was tailored to acquit them of the penalties and fines that had accumulated due to tax evasion. During the waiver, the traders were issued with the questionnaires that were supposed to record and provide their responses on the reasons as to why they often evaded paying their taxes. In their responses, majority of them cited the complexity of the tax laws, ignorance of the tax laws, ability to pay, and to some extents, the perceptions that the tax rates were high. Notably, some of them indicated that some of the reasons why they did not submit their taxes were the assumptions that the taxation system was unfair. The study further indicated that a significant number of taxpayers failed to submit their taxes due to their ignorance of the tax liabilities, therefore their failure was not intentional.

The results that were obtained indicated that the relationship between taxpayer's knowledge and the level of compliance was significant. According to Rashid & Noor (2004), in their study that was based in Malaysia, they confirmed that persons with tax knowledge recorded high rate of compliance to the taxation system as opposed to those who did not have that knowledge. Therkildsen (2004) said that the act of tax counseling improves on tax compliance of tax payers, hence increasing performance in revenue collection in a country. He found out that the sole objective of conducting tax counseling was aimed at ensuring that all tax payers have understood that it is their duty to comply with the taxation system and submit their tax revenues. Counselling is done in a manner that makes them understand their duty and thus comply. Normally, the offices of tax

compliance offer trainings and counselling services on the underlying interpretation and the application of the laws of tax and the procedures of filing and applying for returns.

Ahmed & Braithwaite (2005) made a comparison of the small business traders in Australia and employed persons whose salaries were subjected to the taxation deduction. In their findings, there was no difference between the small scale traders and the employed taxpayers in following the factors; subjectively deterrence that is perceived from the viewpoint of noncompliance, subjective probability of being detected or caught for tax evasion, the preference for aggressive tax planning, resistance against and cooperation with authorities of tax administration, equity issues and its related attitudes, personal norms of tax honesty, levels of admitted tax evasion and tax morale. (Ayoki et al 2005) argues that the rate of low tax compliance is a serious issue mostly to countries that are still developing, which limits the capacity of the government to raise the required amount of resources for executing development projects. Some of the issues that were established as the reasons for low tax compliance are; corruption, weak legal systems, large informal sector, ambiguity in tax laws, culture of noncompliance among others.

Several studies that have been conducted in a bid to explain the essence of tax education and its correlation to tax compliance indicates that a taxpayer with the intentions to comply will always have the intentions and the attitude that is positive toward tax compliance. Therefore, it is of utmost importance to educate taxpayers on the essence to file their returns with the tax system, the underlying consequences and the reason why they should pay. Most of people refuse to submit their reruns because they do not understand its essence.

2.4.3 Politics on Uptake of Tax Amnesty

Notwithstanding the long-term benefits of tough tax enforcement, politicians who stay in power for a limited period are likely to be tempted by amnesties that grant immediately available proceeds, while they might not be so worried about the damage that will materialize only in the long run, after they step down. To avoid these drawbacks, in some countries amnesties can only be introduced with the approval of large parliamentary

majorities (as in Italy for amnesties waiving criminal offences) or they are subjected to approval by referendum (as in Switzerland) (Le Borgne, 2006).

Amnesties can be tempting from the political perspective, too, because they represent means of gaining a quick increase in revenue without burdening the entire tax-paying population with changes in the tax law and rate increases. This might be particularly welcome in pre-election periods, as politicians are keen on spending to boost economic growth and consent (the so-called political business cycle). Amnesties, however, might also be seen as a way of squeezing taxpayers, besides offending regular compliers. In fact, from the point of view of political consent, amnesties have not performed well. USA state governors granting one during the electoral year proved more likely not to be re-elected (Le Borgne, 2006).

Frustration that some evaders may go unpunished in amnesties can also be dealt with if the hidden evaders are threatened with harsher penalties. In fact, punishment can serve two main purposes: retribution for illicit conduct and restoration of legal order. While the retribution recouped via amnesties is lower than provided for by standard rules, amnesties can convey some advantages in terms of restoration as long as they foster greater future compliance. From this point of view, amnesties should be favoured by those who are more generally in favour of alternative penalties aimed at facilitating the social rehabilitation of those who breached the law (Reichberger *et al.*, 2010). The ambiguous role that amnesties can play implies that public debate over an amnesty programme may have important consequences. This is confirmed by experiments in Switzerland and in Costa Rica conducted by Torgler & Schaltegger in 2005. They found that only amnesties approved by referendum lead to increased compliance. This effect can be traced back to the formation of public opinion through the public discussions among participants in the experiment that accompanied the referendum. Participants perceived the amnesty not as an imposition from above, but as an agreed upon intervention with useful functions and this in turn increased the social pressure for cooperation.

As for public opinion on amnesties, the Bank of Italy (Cannari & D'Alessio, 2007) conducted interviews in 1992 and 2004 in which questions were asked about the government motivations for granting an amnesty, the results expected and the respondent's evaluation of such a policy. Regarding the first question, the majority of respondents think that the Italian state resorts to amnesties either because it is powerless to punish evaders or because groups of evaders had lobbied for preferential treatment. Yet in reference to the evaluation of the consequences and the moral judgement of this policy, only about 30% of respondents have clear-cut negative feelings (that evasion will increase and the policy offends honest citizens), while the remaining respondents express more nuanced opinions. The negative feelings, however, were more frequent in 2004 than in 1992, possibly due to some deterioration of the government's credibility in light of repeated tax amnesties.

Besides being relevant for internal political affairs, amnesties can also be linked to the state of cooperation or politics between governments or levels of government, since they represent a means of dealing with externalities in taxation and in enforcement policies. It is also the case that forms of imitation or politics often arise among neighboring countries, so amnesties sometimes spread from one country to another. The importance of externalities in this field is confirmed by an empirical analysis of the motivations leading states in the USA to grant an amnesty, which revealed that the likelihood of amnesties increased as the effort of the federal government in auditing taxpayers within the state decreased (Dubin, Graetz and Wilde 1982; Le Borgne 2006). In the field of international relations, in 2010 the OECD suggested offshore voluntary disclosure programs as a solution to help governments benefit quickly in terms of revenue from the effects of improvements in international cooperation for information exchange and transparency that have occurred since the onset of the financial crisis. Voluntary disclosure implies a "limited-time offer by the government to a specified group of taxpayers to settle undisclosed or unpaid tax liabilities for a previous period in return for defined concessions over civil or criminal penalties. In some cases, there are also concessions over the amount of tax and/or interest payable" (OECD 2010): the definition is very close to that of an amnesty.

Following these suggestions, however, is not easy, particularly when one considers developing countries and countries where corruption is frequent. Whenever interventions such as a standing amnesty are introduced, it is possible that corrupt auditors will accept bribes in order to say that a taxpayer voluntarily disclosed her evasion. Problems of this type have arisen in the past even in the United States (Andreoni 1991). Likewise, whenever a personalized deal (such as an individual instalment plan for tax payments) must be designed, the risk of corruption of officials tends to be greater than when general public interventions such as tax amnesties are implemented, given that they are often regulated by the law. These considerations, coupled with the existence of genuine unanticipated phenomena that cannot be dealt with efficiently through other means, or with discrimination opportunities not available elsewhere, suggest that amnesties are and are likely to remain an accepted tool in tax administration.

2.4.4 Uptake of Tax Amnesty

This is a time period given to tax offenders to pay taxes and in turn get forgiveness for previous tax liability but not the principal amount that is due. Within this time period, the tax offenders who disclose their unpaid taxes willfully are allowed to enter the tax net without paying the penalties associated with non-compliance (OECD, 2015). The amnesty window normally expires when a tax audit of the past-due tax is declared by the authority. In the words of Luitel & Sobel (2005), a typical tax amnesty can be divided in three categories. The first, category is short lived one and last for a period of one to six months. Second, is a willfully participation of tax offenders, third, delinquent may decide not to participate, to such a stiffer punishment is preferred to them. Tax amnesties, vary from government to government and it all entails an element of forgiveness that affect revenue collection due to taxpayer reporting behaviour. Fox & Murray (2004), states that the objectives and goal of amnesties are; to increase revenue yield, expand tax base and the most important one is to enhance tax compliance. The Kenyan Government like any government in the world have been facing challenge of declining revenues and raising expenditures forcing the administration to come up with a raft of measures that include;

taxpayer compliance checks, taxpayer audits, tax payer field visits, tax clinics and continuous taxpayer education.

In his budget statement for the year 2015-2016, the Cabinet Secretary for National Treasury acknowledged the potential of Kenya's real estate industry in financing the national budget. In a bid to widen its tax base by bringing on record the numerous non-compliant landlords, the Cabinet Secretary announced the Government's intention to offer incentives in the collection and administration of tax on residential rental income in Kenya as stated in the Finance Act (2015) which included amendments to the Income Tax Act that came into force in January 1, 2016. This amnesty provided a window for a waiver of the principal tax, interest and penalties on all rental income generated prior to January 2014. This was a move by Government to encourage property owners to come out and declare their rental taxes voluntarily for the years between 2014 and 2015, and pay only the principal tax payable on all rental income during such periods. KRA made this amnesty available up to June 30, 2016. This was to encourage the real estate owners to be tax compliance. This followed a nationwide sensitization program resulting to many landlords declare and their file taxes rental income.

Studies by (Fisher, Goddeeris & Young, 1989; Torgler, 2003) have shown that amnesties may motivate delinquent taxpayers to comply in future. In support of this (Torgler & Schaltegger (2005) concurred and pointed out amnesties gives a chance taxpayers an opportunity to rectify their tax status and reduce costs associated with non-compliance. On the contrary Luitel & Sobel (2007) argued that tax amnesties tend to undermine taxpayers morals, which might lead to a decline in tax compliance in future. López-V & Rodrigo (2003) and Alm, Martinez & Wallace (2009) also echoed the sentiments and argued out that tax amnesties have no effect on compliance. In keeping with fore going, it has been found empirically that effectiveness of tax amnesties is still is debatable. Therefore, the existing evidence on the efficacy of tax amnesties is drawn from developed-country and there is little evidence on the efficacy of tax amnesties on compliance from a developing-

country. Sandmo (2005) noted that when economic benefits of evasion outweighs the benefit of paying taxes, delinquent taxpayers will to hide.

2.5 Empirical Review

Jemaiyo and Mutai (2016) study on the determinants of tax compliance and their influence on the level of tax compliance in the real estate sector, Eldoret town-Kenya. The study specifically sought to determine the effects of tax compliance cost, tax knowledge, tax penalties, tax amnesty and tax audit on tax compliance in the sector. The study established from their findings that tax compliance cost, tax knowledge coupled with tax penalties and tax audit had significant influence on degree of tax compliance. Most significantly, high tax compliance costs were a causative factor that condensed tax compliance among real estate investors. However, the study first did not consider the influence of tax amnesty on the tax compliance. Thirdly, even with the variables the study considered that are in line with the present study like knowledge, certain salient issues have changed since then like the element of amnesty, improved identification of real estate owners and a significant awareness efforts offered to real estate owners and hence this study becomes necessary.

Thananga, Wanyoike & Wagoki (2013) did a study to establish the factors affecting compliance on rental income tax policy by real estate owners in Nakuru Municipality. Results of the research found out that, the degree of complete tax compliance on rental income tax policy was low even with the enforcement of tax amnesty. Only 39.0% of the Nakuru real estate owners indicated that they fully complied with the provisions. Moreover, the most common form of noncompliance was via exaggeration of expenses and deductions that would consequently diminish taxable pay and the amount of tax, correspondingly, understatement of incomes was also common. The study touched on amnesty but only mentioned it in passing and thus created a gap in the influence of tax amnesty on tax compliance.

A study by Karanja, (2014) on factors affecting voluntary tax compliance on rental income: a case study of Nairobi proprietors shows that 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 voluntarily comply with tax payment. 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 thought to affect the voluntary and willingness of taxpayers to comply with the tax payment. If taxpayers were to perceive that their interests were well represented in political institutions and their revenues were put into proper use, voluntary tax compliance will increase. Where corruption is widespread in government, the citizens lack trust in the authority and thus low compliance level (Smith and Stalans, 1991).

2.6 Critique of the existing literature

The literature analysis highlights some of the empirical and theoretical gaps which indicate the essence of carrying out this study. The study further indicates that there is a direct implication of the impacts on tax amnesty on revenue collection in real estate under the studies reviewed. Therefore, this study aims at addressing this gap by examining the factors that affect the uptake of tax amnesty on revenue collection in real estate in Mombasa, Kenya.

Alm & Beck (1990, 1991) in their theoretical analysis of effect of tax amnesties concluded that it might improve compliance and tax collections when majority of the payers view or perceive tax payment as a norm. To them, tax amnesty is better and efficient in short term basis as it boosts total collection. They proposed that tax amnesty attracts taxpayers who originally were noncompliant and keeps them in the system for further collection. Similar study by Fisher, Godderis & Young (1989) in USA, Michigan State revealed that only a small proportion of those who have been given a tax amnesty evaded later.

Torgler & Schaltegger (2005), using a study of tax amnesty programs in Switzerland and Costa Rica, analyze the relationship between amnesty revenues and citizens ability to vote in favor (or not) of introducing a tax amnesty program. They found that amnesty revenues only increases after voting provides citizen with an opportunity to express their opinions on the amnesty policy. But although subsequent amnesties enhance revenue performance, the effects diminish compared to the initial amnesty, ultimately pushing filing rates below their pre-amnesty levels.

2.7 Research Gaps

It is worth noting that a major research gap exists in establishing the influence of tax amnesty on tax compliance of property owners on their rental income. The government has often offered tax amnesty as far as time is concerned with cases of extended time to fill and remit taxes. Nevertheless, the government has often offered reduced rates to real estate owners. However, how far these efforts have yielded to improvements of tax compliance remains significantly uninvestigated and this study hopes to fill the gap.

Rental income tax is now a segment that is under the taxation regime in Kenya. How far property owners are considered as members or part of the informal sector or underground economy and thus difficult to tax is uniquely a part of this study in order to then understand the factors that lead to their non-uptake of tax amnesty. This of course sets this study apart from the other studies like Jemaiyo and Mutai (2016), Thananga, Wanyoike and Wagoki (2013) and Karanja (2016). Further, studies reviewed have not considered the influence of tax amnesty uptake and did not consider the issue of enforcement of the tax amnesty by the real estate owners. Thirdly, even with the variables the study considered that are in line with the present study like taxpayer education, certain salient issues have changed since then like the element of amnesty, improved identification of real estate owners and a significant awareness effort offered to real estate owners and hence this study becomes necessary. In addition, results do not show how enforcement, politics, education on taxation regulations and presence of amnesty influence tax compliance of real estate owners. Some studies have lumped all the cadres of tax from income tax to corporate tax

but have not considered the new phenomenon of rental income, which this study hopes to do and thus help fill that important gap.

2.8 Summary

From the above literature review, it can be apparent that the obligation of tax advisors/tax practitioners is well founded. In this chapter the researcher has looked into the theories applicable in the study of the literature review which includes Fiscal theory, Psychological and social theory and Tax Compliance theory. The empirical review of the study was also looked into and various studies relating to the topic under study was looked into in depth. The conceptual framework of the study too was taken care of and among the independent variables of the study includes Enforcement, Politics and Taxpayer education.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides information regarding the research methodology for this study which contains; research design, population of the study, sample and sampling techniques, data collection instruments used, pilot testing and data analysis.

3.2 Research Design

Paul *et al.*, (2009) defined research design as a plan for utilizing and collecting data so that desirable information can be obtained. This study adopted a descriptive approach. According to Trevor (2010) stated that a descriptive approach is an approach that describes a situation qualitatively. This view is supported by Kothari (2005) who asserted that the descriptive approach of the design is mostly associated with stability in environment and with a defined population of study. The method ensures that data is collected with precision on which defines its reliability, accuracy which defines validity with minimal error.

3.3 Target Population

Vonk (2016), states that target population contains elements or members of a group that a researcher is interested in studying. The study was based on the Kenya revenue authority officers and management in Mombasa Southern region. The study targets the property owners in Mombasa region whose tax compliance was under review by the Kenya Revenue Authority. According to Kenya Revenue Authority Report (2017) indicates that the population of real estate owners was 1240. The study will target a population of 340 consisting of real estate owners, real estate agents and managers of KRA at Mombasa office. The population was chosen to delimit the research and to gather sufficient data within the time limit and cost.

Table 3.1: Target Population

Category	Target Population
KRA Officers	25
Property Owners	240
Property Agents	75
Total	340

Source: Kenya Revenue Authority Report (2017) report.

3.4 Sample Frame

This is the source of a list of the items or elements that forms a population from which a sample is drawn. In many practical situations the frame is a matter of choice to the survey planner. Some very worthwhile investigations are not undertaken due lack of frame; others, because of faulty frames, have ended in a disaster or in cloud of doubt.

3.5 Sample Size and Sampling Technique

Mugenda and Mugenda (2008) asserts that sampling is part of the statistical practice concerned with the selection of individual or observations intended to yield some knowledge about a population of concern, especially for the purpose of statistical inferences. This study will use simple random sampling technique. According (Theuri,2015) this method “gives the assurance of equitable distribution of wanted population characteristics through the selection of persons for the study”. The researcher will observe that at least all the respondents as classified in the sampling frame are available. In this study the simple random will consist of real estate owners, real estate agents and managers of KRA at Mombasa office. Slovene’s formula will be applied to calculate the sample size (at 95% confidence level and $\alpha = 0.05$) as indicated below.

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

Where,

n = is the desired sample size

N = is the population size

e = margin of error (at 95% confidence level

$$N = 340/1+ (340 \times 0.05^2)$$

$$= 1+ (340 \times 0.0025)$$

$$= 184$$

Table 3.2: Sample Size

Category	Target Population	Sample Size
KRA Officers	25	15
Real Estate Owners	240	124
Real Estate Agent	75	45
Total	340	184

Source: Kenya Revenue Authority Report (2017) report.

3.6 Data collection instruments

The study used both primary and secondary data. Primary data was collected through use of structured questionnaires. At all stages of the questionnaire design, the researcher was guided by the objectives of the research as well as the user-friendliness of the questionnaire. The design of the survey instrument is an interactive process that goes through four broad stages: first drafting of the questionnaire; cognitive and pilot testing; revision of the initial draft; and approval by researcher's supervisor.

3.7 Data Collection procedures

Data collection involves gathering and measuring information on variables of interest, in an established systematic fashion that enables one to answer stated research questions and be able to evaluate the outcomes. In this study, a semi structured questionnaire was used as data collection instruments. The researcher administered questionnaires to the respondents through drop and pick method. With a formal letter of introduction from KRA institute, the

researcher was introduced to the respondents, stating the purpose of the study. The questionnaires were then administered to three categories of respondents; property owners, property agents and KRA managers based in Mombasa. The respondents were asked to willingly participate in the survey by filling the questionnaires on factors affecting the uptake of tax amnesty by real estate owners in Mombasa, Kenya.

This instrument was preferred because it has standardized questions which can be administered to a larger number of respondents in a shorter time at little cost. This is in line with Bryman & Bell (2015) observation that a questionnaire method is inexpensive method for data collection. The researcher will then retrieve filled questionnaire from respondents at agreed day and time for data analysis and presentation.

3.8 Pilot Testing

The research instrument was pre-tested to test the weakness and validity of the instrument. Charlotte (2015) opines that pre-testing allows errors to be discovered. Pilot testing was done on 34 respondents representing 10% of target population. These respondents were not included in the study sample. After pilot test, cross checking and follow ups was done so as to ensure accuracy, relevance, completeness, consistency and uniformity of the data to be collected.

3.8.1 Reliability of Research Instruments

Cronbach's alpha was used to measure internal consistency of the items in a questionnaire. Campos & Cattuzzo, (2017) defines "reliability as the degree to which an instrument gives consistent results". The reliability of the research tools in this research was done using test-retest method. In test-retest method, reliability was determined by administering a test at two different points in time to the same individuals and determine correlation or strength of association of the two sets of scores to compare internal consistency of the items in a questionnaire (Kothari, 2011).

3.8.2 Validity of the Instrument

Validity is the degree to which an instrument measures what it purports to measure (Borg and gal, 2009). To enhance validity the researcher exposed the instruments to experts in research for judgment. The researcher conducted a pilot survey study whereby inappropriate questionnaires item were discarded, rephrased and or merged. The piloting was conducted in Tudor estate targeting 34 respondents from the study area.

3.9 Data analysis

Kothari (2011) argues that data collected has to be processed, analyzed and presented in accordance with the outlines laid down for the purpose at the time of developing the research plan. Data analysis involves the transformation of data into meaningful information for decision making. It also involves editing, error correction, rectification of omission and finally consolidating information gathered. The collected data was analyzed quantitatively using Statistical Package for Social Sciences (SPSS Version 25). The software packages will enable the researcher to analyze the data into percentages, means and standard deviations. The findings are presented in the form of tables to facilitate description and explanation of the study findings. This creates good understanding of the study findings. The multiple regression model as indicated below was applied.

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$$

Where;

Y = Uptake of Tax Amnesty in Real Estate

β_0 = Constant

X_1 = Enforcement of Tax Amnesty

X_2 = Tax Payer Education

X_3 = Politics

ε = Error Term

CHAPTER FOUR

RESEARCH FINDINGS AND ANALYSIS

4.1 Introduction

This chapter presents the findings of the study based on specific objectives of the study namely; to investigate whether enforcement has an effect on uptake of tax amnesty by property owners in Mombasa, Kenya, to determine whether taxpayer education on tax amnesty has an effect on its uptake by real estate owners in Mombasa, Kenya, and to determine the effect of politics in uptake of tax amnesty on real estate in Mombasa, Kenya. Statistical Packages for Social Sciences (SPSS) was used to analyze data collected from property owners within Mombasa. Data collected was analyzed using both descriptive and inferential statistics. The study employed both correlation and regression analyses to determine the relationship between dependent and independent variables.

4.2 Response Rate

As indicated in Table 4.1 below, a total of 184 questionnaires were administered to KRA officers, real estate owners and real estate agents. A total of 152 questionnaires were filled and retrieved representing 83.6%. This is acceptable response rate according to Babbie (2014) who argued that return rates of 50% are acceptable and fit to analyze and publish, while 60% is good and 70% is very good.

Table 4.1: Response Rate

Category	Frequency	Percentage
Responses	152	83.6%
Non-responses	32	14.4%
Total	184	100%

Source: Kenya Revenue Authority Report (2017) report.

4.3 Reliability Test of Data Collection Instruments

The study carried a reliability test, to test instrument's ability to give a coherent and stable results using Cronbach's coefficient alpha (α). Cronbach's alpha is used to measure internal consistency of the items in a questionnaire. Larry (2013) affirms that Cronbach Coefficient can be used to test internal consistencies of items/traits where the instrument has Likert scales with multiple responses for data collection. Therefore, it is appropriate for this study to apply Likert scale with multiple responses. To achieve this, the study used SPSS to analyze data and results findings are as shown in Table 4.2 below.

Table 4.2: Reliability Results

Scale	Cronbach's Alpha	N/of Items	Comments
Enforcement of Tax Amnesty	0.715	4	Reliable
Taxpayer education Politics	0.704	4	Reliable
Politics	0.724	4	Reliable
Uptake of Tax Amnesty in Real Estate	0.717	4	Reliable

4.4 Demographic Analysis

In trying to assess demographic characteristics of the respondents. Study used business/taxpayers characteristics, annual rental turnover experience and position to determine the factors affecting uptake of tax amnesty in real estate in Mombasa, Kenya. Results of the findings were tabulated as follows;

4.4.1 Business Turnover Characteristics

The study wanted to establish business/taxpayer characteristics of the respondents so as to determine the factors affecting uptake of tax amnesty in real estate in Mombasa. The findings were tabulated as shown in Table 4.3.

Table 4.3: Business/Taxpayers Characteristics

Category	Frequency	Percentage
Less than 3 years	30	19.7
3 - 5 years	17	11.2
Between 6 – 10 years	42	27.6
Above 10 years	63	41.4
Total	152	100

As indicated in the Table 4.3 above, of the sampled respondents, 19.7% had their firms in operation for less than three years, whereas 11.2% had firms in operation between 3 and 5 years, 27.6% had firms in operation between 6 and 10 years and lastly, 41.4% had their firms in operation for more than 10 years. This implies that most of the real estate owners in Mombasa are aware of tax amnesty and the benefits of being a taxpayer compliant.

4.4.2 Annual Rent Turnover

The study further sought to determine annual rent turnovers of real estate firms in Mombasa so as to find out their effect on uptake of tax amnesty in real estate in Mombasa. The results findings were tabulated as shown in Table 4.4.

Table 4.4: Annual Rent Turnovers

Annual Rent Turnover	Frequency	Percentage
Less than Ksh 5 000,000	59	38.8
Ksh 5,000,000 - Ksh 50,000,000	39	25.7
Ksh 50,000,000 - Ksh 100,000,000	52	34.2
Ksh 100,000,000 - Ksh 1billion	2	1.3
Ksh 1 billion - Ksh 2 billion	-	-
Ksh 2 billion - Ksh 5 billion	-	-
Ksh 5 billion - Ksh 10 billion	-	-
Ksh 10 billion - Ksh 30 billion	-	-
Total	152	100

Referring to Table 4.4 above, 59 respondents representing 38.8% of respondents had their annual rental turnover below Ksh 5 million, 39 (25.7%) respondents had their annual rental turnover between Ksh 5 million and 50 million, 52 (34.2%) respondents had their annual rental turnover between Ksh 50 million and 100 million, and finally those that had their annual rental turnover over Ksh 100 million were 2 representing 1.3%. This shows that most of the real estate owners were raking in approximately more than Ksh 5 million in rent annually. This implies that KRA had a substantial pool of tax base among the real estate owners and could proactively ensure that the tax remittance is complied with.

4.5 Descriptive Analysis

4.5.1 Enforcement of Tax Amnesty

Further, the researcher sought to investigate effect of enforcement on uptake of tax amnesty by real estate owners in Mombasa, using a five point Likert scale of 1-5 where 1=Strongly Disagree, 2=Disagree, 3= Undecided, 4=Agree, and 5=Strongly Agree. The results were as shown in Table 4.5. The table shows that the responses had a mean of >3.0 which implies that Enforcement on uptake of Tax Amnesty highly affects uptake of tax amnesty by property owners in Mombasa.

Referring to Table 4.5, respondents disagreed that tax amnesty in real estate was enforced well by KRA. This is demonstrated by a (mean = 3.59, SD=.567). KPMG, (2015) affirms that “a robust legal framework boosts taxpayer’s confidence and encourages taxpayer’s willingness to participate. This indicates that there is need for enhanced enforcement of tax amnesty. Furthermore, it was agreed with (mean = 4.44, SD = .761) that failing to come out during amnesty for tax offenders in real estate will be costly to the taxpayers. On whether tax consultant help real estate owners during tax amnesty had (mean=4.58, SD=.581). In agreement of their views (Palil,2010) noted that knowledge about taxation, the merits of taxation and the perils of non-compliance remain a crucial inhibition to tax compliance in many countries and there was need to involve experts. Finally, with (mean=3.52, SD=.619) respondents disagreed that real estate owner’s trend on tax

compliance since introduction of tax amnesty have been moving upwards. In support of their views (Fox & Murray, 2011) affirms that tax amnesty on tax revenue do lose their influence over revenue in the long term. In their support Kilonzo (2012) on examining the effects of tax amnesty on revenue and growth in Kenya, concluded that there is no positive impact on tax revenue collection and compliance level. In line with this, Alm, Martinez & Wallace, (2009) affirms that “a reprieve has no effect on compliance”. In light of the foregoing discussion, it is evident that the effectiveness of tax reprieves is debatable.

Table 4.5: Enforcement of Tax Amnesty

	N	Mean	Std. Deviation
Tax amnesty in real estate was not enforced well by KRA.	152	3.59	.567
Failing to come out during amnesty for tax offenders in real estate will be costly to the taxpayers.	152	4.44	.761
Did your tax consultant help you during tax amnesty.	152	4.58	.581
Your firms trend of tax compliance since tax amnesty have been upward moving.	152	3.52	.619
Overall mean		4.03	

4.5.2 Taxpayer Education

The study further sought to determine the effect of taxpayer education on uptake of tax amnesty by real estate owners in Mombasa. Using a Likert scale of 1=Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree, and 5 = Strongly Agree. Table 4.6 below shows the findings in regards to extent to which Taxpayer Education affects uptake of tax amnesty by real estate owners in Mombasa. The results shows that the responses had a mean of >3.0 which implies that taxpayer education highly affects uptake of tax amnesty by real estate owners in Mombasa.

Based, on the findings as indicated in Table 4.6, with a (mean = 4.90, SD = .299) respondents agreed that mode of disseminating information affects uptake of tax amnesty. In support of their views (Palil, 2010, Eriksen & Fallan, 1996) noted that tax education and knowledge about tax laws has great effect in determining taxpayers' compliance behavior. Additionally, they observed that adopting interactive websites, call centers, and offering reminders via television, internet, mobile phones and radio to remind taxpayers of deadline dates for tax return filings as in the case of USA, England and Australia, increases compliance level. In support of this, (Adimassu & Jerene, 2016; Santi, 2012) adds that tax compliance is positively related with education level of tax payers and has significant impact on taxpayer compliance. However, on contrary the study by Tadesse & Goitom (2014) carried in Mekele city revealed that the level of education of tax payers is insignificant for the improvement of tax compliance level. On the issue of attitude of revenue officers from KRA, it was agreed with (mean = 4.30, SD = .550) that the attitude of tax officers affects tax compliance level. This is in line with (Mpambara, Byiringiro & Donatila, 2013) findings who observed that "taxpayers can develop a positive or negative attitude towards tax in general and tax compliance in particular". In the words of Ajzen (2011) "an individual will appraise an action or object positively or negatively and can become a major feature of an individual's attitude towards tax officers or authority". This implies that to achieve tax compliance, the environment, culture, behaviour, background, peer influences, which helps to shape an individuals' attitude cannot be downplayed. Aronmwan, *et al.* (2015), Chebusit *et al.* (2014), Paper *et al.*(2016), Beza (2014). On whether punitive measures encourages uptake tax amnesty, respondents disagreed as demonstrated with a (mean=3.41, SD=.540). Their views were supported by study of Waithira (2016) and Oladipupo & Obazee (2016) who showed that there is insignificant effect between fines and penalties and residential rental income tax compliance by real estate owners. In addition (Pambudi, Restianto, 2015) acknowledges that despite the penalties to ensure tax compliance, taxpayers may not fully comply. This implies that penalties do not deter tax evasion. In the words of Modugu & Anyaduba (2014) "tax penalties and enforcements have a tendency to negatively and significantly influence tax compliance". This implies that an increase in penalty will have a tendency to decrease tax

compliance. Finally, respondents strongly agreed that reputation of the media used to relay education as demonstrated with (mean=4.77, SD=.422) that reputation of the media used to relay education on tax amnesty affects uptake of tax amnesty.

Table 4.6: Taxpayer Education

	N	Mean	Std. Deviation
Mode of disseminating information	152	4.90	.299
Attitude of revenue officers from KRA	152	4.30	.550
Punitive measures encourages uptake of tax amnesty	152	3.41	.540
Reputation of the media used to relay education On tax amnesty	152	4.77	.422
Overall mean		4.36	

4.5.3 Politics on Uptake of Tax Amnesty

The researcher sought to investigate effect of politics in uptake of tax amnesty by real estate owners in Mombasa. Using a five point Likert scale of 1-5 where 1=Strongly Disagree, 2=Disagree, 3= Undecided, 4=Agree, and 5=Strongly Agree. The results were as shown in table 4.7. The table shows that the responses had a mean of >3.0 which implies that politics highly affects uptake of tax amnesty by real estate owners in Mombasa, Kenya.

Based, on the findings as indicated in table 4.7, with (mean = 4.22, SD = .745) respondents agreed that new government affects uptake of tax amnesty. On the issue of campaigning season, it was agreed with (mean = 4.47, SD = .690) that campaigning season have positive influence on uptake of tax amnesty. In support of this (Fisman 2001, Jayachandran 2006, Knight 2006, Acemoglu *et al.* 2014) agrees that political connections have effects on firm performance , but direct evidence on underlying channels is much more limited (Akey 2013,Faccio *et al.* 2006). On whether new government policies affects uptake tax amnesty had (mean=4.62, SD=.597).Their agreement is in support of (Adnan, Ali, Asim & Monica,

2017) findings that, “politically driven tax policy that results in special rates and exemptions of tax, often moves countries away from best practices in both tax policy and administration, potentially resulting in large economic distortions” Finally, respondents strongly agreed as demonstrated with (mean=4.76, SD=.431) that elected officials act in their self-interest other than social interest. This affirms Khan (2014) observations that “politic is one factor that explains failure to pay taxes owed in the property tax”.

Table 4.7: Politics

	N	Mean	Std. Deviation
New Government	152	4.22	.745
Campaigning Season	152	4.47	.690
New Government policies	152	4.62	.597
Elected officials act in self-interest other than social interest	152	4.76	.431
overall mean		4.52	

4.5.4 Uptake of Tax Amnesty

Finally, the researcher sought to find out the importance of uptake of tax amnesty using a five point Likert scale of 1-5 where 1=Strongly Disagree, 2=Disagree, 3=Not Sure, 4=Agree, and 5=Strongly Agree. The results were as shown in table 4.8. And, a mean of >3.0, it implied that uptake of tax amnesty affects on real estate in Mombasa, Kenya. Based on results findings as shown in table 4.8, respondents agreed with (mean=4.05, SD=.210) that low uptake of tax amnesty is due lack of enforcement measures 4.05, SD=.210). On whether temporary tax amnesty will encourage uptake of tax amnesty (mean=4.95, SD=.210). With (mean=4.57, SD=.490) respondents were in agreement that increased audit rate will increase uptake of tax amnesty and compliance. Their views were in agreement with (Agumas, 2016) observations that, tax audit significantly contribute to tax payer’s compliance. In support of this (Aff, 2018) adds that “the level of voluntary tax compliance is significantly related with audit productivity”. In contrary Yidersal (2014)

opines that tax audit does not have any meaningful impact on tax compliance behavior. Further, it was agreed with (mean=4.69, SD=.491) that low uptake of tax amnesty is due lack of trust from government. In support of this (Niftakul Isnaini, 2017) noted that decreased tax compliance is due to lack of trust to the tax authorizes and tax rules.

Table 4.8: Uptake of Tax Amnesty

	N	Mean	Std. Deviation
Low uptake of tax amnesty is due lack of enforcement measures.	152	4.05	.210
Temporary tax amnesty will encourage uptake of tax amnesty.	152	4.95	.210
Increased audit rate will increase uptake of tax amnesty and compliance.	152	4.57	.490
Low uptake of tax amnesty is due lack of trust from government.	152	4.69	.491
Overall mean		4.57	

4.6 Correlation Analysis between Variables

To establish the relationship between the independent variables and the dependent variable, the study conducted correlation analysis which involved coefficient of correlation and coefficient of determination.

4.6.1 Coefficient of Correlation

Pearson Bivariate correlation coefficient was used to determine the correlation between the dependent and independent variables. The independent variables were (Enforcement, Taxpayer Education and Politics). The dependent variable was Tax Uptake Amnesty. As stated by Sekaran, (2015), the correlation is expected to take a linear trajectory with its coefficient ranging from -1.0 (implying a perfect negative correlation) to +1.0 (implying a perfect positive relationship). Computation of correlation coefficient helps in establishing

the strength of the relationship between independent variables and dependent variable (Kothari and Gang, 2014).

Table 4.9 shows bivariate linear relationship between the study variables. The findings of the correlation analysis indicated that there is a significant strong positive correlation between enforcement and tax uptake amnesty in Mombasa, Kenya ($r=0.944$, p -value= 0.000). This implies that an increase of enforcement led to an increase in tax uptake amnesty in real estate in Mombasa. This affirms (KPMG, 2015) report that enforcement based on a robust legal framework, encourages taxpayers to willingly participate in taking tax amnesty. Regarding of taxpayer education, the correlation coefficient was also positive ($r = 0.914$, p -value = 0.000). This concurs with (Adimassu & Jerene, 2016; Santi, 2012) findings that tax compliance is positively related with education level and has significant impact on taxpayer compliance. This means that an increase in taxpayer education would leads to an increase in uptake of tax amnesty by real estate owners in Mombasa. Finally, regarding politics, the correlation coefficient was negative ($r = -0.943$, p -value = 0.000). This means that an increase in politics leads would to a decrease in the uptake of amnesty by real estate owners in Mombasa. Thus, the results suggest that enforcement, taxpayer education and politics significantly affects uptake of tax amnesty in real estate in Mombasa. This further implies that the variables could be selected for statistical analysis like regression analysis.

Table 4.9: Correlations

	Tax_Uptake_Amnesty	Enforcement	Education	Politics
Tax_Uptake_Amnesty	1			
Sig. (2-tailed)				
Enforcement	.944**	1		
Sig. (2-tailed)	.000			
Education	.914**	.949**	1	
Sig. (2-tailed)	.000	.000		
Politics	-.943**	.964**	.967**	1
Sig. (2-tailed)	.000	.000	.000	

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

4.6.2 Regression Analysis

In order to answer the research questions, a standard multiple regression analysis was carried out using uptake of tax amnesty as the dependent variable, and the three investigations factors, Enforcement of tax amnesty, Taxpayer Education, Politics on uptake of tax amnesty by real estate owners in Mombasa, Kenya. Table 4.10 presents the model regression results. From the model summary it is clear that the adjusted R^2 was 0.908, explaining 90.8% of the variance of the independent variable (Enforcement of tax amnesty, Taxpayer Education, and Politics) indicating that; Enforcement of tax amnesty, Taxpayer Education, and Politics have significant effect on uptake of tax amnesty by real estate owners in Mombasa. Thus factors not studied in the research contribute 9.2% of uptake of tax amnesty by real estate owners in Mombasa.

Table 4.10: Model Summary

Model R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.953a	.908	.328

a Predictors: (Constant), Politics, Enforcement of tax amnesty, Taxpayer Education

The ANOVA Table 4.11 shows that the regression model can be used to explain the factors affecting the uptake of tax amnesty by real estate owners in Mombasa, Kenya as $P=0.000$ which is significant at 95% confidence level.

Table 4.11: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	157.059	3	52.353	486.257	.000b
	Residual	15.934	148	.108		
	Total	172.993	151			

a Dependent Variable: Tax_Uptake_Amnesty

b Predictors: (Constant), Politics, Enforcement of tax amnesty, Taxpayer Education

The probability value of 0.000 indicates that the regression relationship was significant in establishing how Politics, Enforcement of tax amnesty and Taxpayer Education affects tax uptake amnesty by real estate owners in Mombasa, Kenya. The F calculated at 5 percent level of significance was 486.257. Since F calculated is greater than the F critical (Value = 2.2899), the overall model was considered significant.

Table 4.12: Coefficients

Model		Unstandardized Coefficients			Standardized Coefficients	
		B	Std. Error	Beta	t	Sig.
1	(Constant)	10.684	.536		19.941	.000
	Enforcement	.231	.043	.520	5.377	.000
	Taxpayer Education	.210	.071	.097	2.958	.000
	Politics	-.256	.057	-.536	4.485	.000

a Dependent Variable: Tax_Uptake_Amnesty

4.6.3 Regression Coefficient

Table 4.12 presents the regression results on how Enforcement of tax amnesty, Taxpayer Education, and Politics affect uptake of tax by real estate owners in Mombasa, Kenya. The multiple regression model equation: $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$, hence multiple regression equation become;

$$Y = 10.684 + 0.231X_1 + 0.210X_2 + 0.256X_3.$$

As depicted in the above equation, there was a positive and significant effect of Enforcement of tax amnesty ($\beta_1 = 0.231$; $t = 5.377$; $p < 0.05$). There was positive and significant effect of Taxpayer Education ($\beta_2 = 0.210$; $t = 2.958$; $p < 0.05$). However, there was a negative and significant effect of politics ($\beta_3 = -0.256$; $t = 4.495$; $p < 0.05$).

The regression equation established that taking (Enforcement of tax amnesty, Taxpayer Education, and Politics) at zero, Uptake of tax amnesty by real estate owners in Mombasa would be 10.684. The results finding also revealed that taking all other independent variables at zero, a unit increase in Enforcement of tax amnesty would lead to a 0.231 change in uptake of tax amnesty by real estate owners in Mombasa. A study also found out that a unit increases in Taxpayer Education would lead to a 0.210 increase in uptake of tax amnesty by real estate owners in Mombasa. This concurs with Razak & Adafula, (2013) argument that “the levels of understanding of tax laws by taxpayers are positively correlated to a significant degree with their tax compliance decisions”. It was also found that a unit increase in politics would lead to a -0.256 decrease in the uptake of tax amnesty by real estate owners in Mombasa. This concurs with Karanja, (2014) study finding on Nairobi landlords that where tax payers perceive that their interest are well taken care of in political institutions and their taxes are put into proper utilization, voluntary tax compliance level increase, whereas where corruption in government is wide spread the taxpayers will lack trust in the authority, hence low compliance level (Smith & Stalans, 1991).

In overall, enforcement of tax amnesty had the greatest effect in the uptake of tax amnesty by real estate owners in Mombasa followed by taxpayer education, while politics had the

least effect on uptake of tax amnesty by real estate owners in Mombasa, Kenya. All studied variables were significant since their p-value were less than 0.05.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter provides a summary of the findings in the previous chapter and conclusion based on the summary findings in relation with literature reviewed. It also presents recommendations as per objectives researched on. Finally, the study gives suggestion on areas for further research considerations in relation to factors affecting voluntary tax compliance on rental income among real estate owners in Mombasa South region.

5.2 Summary

Study based on an investigation on factors affecting voluntary tax compliance on rental income among real estate owners in Mombasa South region. The study comprised of 152 respondents drawn from KRA management, real estate owners and real estate agents based in Mombasa South region.

5.2.1 Enforcement of Tax Amnesty

The first objective of the study was to investigate whether enforcement has an effect on uptake of tax amnesty by real estate owners in Mombasa, Kenya. The study looked at whether tax amnesty in real estate was not well enforced by KRA with a mean of .3.59, followed by failing tax offenders to come out during amnesty and whether it will be costly to the taxpayers with a mean of 4.44, and finally, whether tax consultant help taxpayers their during tax amnesty with a mean of 4.58.

When enforcement was correlated with tax amnesty, there was a significance of a positive Pearson correlation of ($r=0.944$ with p-value less than 0.05). These findings were also supported by the regression model as indicated by table 4.12. According to the regression model enforcement was found to have a positive and significant regression of 0.231. With an overall mean of 4.03, it signifies that enforcement of tax amnesty has great effect on

uptake of tax amnesty. Thus, adoption of enforcement legal framework would significantly address challenges of tax amnesty uptake.

5.2.2 Tax Payer Education

The second objective of the study was to determine whether taxpayer education on tax amnesty has an effect on its uptake by real estate owners in Mombasa, Kenya. The study looked at mode information dissemination with a mean of 4.90, reputation of the media used in relying education on tax amnesty with a mean of 4.77, and finally, whether punitive measures encourages uptake of tax amnesty with a mean score of 3.41.

When taxpayer education was correlated with uptake of tax amnesty, there was a positive and significant Pearson correlation ($r=.914$ with p-value less than 0.05). The finding was also supported by regression model as shown in Table 4.12. According to the regression model taxpayer education was found to have a positive and significant regression of 0.210. This implies that taxpayer education has great effect on uptake of tax amnesty as demonstrated by overall mean of 4.36. Thus adoption of aggressive taxpayer education would significantly address challenges of tax amnesty uptake.

5.2.3 Politics on Uptake of Tax Amnesty

The third objectives of the study was to determine the effect of politics in uptake of tax amnesty on real estate in Mombasa, Kenya. The study examined at campaigning season which recorded a mean of 4.47, followed by new government policies with a mean score of 4.62 and do whether elected officials act in their self interest rather than social interest which recorded a mean of 4.76.

When politics was correlated with uptake of tax amnesty, there was a positive and significant Pearson correlation ($r=-.943$ with p-value less than 0.05). The finding was also supported by regression model as shown in Table 4.12. According to the regression model politics was found to have a negative and significant regression of -0.256. This implies that politics has negative effect on uptake of tax amnesty. Thus adoption of politics strategy would significantly affect uptake of tax amnesty uptake.

5.3 Conclusion

5.3.1 Enforcement of Tax Amnesty

On the first objective enforcement of tax amnesty underscores Kilonzo (2012) findings and conclusion that enforcement of tax amnesty is only effective in a short term. In line with this, Alm, Martinez & Wallace, (2009) affirms that “a reprieve has no effect on compliance”. In testing the relevance of enforcement of tax amnesty or adopting M&E mechanism, it was found necessary in support of (KPMG, 2015) that enforcement by KRA based on a robust legal framework, would encourage taxpayers to willingly participate in taking tax amnesty. In line with this (Niftakul Isnaini, 2017) affirms that decreased tax compliance is due to lack of trust to the tax authorizes and tax rules. Therefore, it can be concluded that enforcement with a robust legal framework would increase the level of tax compliance in long term among real estate owners in Mombasa.

5.3.2 Tax Payer Education

On second objective, study concluded that taxpayers lacked the knowledge about tax amnesty and their compliance obligations. This lack of education affects how the property owners comply with tax remittance. This concurs with Razak & Adafula, 2013) argument that “the levels of understanding of tax laws by taxpayers are positively correlated to a significant degree with which taxpayers make their tax compliance decisions”. In support of this argument (Rashid & Noor (2004), in their study that was based in Malaysia, also affirmed that a taxpayer with tax knowledge recorded high rate of compliance to the taxation system as opposed to those who did not have that knowledge. Additionally, Therkildsen (2004) in his study on tax compliance concluded that tax counseling aimed at ensuring that taxpayers understood their duty to comply with taxation system would improve their compliance level. It can thus be concluded that lack of taxpayer education on tax amnesty negatively affected uptake of tax amnesty by real estate owners in Mombasa.

5.3.3 Politics on Uptake of Tax Amnesty

The third objective based on effect of politics on uptake of tax amnesty, study concluded that politics negatively affect how the real estate owners compliance on uptake tax amnesty. It can thus be concluded that politics on tax amnesty negatively affects uptake of tax amnesty by real estate owners in Mombasa. This concurs with (Adnan, Ali, Asim & Monica, 2017) observations that, “politically driven tax policy that results in special rates and exemptions of tax, often moves countries away from best practices in both tax policy and administration, potentially resulting in large economic distortions” This affirms Khan (2014) observations that “politic is one factor that explains failure to pay taxes owed in the property tax”. It can thus be concluded that political meddling greatly affects tax amnesty uptake by real estate owners in Mombasa.

5.4 Recommendations

From the findings and conclusion of the study on factors influencing the uptake of tax amnesty, the researcher would like to make the following recommendations;

From the findings it was shown that tax amnesty in real estate was not well enforced by KRA, it is therefore recommended that KRA should transform enforcement to amore tax payer friendly organization and revamp the enforcement department. The authority should simplify amnesty procedures for easy understanding and application by tax payers. It also worth recommending that tax payers be sensitized on the need to be tax compliant and take amnesty when offered.

Consultant should also be sensitized on tax amnesty matters to empower them, give proper advice to tax payers. As for the tax compliance trend tax amnesty should be rarely offered to encourage non-compliant tax payer to comply. Auditors should also be sensitized on tax loss so that they can be able to discharge their audit mandate and offer proper advice to tax payers.

It is also recommended that, the mode of disseminating information about amnesty should be well thought out and should have a wide coverage so as to reach majority of tax payers.

KRA officers should also have a positive attitude towards amnesty and should be alert to facilitate tax payers. On the whether the authority has punitive ways of dealing with defaulters; it's recommended that the authority should have stringent and firm punitive action against non-filers to encourage others to comply. Finally the media used to relay education on tax amnesty should of impeccable reputation and a wide coverage, and this should also be complemented by social media platform.

Since most tax payers are reluctant to comply due to frequent amnesty, the authority should reduce the number of amnesty offered in particular period. And also the revenue officer should a proactive and industrious approach to amnesty while stiff action should be taken on non-filers as way of punishment.

It is recommended that there is need to establishment the motive and willingness of a political class and their influence in the uptake of tax amnesty. Amnesty should not be used a political tool.

5.5 Suggestions for Further Study

Non voluntary tax compliance on rental income by real estate owners not only from Mombasa South but countrywide is high. Majority of these real estate owners fails to file return on rental income as revealed in the study. Some who files return on rental income end up under reporting their taxable income or misrepresenting expenses. The researcher recommends that further study be carried on the other factors that might influence the uptake of tax amnesty. Again further study also need to be done on the same topic but covering a different location other than in Mombasa South so as to determine whether there exist some variances in the findings.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

TO WHOM IT MAY CONCERN,

Dear Sir/Madam,

RE: PERMISSION TO CONDUCT PGD RESEARCH IN YOUR FIRM.

I am a Post Graduate Student at Kenya School of Revenue Administration. As part of my post graduate degree requirement, I am required to conduct a field study in the factors that affect the uptake of tax amnesty in real estate. The title of my study “An Analysis of Factors that Affect the Uptake of Tax Amnesty in Real Estate in Mombasa, Kenya Case Study of Mombasa South”

I am pleased to let you know that your organization falls within the population of interest. This is therefore to kindly request you to assist me collect data by filling the accompanying questionnaire. On behalf of the University, my supervisors and I promise that the information gathered will strictly be used for academic purpose only and that no information shall be divulged to the third party without your consent or prior authority for that matter. The copy of the final report will be made available to you on demand. Thank you in advance for your co-operation.

Yours faithfully,

Muchiri Wanjohi

APPENDIX II: QUESTIONNAIRE

This questionnaire is aimed at collecting data purely for academic purposes. The study seeks to determine the factors that affect the uptake of tax amnesty in Mombasa, Kenya. All information received will be treated with strict confidence.

Kindly take a few minutes and ANSWER all questions indicated by either filling in the blank or ticking the option that applies. Your participation in facilitating this study is highly appreciated.

Section A: Background Information

A1) Name of the Business/Taxpayer

(Optional).....

A2) Please enter your title / position within the business

Top management level []

Middle management level []

Real estate owner []

Real estate agent []

Other manager based on the organization setting (Specify).....

Business/Taxpayers Characteristics

A3) How many years has the firm been operating?

1) Less than 3 years ()

2) Between 3 - 5 years ()

3) Between 6 – 10 years ()

4) Above 10 years ()

A4) Which range below best describes your business's most recent annual rental turnover?

- A- Less than Ksh 5 000,000 ()
- B- Ksh 5,000,000 - Ksh 50,000,000 ()
- C- Ksh 50,000,000 - Ksh 100,000,000 ()
- D- Ksh 100,000,000 - Ksh 1,billion ()
- E- Ksh 1 billion - Ksh 2 billion ()
- F- Ksh 2 billion - Ksh 5 billion ()
- G- Ksh 5 billion - Ksh 10 billion ()
- H- Ksh 10 billion - Ksh 30 billion ()
- I- More than Ksh 30 billion ()

A5) Number of residents (Tick One)

- Less than 50 ()
- Between 51 -100 ()
- Between 101-500 ()
- Between 501-1000 ()
- Above 1000 ()

Section B: Enforcement of Tax Amnesty

On a scale of 5-1 where 5= strongly agree, 4= agree, 3= undecided, 2= disagree and 1= strongly disagree, please indicate by putting a (√) tick on the number to show the extent of your agreement with each statement below.

Enforcement of Tax Amnesty	1	2	3	4	5
Tax amnesty in real estate was enforced well by KRA.					
Failing to come out during amnesty for tax offenders in real estate will be costly to the taxpayers.					
Did your tax consultant help you during tax amnesty?					
Your firms trend of tax compliance since tax amnesty have been upward moving.					

Section C:

On a scale of 5-1 where 5= strongly agree, 4= agree, 3= undecided, 2= disagree and 1= strongly disagree, please indicate by putting a (√) tick on the number to show the extent of your agreement with each statement below.

Effects of Taxpayer Education on uptake of Tax Amnesty					
Taxpayer education effect	1	2	3	4	5
Mode of disseminating information					
Attitude of revenue officers from KRA					
How punitive are tax punishments					
Reputation of the media used to relay education on tax amnesty					

Section D: Politics

On a scale of 5-1 where 5= strongly agree, 4= agree, 3= undecided, 2= disagree and 1= Strongly disagree; please indicate by putting a (√) tick on the number to show the extent of your agreement with each statement below.

Political affairs	1	2	3	4	5
New Government					
Campaigning Season					
New Government policies					

Section E: Uptake of Tax Amnesty

On a scale of 5-1 where 5= strongly agree, 4= agree, 3= undecided, 2= disagree and 1= strongly disagree, please indicate by putting a (√) tick on the number to show the extent of your agreement with each statement below.

Uptake of Tax Amnesty	1	2	3	4	5
Low uptake of tax amnesty is due lack of enforcement measures.					
Temporary tax amnesty will encourage uptake of tax amnesty.					
Increased audit rate will increase uptake of tax amnesty and compliance.					
Low uptake of tax amnesty is due lack of trust from government.					

THANK YOU