

**FACTORS AFFECTING ELECTRONIC TAX FILING ON CONSULTANCY FIRMS IN
NAKURU TOWN, KENYA**

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DECLARATION

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

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DEDICATION

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ABSTRACT

The tax law has become increasingly complex and complexity has come to be recognized as a possible reason for tax non-compliance. In the context of tax compliance decisions, complexity should include two dimensions, excessive detail in the tax rules and numerous computations required. This study seeks to establish the factors affecting electronic tax filing on withholding tax payment among SMEs in Kenya: A case of consultancy firms in Nakuru Town. The study was guided by the following objectives: to determine the effect of internet availability on withholding tax payment among SMEs in Kenya; to assess the effect of system convenience on withholding tax payment among SMEs in Kenya; to find the effect of electronic tax filing security on withholding tax payment among SMEs in Kenya. The study will be grounded on the Technology Acceptance Model Theory, Economic Deterrence Model Theory and The Allingham and Sandmo Theory and planned Behavioural Theory. The study adopted a descriptive research design and targeted employees of consultancy firms in Nakuru Town, specifically those dealing with financial records and tax. A semi- structured questionnaire was used to collect primary data from the respondents. Responses in the questionnaires were tabulated, coded and processed by use of quantitative method of data analysis. It is the recommendation of this research report that more friendly tax policies be employed for startup businesses such as tax holiday, or introducing a growth limit with a level that is sufficiently stable to sustain payment of taxes. The study is further of the view that the Tax agency, KRA, need to review its taxation procedures as well as heightened research on firm's management procedures, the role of taxation policy and distribution of taxes in micro enterprises.

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ABBREVIATIONS AND ACRONYMS

ETR-	Electronic Tax Registers
ICT-	Information and Communications Technologies
IRB-	Inland Revenue Board
ITMS-	Integrated Tax Management System
KRA-	Kenya Revenue Authority
SARS-	South African Revenue Services
SMEs-	Small and medium-sized enterprises
VAT-	Value Added Tax

DEFINITION OF TERMS

Internet Availability: is the ability of individuals and organizations to connect to the internet using computer terminals, computers, and other devices; and to access services.

System Convenience: convenient procedures, products and services are those intended to increase ease in accessibility, save resources (such as time, effort and energy) and decrease frustration.

Electronic Tax Filing: is a system for submitting tax documents to a revenue service electronically, often without the need to submit any paper documents.

Tax Payer: A person who pays taxes(mowen,1987)

Tax : Is amandatory financial charge or some other type of levy imposed upon atax payer by astate or the functional equivalent of astate.

VAT :is the equivalent of asales tax to every operation that creates value.

Withholding tax : is an amount that employers withhold from an employees paycheck and remit to local and federal taxing authorities on behalf of the employee.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Governments are adopting Information and Communications Technologies (ICT) to improve on service delivery, beautify comfort amongst citizenry and boom accessibility to government information is on the rise (Wenzel, 2015). Introduction of the digital tax filing is a prime form of virtual government services (Kosher&Tania, 2016). The diverse governments inside the global are also introducing virtual tax filing a good way to accumulate extra tax administrative and compliance performance (Miller and Oats, 2016). Governments around the arena are introducing virtual filing of the tax returns due to the numerous blessings associated with it (Wenzel, 2015). Electronic filling of tax returns changed into first completed inside the United States of America in 1986 (Otieno, 2017). Several international places in each the developing and advanced global places have considering the reality that observed the digital submitting gadget. For instance, Uganda via the Uganda Revenue Authority (URA) added Electronic filling of tax in 2009 (Adyta, 2013). In South Africa, the services had been introduced in 2003 with the aid of manner of the South African Revenue Services (SARS) with enormous dispositions in 2006 whilst in Malaysia, the services become applied via the Inland Revenue Authority (Miller and Oats, 2016).

In South Africa, there are 3 methods of tax returns collectively with the manual returns, digital filling (e filing) of tax returns and digital primarily based definitely shape submitting of tax returns (Trendier, 2016). The guide tax returns encompass filing the guide tax go back paperwork from the South African Revenue Services (SARS) and returning the finished forms to the authority. The digital shape filing entails filling the manual equal of the form electronically and printing the form for submission to the authority (Trandafir, 2016). The E filling of the tax returns in South Africa includes the digital filling and submission of the tax returns (Osiemo, 2017). There are several advantages which have been found out inside the South African context in regards to on line tax returns. These includes extended time for tax payers to put up their returns this is up to January of the previous 12 months instead of October of a modern-day three hundred and sixty five days for the tax returns (Osiemo, 2017). The crucial demanding situations with the e-submitting of the tax returns in South Africa covered software requirements of the SARS software that applied adobe acrobat eight

software. This software program required at the least a Pentium 11 computer to run which changed into no longer widely available in South Africa at the time of e filing creation. The problem of complete on-line help menus turned into a venture in addition to the navigation of the e filing internet site on line (Trandafir, 2016).

In Malaysia, the Inland Revenue Board (IRB) added the electronic filling of the returns (e submitting) (Lee, 2015). The E filling in Malaysia involved 4 simple steps this is enrollment and verification of the virtual signature, the coming into of the gross profits, alleviation and deductions earlier than the system automatically calculates the tax quantity due. The IRB gets the submission electronically and the tested tax shape again emailed returned to the taxpayer (Lee, 2015). Lee (2015) notes that the challenges encountered within the use of the e-filing in Malaysia included technological disturbing situations along with necessities, statistics integration, legacy preservation, privateness and security.

In Kenya, the earliest form of the internet filing of tax returns have become thru the implementation of the Integrated Tax Management System (ITMS) in 2013(Ngotho & Kerongo, 2014). This was to facilitate the web bills of Value Added Tax (VAT), Cooperate Tax amongst others (Miller and Oats, 2016). The ITMS also linked the Electronic Tax Registers (ETR) devices (registers) to permit simplification of the VAT declarations. The ITMS enabled the taxpayers to adopt virtual filling. In the context of the tool necessities, the ITMS required net explorer 7 or higher of Mozilla Firefox 3.Zero.Three (Mandola, 2013). Kenya Revenue Authority (KRA) end up to later phase out the ITMS and replaced it with the iTax device. The iTax enabled the taxpayer to adopt internet primarily based completely registration, submitting, paying and status inquiries with actual time tracking of the accounts (Mandola, 2013). The digital submitting or online filing of tax returns is a famous time period for digital filing or electronic lodgment or electronic assertion of tax returns through submission of tax data to a taxing authority in a computer file format thru an internet connection (Odongo, 2014). On the other hand, Mandola (2013) defines virtual filing as an internet based machine that allows the taxpayers to sign up and submit their tax returns over the net. The platform or machine could have a constructed in software program software that has been pre-accepted with the useful resource of the relevant tax authority to help the taxpayers in calculating and therefore positioned up an appropriate amount of tax due

(Mandola, 2013). The e-filing consists of the procedure of registration, tax steering, tax filing and tax rate (Odongo, 2014). The taxpayer calls for get right of entry to to a pc, the tax software software, a reliable net connection and the expertise to utilize the electronic submitting (Miller and Oats, 2016).

Among the blessings of electronic tax filing consist of convenience of the taxpayers as they are able to document tax returns at home or cybercafés, and gets rid of or reduces errors associated with guide submitting because the machine automobile exams the application (Osebe, 2013). Other advantages embody decreased workload and charge for the tax collector amongst amongst others (Simiyu, 2013). However, there are annoying situations related to the internet filing alongside taxpayer's perception, worrying conditions associated with getting to know the digital submitting system from provider provider, restricted accessibility of net infrastructure and digital filing gadget down instances (Odongo, 2014). Several nations have had particular testimonies regarding the electronic filing of tax returns.

Turnover tax is a tax underneath the Income Tax Act Cap 470 laws of Kenya delivered below the subsidiary law; The Income Tax (Turnover Tax) Rules 2007. The rule was to take impact from the first January, 2008, with the aid of any resident man or woman whose profits from commercial enterprise is gathered in or derived from Kenya, and turnover does now not exceed 5 million shillings in the course of any yr of earnings (Njiraini, 2017). However, notwithstanding the availability, turnover tax shall now not apply to; condo earnings and management or expert costs or schooling costs; the income of integrated corporations; or any income which is situation to a final withholding tax beneath the Act. Efforts have been made to transport from Tax noncompliance that is a number of activities which can be detrimental to a kingdom's tax system. This might also include tax avoidance, that is tax discount by means of felony manner, and tax evasion which is the criminal non-price of tax liabilities. The use of the term 'noncompliance' to consult tax avoidance, but, isn't typical or trendy, and similar phrases also are used differently by exclusive authors (Wenzel, 2015).

Although governments ought to invest in tax collection activities, a number of the charges, specifically for preserving records and filling out bureaucracy, are borne thru organizations and with the aid of non-public people. These are collectively referred to as expenses of compliance. More complicated tax structures will be inclined to have better compliance

charges. This truth may be used as the idea for realistic or moral arguments in favour of tax simplification (consisting of the Fair Tax or One Tax, and some Flat Tax proposals). Tax is an essential go with the flow of revenue for government's improvement obligations and therefore all efforts have to be made via the usage of governments to ensure that its miles correctly and correctly accumulated to be able to facilitate the authorities's operations.

A study by means of manner of parliamentary Budget Office (2013) shows that, the government misplaced ksh.Sixty three.Five billion, ksh.69.73 billion and ksh.Seventy 9.273 billion in 2006, 2007 and 2008, respectively. In different words, in 2008, through bringing the SMEs in reality into the tax net, the government could have improved the tax base thru approximately 7.Sixty six percent factors, translating to revenue nicely well worth ksh.79.Three billion. If the SME financial gadget stays untaxed, the authorities will keep losing billions of shillings in terms of sales and as greater human beings flow into the informal quarter to break out the burdensome taxation, it becomes more and tougher for the government to hit its sales goals. Given the destabilizing results of the price range deficits and the truth that they've been turning into unsustainable, the Kenya government came up with measures to cope with this trouble the most fantastic economic policy proposals followed being the tax modernization programme (TMP) and the Budget Rationalization Programme (Moyi & Muriithi, 2014).

A proposal became debated via the government in 2004/2005 to increase VAT threshold from ksh.3million to Khs.5million.The general number of taxpayers envisaged to have been in that bracket modified into about sixty six,000. Out of this quantity, 52,000 have been falling below ksh.Five million. A new tax to introduce individuals who did no longer qualify for VAT changed into designed. The finance Act of 2007 named the tax as Turn Over tax (Njiraini, 2017). Most of the micro and small traders either hold incomplete commercial enterprise facts or do now not keep any facts in any respect. Attributed to low ranges of education attained through majority of the buyers. To beautify their tax compliance, there was want to isolate the SMEs from the modern tax regime in accordance with worldwide first-rate practice (Martin, 2013). The objective of introducing TOT turn out to be geared inside the route of bringing the casual area into the tax internet and to simplify techniques for

the SMEs via; simplifying tax procedures, simplifying tax computation and simplifying report keeping.

Derwent (2013) in a case examine on taxation behaviour in five exceptional nations (USA, Gambia, Nigeria, South Africa and Kenya), concluded that progressed tax burden is a top notch danger. The consequences show that the increase in tax costs ends in higher manufacturing, distribution and selling fees which cause better prices and as a quit end result clients change their searching for behaviour. Management overall performance is the capability of the manage to emerge as privy to degree and control the dangers of a employer operation, and guarantee the safe and powerful operation in achievement of pertinent laws and policies which includes submission and fee of withholding tax (Ongore &Kusa, 2013). The performance of manage is likewise regularly shown with the aid of subjective assessment of management systems, organization area, control structures and tax responsibilities.

There is a low rate of tax compliance in Kenya as a result of structural as well as taxpayers' mind-set closer to taxation. A big section of the casual quarter, specially the SMEs ,do now not comply to tax remittance (KRA, 2015). It is estimated that tax compliance turned into rated at 65% and sixty six.Nine% for the monetary years 2010 and 2013 respectively with VAT being the least complied tax machine (KRA, 2015). Significant tax reform techniques aimed at enhancing universal tax compliance continue to be designed and evolved particularly over the past ten years. The government has been pressured to refocus its refinement of inner financing with the only intention of targeting mortgage repayments in addition to amassed hobby at the identical time bridging finances deficit that is ever growing (Ali, Fjeldstad & Sjursen, 2014).

Low tax revenues especially inside the brief run as opposed to the long time has been one of the remarkable problems which have continued to halt the Kenyan monetary system because it tries to reform its economic insurance (Ngotho & Kerongo, 2014). The low price of tax compliance leading to low tax sales has therefore resulted to heavy borrowing by the use of the government from every the inner monetary area as well as externally. This has resulted to crowding out by way of the use of personal investment impeding persisted monetary increase.

Kenya is classed amongst the ones countries with low tax compliance that has resulted to low national income. This assignment has been further compounded with the resource of the us's hard mission of ensuring efficient and powerful tax control (RoK, 2016). According to a studies done in Kenya with the resource of African Research evaluation, the trouble of tax noncompliance amongst commercial enterprise entities has hindered the fulfillment of set income collection by means of manner of Kenya Revenue Authority. The have a have a look at located that VAT noncompliance is excessive a few of the middle-profits business employer entities and that there has been a moderate first-rate relationship between Inspections of organisation entities through tax authorities with VAT compliance.

1.1.1 Small and Medium Enterprises in Kenya

Small and medium-sized corporations (SMEs) are non-subsidiary, impartial organizations which hire an awful lot less than a given extensive kind of employees (Ngotho & Kerongo, 2014). This variety varies for the duration of international places. The most not unusual upper restrict designating an SME in Kenya is five-250 employees. Small and medium firms (SMEs) shape the middle of majority of the arena's economies (Ndumia, 2014). A have a look at achieved Ngotho and Kerongo (2014) showed that during Kenya, small and medium groups make up 97% of the monetary device. Although smaller in length, they may be the maximum important companies in the economic system due to the truth that after all the man or woman results are aggregated, they surpass that of the bigger organizations. Like each company, SMEs are not exempted from fee of taxes. Any registered employer whether SME or no longer are predicted to remit one form of tax or every other to the relevant statutory our bodies upon registration as an agency and graduation of enterprise (Ngotho & Kerongo, 2014).

Tax plays a crucial position within the increase of Small and Medium Enterprises (SMEs) in low income nations like Kenya. The position of SMEs is vital in pushing the socio-financial improvement schedule of america similarly. Therefore, alignment of the tax system to the environment specific SME growth dreams can be considered a vital time desk for the insurance makers.

The government formulates and implements various policies geared closer to growing process opportunities, development of infrastructure as well as income generation through the introduction of latest SMEs and improving the overall performance and competitiveness of present one, the income amassed from taxes represents the fundamental funding supply for governmental fees (Baurer, 2005). If the tax form isn't competently designed to the particular environmental situations, it could create a greater burden to the tax-paying agencies and ultimately affecting the final customer due to the shifter potential of tax. SMEs in developing nations often face problems at the same time as handling tax topics. It might be uncommon genuinely no longer to pay attention court cases approximately the complexity and or ambiguity of the tax laws, immoderate tax prices, and the shortage of an integrated financial approach that takes social taxes, and community taxes and expenses into consideration at the same time as figuring out the general tax burden positioned at the economic organization community (Baurer, 2005).

1.1.2 Withholding Tax

Lee (2015) in their look at on Value introduced tax and consumption stated that several research have checked out the several issues involved in the course of execution of VAT in developing and advanced nations. Some of the research stated via them consist of, Gale and Harris (2013) who discussed the numerous problems pertinent to the format of a VAT, collectively with its execution, management, expenses incurred in effecting compliance, it's have an impact on on economic savings similarly to difficult work supply, its distributional influences, and numerous transitional issues if applied in the U.S.

Miller and Oats (2016) mentioned problems associated with VAT layout and in the identical manner concluded that the have an impact on of a VAT on consumption is essential but remains unresolved. WHVAT is a design of VAT; it is a gadget that encompasses the assertion of VAT by using the use of both the provider and his consumer (KRA). It is a tax deducted at source on acquisition of taxable items and services by using the withholding VAT Agent. Ability-to-pay concept helps the Withholding Value Added Tax as it reduces the

load on the taxpayer even though no bargain of liability on him, the sharing in charge has a mental impact of not feeling lots pinch on price of VAT because of the government.

Where a person makes a taxable deliver and has issued a tax invoice, withholding vat is calculated based totally on a government's recommendations. For instance, in Kenya, WHVAT charge applicable is 6%. Assuming a taxable fee of Ksh. 100,000 has been furnished, the agent with withhold Ksh. 6,000 this is $(100,000 \times 6\%)$. The withholding of VAT by using a withholding VAT Agent shall NOT relieve the supplier (Taxable man or woman) of the responsibility to fee VAT at sixteen% and report monthly returns in accordance with the applicable provisions of the VAT Act 2013 (KRA). The company is expected to pay the balance of 10% to account for the steadiness of vat charged at 16%.

Withholding Tax is essential for it is a tracking device for taxpayers who reduce their real tax liability or evade on price of tax due on taxable items and offerings. When the profits on which WHT is deducted at deliver the tax authorities are aware about the transaction between the withholding agent and the taxpayer therefore the tax withheld turns into a foundation for the tax expected. The taxpayer has therefore a duty to pay the stability after matching the real tax legal responsibility in opposition to the tax withheld. For features of this test Withholding Value Added Tax changed into measured by way of the amount of sales accrued as Value delivered tax withheld with the resource of sellers (Adhikari, 2015).

Ndumia (2014) stated that WHVAT turned into scrapped because of amongst different reasons, the fact that not all VAT quantity withheld end up remitted to KRA's account on the Central Bank of Kenya (CBK) which adversely affected the general VAT income performance. WHVAT emerge as re-delivered in 2014 in Kenya and the authority argues that it has elevated VAT performance attributing such overall performance on the WHVAT framework.

1.1.3 Tax Payment

Organization for Economic Cooperation and Development (2015) defines Tax compliance in into key classes that is Administrative compliance (complying with the executive hints of lodges and paying on time, what some might consist of inside their definitions of compliance with reporting necessities, procedural compliance or regulatory compliance); and Technical

compliance (i.e., taxes calculated according with the technical necessities of the tax laws or taxpayers pay their percentage of tax in accordance with the provisions of the tax laws). VAT however refers to an indirect tax levied on consumption of taxable gadgets in addition to offerings.

Kosgei and Tenai (2016) centered tax compliance because the diploma to which taxpayers observe the tax regulation. Trandafir (2016) noted that tax compliance is suffering from 14 important elements as referred to via various researchers which might be age, gender, training, earnings, occupation or popularity, pals' or one-of-a-kind taxpayers' have an effect on, ethics, criminal sanction, complexity, dating with taxation authority (IRS), earnings resources, perceived fairness of the tax system, opportunity of being audited and tax rate. Non Tax compliance is the difference between revenue gathered and that need to be accrued. In Tax administration revenue series strategies need to be efficient to limit on the fee of series. VAT compliance measures are essential in ensuring that expenses are applied in collection of revenue effectively. Tax compliance turned into measured as a fee of VAT gathered towards the Total Revenue gathered.

1.2 Statement Problem

Withholding taxes are important source of revenue to the government in both developing and developed countries. The tax collection bodies across the world have advocated for withholding of taxes due to the benefits that come with it. Withholding has also been found to increase compliance and decrease evasion and underpayment. However, while these is the case, the Kenya Revenue Authority has been missing revenue targets thus raising questions over efficiency of WHVAT. For instance KRA missed it's revenue targets in the year 2016/2017 by ksh.50 billion after posting a collection of ksh.1.365 against a target of ksh.1.415 trillion set by treasury [Government statistics for Revenue collection 2016/2017/2018]

In 2019/2020 fiscal year, the cabinet secretary outlined ambitious taxation measures which he hopes to collect Ksh. 2.1 trillion in revenues, but the viability of the proposed revenue targets remains to be seen what with the persistent failure by KRA to meet its collection targets [The East African news].

Withholding taxes contribute to government revenue, thus underperformance can be linked to a number of challenges including existing loopholes, unnecessary incentives, waivers and exemptions to large businesses and companies. Failure to properly account for withholding taxes by tax agents can lead to low revenue collection.

Derwent [2013] in a case study on taxation behaviour in five countries, including Kenya, showed that there is a low rate of tax compliance as a result of tax payers' attitude on tax payment. A large segment of the informal sector [S.M.E'S] do not comply with tax payment [KRA2015] with VAT being the least complied.

In the context of tax payment decision, it's worth studying the relationship between the Electronic tax filing and withholding tax payment among S.M.E'S in Kenya.

Several studies have been conducted on withholding taxes; for instance (Chege, 2014; Atawodi and Ojeka, 2012; Mukabi, 2014; King'oina, 2016). Chege (2014) examined the effects of employing electronic tax registers by hotels in Nairobi on value added tax compliance in Kenya. The findings indicated an increase in VAT revenue with the use of Electronic Tax Registers. It was concluded that ETR machines enhance VAT collection resulting from more accurate VAT reporting. In another study, Atawodi and Ojeka (2012) focused on issues that affect tax compliance among the small and medium enterprises in the Northern part of Nigeria and established that a high tax rate as well as composite recording measures is the majority key factor contributing to lack of compliance of the small medium enterprises. Mukabi (2014) examined factors influencing turnover tax compliance in the Kenya Revenue Authority domestic taxes department in Nairobi County. The findings revealed that taxpayer's awareness, cost of compliance and complicated systems; perceptions of taxpayers towards the tax system greatly determine the level of compliance for turnover tax. King'oina (2016) studied factors influencing value added tax compliance among the construction firms in Kisumu County, Kenya. It was established that tax understanding and knowledge had a significant effect on tax compliance. Reduced tax compliance cost was also associated with high levels of tax compliance.

The above studies have concentrated on other factors affecting withholding tax payment. Limited research has been carried out on the effect of electronic tax filing on withholding tax payment which is the focus of the current study. This study therefore establishes the effect of

electronic tax filing on withholding tax payment among SMEs in Kenya: A case study of consultancy firms in Nakuru Town. The study sought to answer the question; factors affecting electronic tax filing on withholding tax payment among SMEs in Kenya?

1.3 Objectives of the Study

1.3.1 General Objective

This study sought to establish the factors affecting electronic tax filing on consultancy in Nakuru town, Kenya.

1.3.2 Specific Objectives

The study was guided by the following objectives:

- i. To determine the effects of internet availability on withholding tax filing among consultancy firms in Nakuru town.
- ii. To establish the effects of system convenience on withholding tax filing among consultancy firms in Nakuru town.
- iii. To evaluate the effect of filing security risks on withholding tax filing among consultancy firms in Nakuru town.

1.4 Research Questions

The study focused on the following questions:

- i. What is the effect of internet availability on withholding tax filing on consultancy firms within Nakuru town?
- ii. What is the effect of system convenience on withholding tax filing on consultancy firms within Nakuru town?
- iii. What is the effect of security on withholding tax filing on consultancy firms in Nakuru town?

1.5 Justification of the Study

The findings of this study may additionally help the consultancy corporations in Kenya to better their withholding tax price through emphasis on particular regions that provide more cost and high quality on the way to beautify the effectiveness of digital tax filing. The consultancy firms will get a higher expertise of electronic tax filing and the managers of consultancy companies might be capable of make extra knowledgeable selections on withholding tax payment. The findings of the take a look at can also be beneficial to the government of Kenya as a regulator in highlighting austerity measures and controls with regard to electronic tax submitting.

For the Government of Kenya and in particular KRA, the findings will inform the destiny policy formula and implementation in subjects regarding withholding tax administration in the Country. The findings may even assist avail the Government with facts on the extent of compliance and the way it could be stepped forward to boom sales series. To other tax payers in Kenya, the look at will tell them of numerous measures that the Government has installed area to ensure that greatest sales is collected for better economic growth. The findings will help them study on the importance of compliance consequently reduce the fees of avoidance and evasion of taxes.

The observe can also be of fee to the one of a kind investors interested in understanding withholding tax payment in Kenya. Understanding the effectiveness of electronic tax filing in the consultancy firms will help the buyers in designing and determining the allocation of their portfolio on the way to maximize returns. Consequently, the examine will help the traders maximize their profits by means of investing with knowledgeable tax duties.

The study findings may also be beneficial to students and academicians who want to perform in addition research on electronic tax submitting and withholding tax fee. The study will even tell concept that specialize in electronic tax submitting.

1.6 Scope of the Study

The study will focus on effect of electronic tax filing on withholding tax payment among SMEs in Kenya. The study was based at consultancy firms in Nakuru town. The target

population of the study will be the top management level, middle management level and support staff of consultancy firms in Nakuru town where a target population of 600 employees was taken and sample size of 180 employees.

1.6 Limitations of the Study

The tight work schedule in the sector and the sensitivity of tax disclosure posed a slight challenge to the study. This is because the respondents that were approached were reluctant in giving information in an attempt to protect the consultancy firms' reputation. The researcher handled the problem by presenting an introduction letter from the university and seeking informed consent before embarking on any interviews.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focuses on the theoretical review, conceptual review, empirical review and summary of literature review.

2.2 Theoretical Review

The study was grounded on the Technology Acceptance Model Theory, Economic Deterrence Model Theory and Planned Behaviour Theory.

2.2.1 Technology Acceptance Model (TAM)

Davis et al (2003), TAM theorizes that an man or woman's intention within the route of the use of a system is together decided by way of perceived usefulness, the user's "subjective possibility that the use of a particular software program gadget will increase his or her hobby overall performance" and perceived ease of use (PEOU), "the degree to which the Consumer expects the aim system to be free of strive." The consequences of outside variables (e.G., gadget layout trends) on behavioral intention (BI) are mediated via means of those ideals. According the PEOU additionally has a proper away effect on PU. In predicting usage; TAM fashions might be beneficial inside and throughout organizations for evaluating applications or technology, or make comparisons among person agencies or applications. However, TAM has barriers in being completed beyond the paintings region because its essential constructs do no longer surely mirror the form of customer task surroundings and constraints. Paul and John (2003), counseled that TAM is a beneficial version but need to be integrated proper into a broader one that could include variables related to each human and social elements. The concept of planned behavior (TPB) takes those factors into account.

Electronic tax control tool changed into added via Kenya Revenue Authority to growth financial series, management, avail services to the tax payers all of the time from everywhere, lessen expenses of compliance and enhance tax compliance. However, tax compliance degrees continue to be low and tax collections are underneath the dreams set thru Kenya Revenue Authority

.Despite the developing want to increase income series and enforcement a great way to provide public services, and the advent of digital tax systems in maximum worldwide places throughout the global divide, growing international locations like Kenya, however face the demanding conditions of low tax compliance and tax control. Muita (2011) argued that on line tax systems are hastily replacing paper-based completely tax reporting systems, promising many blessings over the traditional technique of difficult duplicate tax filing, these systems promise faster way, decrease fees and increased overall performance. In the previous years, the Kenya Revenue Authority has revised all its goals downwards in the last 4 years. Despite this, it did not meet the 2011/12 goal. To meet the 2014/15 intention of a file Sh1.18 trillion, the taxman had to enhance collections by way of over 20 in keeping with cent via new efficient measures that closely depended on the advent of electronic tax manage gadget. However, taxpayers, KRA personnel or even different government our bodies have complained at the cumbersome strategies of tax rate submitting and compliance through the electronic machine. Some argue that the increase of income collection is not related to digital tax machine but other elements like stable economic system, populace boom and boom in donor borrowing. There has been limited studies completed to assess the consequences electronic tax control gadget at the performance of tax series. Duncan (2000) looked at the elements that facilitate the hit adoption of era as a tax compliance enhancement device. In his observe, he concluded that 3 factors must be in area to apprehend this goal, particularly: bendy Information Technology form, in a position IT ability base and sturdy purchaser orientation. Kamau (2014), sought to determine the effect of adoption of era as a strategic tool in enhancing tax compliance in Kenya. Therefore, this take a look at seeks to research the results of digital tax control tool on tax collection performance in Domestic Taxes Department of Kenya

Revenue Authority. A virtual device for submitting and paying taxes, much like the one delivered thru KRA, if implemented well and used by most taxpayers, benefits both tax authorities and taxpayers. For tax authorities, virtual submitting lightens the workload and decreases operational costs – along with the fees of processing, storing and managing tax returns. The favored purpose of this test is to assess the outcomes of virtual tax device at the tax collection overall performance in Domestic Taxes Department of Kenya Revenue Authority.

2.2.2 Economic Deterrence Model Theory

The theory of financial deterrence intends to deter non-compliance with the useful resource of setting restrictive or even punitive measures in location which outweighs the advantages of committing crime. (Enigma & Baisa, 2014). Therefore, this absolutely method humans examine outcomes and advantages in advance than selecting whether or not or not to comply. The concept is likewise reputedly primarily based at the hypothesis that each individual is aware about the difference among right and incorrect. Meanwhile Hasseldine (in Engida & Baisa, 2014) assumes that taxpayers are rational financial evaders who might probably examine fees and benefits of evasion. The different financial factors which have an impact on tax compliance are listed through way of Engida and Baisa (2014) as tax audits, notion of presidency spending and tax costs. They trust that the number one intention of tax audits is to inspire voluntary compliance. And moreover, audits have to be extra common and carried out with thoroughness to discourage the perception underneath asserting earnings and/or over-deduction of expenses, and encourage taxpayers to be prudent in their declarations, says Pilil (2010:185).

According Engida and Baisa (2014), taxpayers are more likely to declare voluntarily inside the event that they see authorities using countrywide income accurately through spending on schooling, health, protection, public transportation and any easy offerings for its residents. At the equal time Abrie and Doussy (2006) moreover present a principle that compliance or non-compliance is influenced by way of manner of tax prices and possibilities of being detected with the useful resource of the tool. They consider that excessive tax costs, penalties and performance of the auditing branch play a large function is compliance patterns. In the 2012/2013 SARS Annual file additionally attributes non-compliance to the destructive monetary conditions which tempt taxpayers to enhance their coins flows through below-maintaining some of their income. SARS' technique of enhancing issuer, increasing education and growing outreach sports collectively with powerful enforcement actions made it clear to taxpayers and buyers that non-compliance will no longer be tolerated and that there are excessive consequences for those which are non-compliant. Therefore effective tax administration plays a crucial position in enhancing compliance because of the truth it's far stated to encourage voluntary compliance.

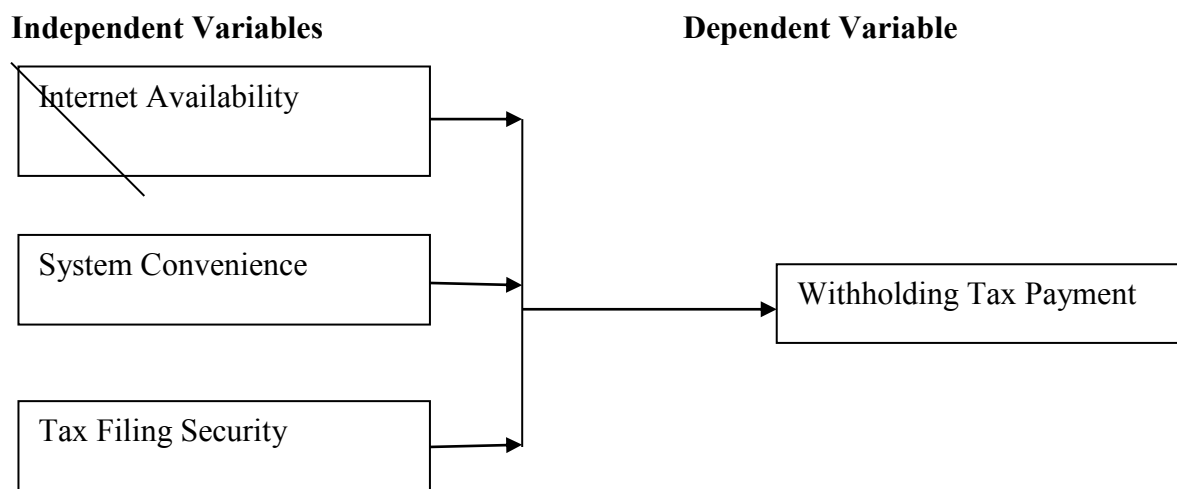
2.2.3 Planned Behaviour Theory

This is a psychological precept that links beliefs and behavior, attempts to provide an explanation for human behaviour. The concept changed into proposed by way of Icek Ajzen to improve at the predictive energy of the idea of reasoned movement by using which consist of perceived behavioural control. According to this principle, the behaviour of individuals within the society is beneath the have an effect on of specific elements which originate from sure motives and emerge in a planned way. The capacity to carry out a particular behaviour relies upon at the truth that the individual has a motive in the direction of that behaviour (behavioural goal). Behavioural goal in flip depends on 3 factors this is Attitude closer to the behaviour, Subjective norms and Perceived behavioural control. These 3 elements also are under the have an effect on of behavioural ideals, normative ideals and manage beliefs. The recognition of this precept therefore is at the taxpayer's morals and ethics. The principle shows that a taxpayer may also comply even though the hazard of detection is low. As towards the economic theories that emphasize on expanded audits and consequences as answers to compliance issues, intellectual theories lay emphasis on changing individual attitudes in the path of tax structures.

2.3 Conceptual Framework

The following figure displays the relationship of the study variables. Withholding tax being attacking system for tax payers who evade on payment of tax ,enhances the tax payment.The expected relationship among the subvariables is hence positive.

Figure 1.1 Conceptual model



2.4.1 Internet Availability

Online era and accessibility to net infrastructure has a direct impact in the direction of the usage of the web tax returns (Auyat, 2013). The on line tax offerings are often net based totally systems supposed to make tax submitting available (Azmi & Bee, 2013). In this context, the client need to be capable of self-navigate at the net-based definitely platform with minimum troubles if any and use the self-assist menus to be had within the internet website online. Mandola (2013) mentioned that 1/2 the sampled respondents in her examine on the adoption of ITMS tool indicated that any on-line e-government services needed to be smooth to apply to allow even humans with little net enjoy to effectively use the service. In this context, she placed a correlation among on-line technology, withholding tax price and the gain wherein the ability consumer can do on-line submitting.

The loss of the correct on line era consequently makes online tax filing steeply-priced (Osebe, 2013). Lack of areliable e-submitting gadget or lack of knowledge of the type of statistics required by way of the net tax filing device forces taxpayers to shy off from filing tax returns and therefore inspire non-fee of withholding tax (Mandola, 2013). The net impact is that it turns into steeply-priced to use on line tax filing in contexts wherein the net technology is terrible (Odongo, 2014). The taxpayer may additionally moreover determine now not to execute the digital filling on their personal due to the worrying situations in navigating the net machine (Muhangi, 2013). The troubles within the functionality to navigate the net filing tool rapid and efficiently without continuously referring to the help menus or consulting 1/3 events consequences in extended time taken to complete the internet filing (Ramoo, 2016). The tax payer might also therefore be pressured thru the time and effort spent analyzing the device and as an end result affect fee of the withholding taxes (Lukwata, 2013).

Electronic tax management system is the system that has been evolved to update the modern-day KRA Online system. It is a web-enabled and relaxed utility tool that offers a completely-protected and automated solution for control of domestic taxes. It Enables Taxpayer net based

definitely PIN registration, returns filing, price registration to allow for tax bills and standing inquiries with real-time monitoring of debts (Waweru 2013).

According to Kun, et al (2008), for a long term, government offerings were regarded as synonymous with bureaucracy in each growing and industrialized countries. The tenets of Weberian paperwork embody such factors as prepared hierarchy, improvement of standardized and impersonal strateg kituies, formal division of labor and obligation, and emphasizes on performance in all methods. All international locations have bureaucratic state mechanisms; and at the same time as many industrial companies are strongly stimulated with the resource of the tenets of forms, their performance varies broadly. Whatever the level of performance of the office work, the supply of computers to human beings from all walks of lifestyles has added those better and more convenient get proper of access to public offerings. Additionally, through the Internet and pc generation, governments can offer offerings within the true notable feel of

Weberian paperwork. In exceptional phrases, e-authorities can facilitate public issuer offerings in a truly fashionable, impersonal, efficient, and on hand way for each issuer enterprise (the authorities) and carrier recipient (the residents). In some instances a central authority corporation also can be a service recipient of an e-authorities service. In economic phrases, the capability of citizens to access government services every time, everywhere permits to mitigate the transaction expenses inherent in all sorts of authorities offerings (Kun, et al, 2008).

According to Harold (2011), laptop-generated returns, transmitted electronically, commonly are less complicated to method than paper returns; for the reason that facts on the paperwork doesn't need to be keyed in, quantity by huge variety, by way of the usage of IRS staff into the Service's laptop systems consequently there is a great deal much less risk of errors. Electronic transmittal is right away, bypassing the worrying vagaries of the postal device and the client gets confirmation internal a day or that the go lower back no longer excellent became acquired by means of way of the IRS, but turned into acquired as it need to be.

However, from an American enjoy, digital tax systems' biggest benefit, from the taxpayer's factor of view, is that it shortens the time for refunds from a mean of 12weeks to about three weeks. Refunds may even be deposited immediately into taxpayers' financial institution payments. As an added incentive, some providers that provide digital filing services for tax

preparers additionally provide a provider in which customers due a tax refund can study for a right away economic institution mortgage same to the expected IRS test. As an end result, a client could acquire the refund (less bank and preparer fees) inside three days of the filing (Harold, 2011).

Different literatures factors out ICT use to be extremely useful; Mugisha, (2001) attests that, the usage of ICT enhances well timed get admission to accurate and applicable records, it is a prerequisite for right planning, programming, implementation in addition to monitoring and evaluation which paperwork the key element in improvement; Suluo, (20013) shows that, ICT use has brought about immoderate level organizational increase; and but Crede, (2008) exhibits information, first; ICT has the capability to increase productivity and create extra fee effective output with the identical or an awful lot much less inputs and 2nd; Development of ICT applications for business use adjust the approach businesses feature and sooner or later, enhance their offerings in addition to merchandise. What the ones scholars are trying to emphasize is that; the spread of ICT use in numerous sectors brings new opportunities for financial increase and improvement. New employer layout, new markets, new products and improved offerings are been created which brings with them new assets of revenue.

2.4.2 Security Risks Concerns

Taxpayers also can rely upon zero.33 activities to assist adopt on-line tax returns and this in turn exposes the taxpayer to facts privacy risks (Lai & Choong, 2013). A majority of the taxpayers might not be relaxed divulging personal company information to third events who aren't associated with their employer (Ramoo, 2016). This is as it exposes them to protection threat of being robbed. In this context, the taxpayer also can opt to fill the guide tax returns in a bid to protect the privacy of his facts (Ssetuba, 2012). Concerns over safety issues or perceived dangers on using the internet filing offerings inhabit its adoption. Ramoo (2016) argues that perceived threat impacts the adoption and utilization of the net submitting. The perceived threat is defined due to the fact the taxpayers' notion on the reliability of the system's usefulness/capability and the manipulate of their personal information statistics in a web environment (Ramoo, 2016). In this context, taxpayers the use of the online submitting platform may be involved on whether zero.33 activities can access their non-public tax data without their know-how or permission

(Geetha & Sekar, 2013). Kamarulzaman and Azmi (2014) argues that the threat thing that taxpayers' seemed to have in the course of the gadget, which promise to finish their transaction securely and to keep the privateness of their private facts affects their voluntary adoption of on line filing tool and therefore derails rate of withholding tax.

Tax series and control can be stepped forward via measures along with; transferring closer to an virtual taxpayer registration gadget wherein a uniform Tax Identification Number (TIN) might practice no matter whether or not a tax payer is registering for Personal Tax, Corporate Tax or VAT, simplify the tax code, considering earnings tax and price introduced tax (VAT) prices are punitive and absence in-built mechanisms that would decorate self-assessment, there is want to simplify tax legal guidelines, paperwork and processes growing systems which could decorate get proper of access to 1/3 party assets of records. KRA although lacks adequate and frequently up to date facts systems on registered taxpayers.

Computerization of taxpayer records remains incomplete. There is want to amplify systems that can get right of entry to 0.33 birthday celebration resources of facts, which encompass withholdings, financial institution transactions, foreign exchange transactions, transactions in securities and large transactions (regarding real property, vehicles, tax-deductible transactions, customs bills). Use of tax amnesties can prove useful. Enhancing management via measures collectively with entrusting touchy negotiations to important agencies; minimizing contacts between tax payers and tax lenders and lowering the discretionary powers of tax officials; putting in supervisory systems with at least three hierarchical degrees to reduce possibilities for collusion; and devise incentive structures that in shape public and private pastimes. There is the possibility of counting on banks in gathering taxes. (Moyi 2006)

The Authority objectives to hold on the course inside the path of monetary control excellence through surpassing set financial targets at the least price. Under this angle, a key technique to be pursued is the strengthening of the Enforcement characteristic. KRA recognizes that the majorities of taxpayers are honest and law abiding and deserve inexperienced, professional and honest tax administration. Therefore enforcement programs want to rest on sound basis of watching taxpayer rights. The Electronic tax system endeavors to offer the steadiness amongst amazing provider shipping and enforcement to decorate voluntary compliance. (Waweru 2013)

KRA became original to growth beautify on economic collection measures further to ensuring that each one economic leakages are closed. It have become also to make certain that it expedites change by using installing region those measures that permit digital managed movement of goods and services. KRA therefore have installed vicinity those measures to lessen the leakages. They always encompass segregation of duties, custody of assets, strict authorization procedures, inner audit, and the use of passwords, proper file virtual controls and management supervision (Obat, 2010).

2.4.3 System Convenience

The on line tax filing machine have to be stable to deal with the high traffic at some point of the height instances. In this context, Kamarulzaman & Azmi (2014) argue that the web system should run smoothly and green throughout the peak instances especially in the direction of the deadlines. The incapability of the gadget to handle big statistics during the height hours and may change the notion of the users that the gadget in unreliable (Nakiwala, 2013). Customers on this context may also consequently choose to make use of the manual submitting because of the notion that the device is always unreliable (Mugo, 2013). According to Azmi & Bee (2014), development at the e filing systems as a way to enhance the tax payer's perceived ease of use, usefulness and reduced riskiness of the machine are critical inside the adoption of the e submitting system. Mugo (2013) notes that decreasing taxpayer's notion of chance in electronic submitting now not most effective increases their perception at the usefulness of the electronic submitting however additionally leads them to adoption of the device.

Ramoo (2016) argues that laptop tension affects the adoption of the electronic submitting of tax returns. The laptop anxiety is described as the worry and the apprehension felt via a person while considering the utilization of the laptop technology or whilst without a doubt the use of it (Nakiwala, 2013). There are components of pc anxiety that is the cognitive and the emotive components. The cognitive thing underlies the bad expectancies and the emotional expectancy leads to poor physiological reactions (Ramoo, 2016). The pc tension has been proven to impact at the perceived ease of use, pc use and computing competencies which ends up in the low adoption of the electronic submitting device. The computer anxiety is maximum probably to be a trouble a few of the illiterate, semi illiterate and the aged taxpayers. Some of the buyers within

the SME region have surprisingly low training stages which may additionally lessen their confidence round pc technologies which includes the online filing device.

Nilsson (2015) used two methods to evaluate withholding tax conformity performance in Argentina. This turned into geared toward enhancing the mercantile taxpayers and a long way-achieving campaigns and in addition to audits to beautify the danger of publicity amongst the taxpayers. The findings of the study found out that as the range of audits and the risk of exposure will increase, the taxpayers became superb in complying with tax rules and exactly accounted their sales which positively stimulated the tax proceeds. The initiative turned into that unintended tax avoidance may additionally end result highly than deliberate tax non-compliance. Taxpayers are at risk of integrate extra problematic tax avoidance plans which might be difficult to discover through documentations a good way to remit small amount of tax if they end up conscious that there was no longer be realized due to loss of scrutiny.

Onwuchekwa and Aruwa (2014) carried out a study focusing at the relevance and the troubles of withholding tax fee in Nigeria. The respondents in the take a look at were tax institutions, the sales body of workers and the public. The study hired descriptive analysis strategies and the data used became primary in nature. The findings indicated that there has been low tax compliance due to lack of proper records, unqualified FIRS staff and coffee degree of education most of the taxpayers and the opinion that the tax sales became being misused.

Batrancea, Nichita and Batracea (2013) carried out a look at that sought to evaluate the factors which shape withholding tax compliance behaviour. They summarized the factors into socio-psychological, political, and financial element determinants. The socio-mental factors recognized were attitudes, norms, equity perceptions, and motivational postures. They emphasized tax complexity which they appeared to be the primary political thing influencing tax compliance. The financial factors recognized as predominant determinants of tax compliance had been audit possibilities, fines, tax costs and earnings. They concluded that effective financial directions inclusive of fines and different deterrent measures decorate withholding tax revenue.

Fjeldstad and Iversen (2013) discovered that withholding tax payment behaviour amongst South African citizens turned into prompted by belief about problem of evading taxes, delight with public carrier provision, expenses to non-country members, perception of an ethnic institution

being dealt with unfairly, and tax know-how. The examine did not investigate a number of possible determinants of withholding tax price and consequently there is want to expand the variables.

2.5 Empirical Review

The phase gives an empirical literature assessment of different research which have centered on tax filing and withholding tax rate. Both the global and neighborhood studies have been supplied. Nilsson (2015) used two methods to assess withholdingtax conformity overall performance in Argentina. This turned into aimed toward improving the mercantile taxpayers and some distance-carrying out campaigns and in addition to audits to decorate the chance of publicity among the taxpayers. The findings of the take a look at found out that as the variety of audits and the chance of publicity will increase, the taxpayers have become advantageous in complying with tax guidelines and exactly accounted their income which absolutely inspired the tax proceeds. The initiative became that accidental tax avoidance might also result exceedingly than planned tax non-compliance. Taxpayers are at risk of combine extra difficult tax avoidance plans which can be difficult to come across via documentations to be able to remit small amount of tax in the event that they emerge as aware that there has been now not be realized due to lack of scrutiny.

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been audit opportunities, fines, tax prices and profits. They concluded that effective monetary commands along with fines and extraordinary deterrent measures enhance withholding tax sales.

Fjeldstad and Iversen (2013) decided that withholding tax rate behaviour amongst South African residents changed into motivated by means of belief about trouble of evading taxes, pride with public service provision, prices to non-united states participants, belief of an ethnic institution being handled unfairly, and tax expertise. The test did now not examine a number of possible determinants of withholding tax charge and therefore there may be want to enlarge the variables.

Atawodi and Ojeka (2013) accomplished a have a study on troubles that have an effect on withholding tax fee a number of the small medium firms in the Northern a part of Nigeria and installation that a large tax fee in addition to composite recording measures is most of the people key component contributing to loss of compliance of the small medium institutions. The study moreover hooked up different elements that significantly stimulated withholding tax price amongst SMEs inside the region together with compound taxes and lack of suitable clarification. The examine surveyed a few SMEs within the vicinity which have been among those who stated excessive cases of non-compliance. The have a look at additionally importantly tested elements that explain non-compliance however no longer compliance as most different studies have.

Ondara, Kimani and Josphat (2017) did a observe on the Influence of Online Tax Filing on Tax Compliance among Small and Medium Enterprises in Nakuru Town, Kenya. The have a have a look at assessed the volume of attention regarding on line filing of tax returns in the context of the Small and Medium Enterprises in Nakuru. Nakuru Central Business District become chosen as a result of the fact that Nakuru town is the fastest growing town in East and Central Africa due to the excessive wide kind of Small and Medium Enterprises in the metropolis. The specific objectives of the test blanketed exam of the impact of computer literacy on tax compliance amongst Small and Medium Enterprises in Nakuru, exam of the impact of on-line tax submitting on tax compliance amongst Small and Medium Enterprises and an exam of perceived safety on tax compliance. The examine became primarily based mostly on four theories as a part of the theoretical framework, that is, the Theory of Technological Acceptance Model, Unified Theory of Acceptance and Use of Technology, Theory of Reasoned Action and Diffusion of Innovation Theory. The observe applied the survey descriptive research format in which quantitative

information become accrued via use of primary information collection techniques. Primary statistics become gathered the usage of questionnaires. A pattern period of 100 respondents from the Small and Medium Enterprises in Nakuru modified into carried out. The have a look at located the various unbiased variables satisfactory the laptop literacy had huge effect at the effect tax compliance stages among Small and Medium Enterprises in Nakuru. The a couple of correlation impact of zero.954 shows a incredibly strong first-class relationship impact some of the three impartial variables and the based totally variable. The coefficient of willpower (R Square) suggests the variance on the established variable attributed to the three independent variables. In this context, the coefficient of determination (R Square) of 0.911 indicated that the three unbiased variables contributed to 91.1% of the variance within the set up variable. However, the have a look at focused on SMEs, a contextual gap that the contemporary look at seeks to fill.

Nyangau (2017) sought to installation the effect of withholding VAT on tax compliance in Kenya. The research design that have become hired is explanatory look at format considering a population comprising taxpayers in Kenya as categorized by the use of KRA: Large Tax Payers (LTO), Medium and Small tax payers (MST) in Kenya. Data emerge as compiled for a duration spanning 7 years; from the yr 2011 to 2017 on Withholding VAT Revenue growth and VAT sales increase further to financial growth. SPSS (V21) changed into used for records evaluation to supply every descriptive and inferential data. A regression version turn out to be considerably applied for putting in place the connection among the examine variables. The one-manner ANOVA have become carried out on the not unusual figures for all of the measures of standard performance. The outcomes for the three classes of taxpayers determined out that there was a amazing distinction inside the one-manner ANOVA. From the consequences, the studies concluded that there has been significance development in tax compliance after the enforcement of withholding VAT tax rules in Kenya. However the observe did not recognition on online tax submitting, an opening the modern have a look at seeks to fill.

Osebe (2013) achieved a examine that sought to assess the problems that effect withholding tax conformity via Real Estate builders in Nakuru metropolis. Results of the have a look at indicated that tax conformity expenditure is a causative factor to tax conformity. From this locating therefore there may be sufficient indication that tax conformity fee is intently linked with

expanded diploma of tax conformity leading to a boom in tax sales. Taxpayers do a price-benefit analysis of the charge of being stuck through audits and the possibility of being penalized, together with the opportunity of crook sanctions. If they discover that the significance could be very high, they come to be following tax regulation and in impact comply. The take a look at therefore furnished some preliminary proof that fines and consequences attached to tax compliance play a vital feature in improving tax sales.

Another have a look at that was completed through Nyaga (2014) on tax compliance, enforcement, and taxpayer carrier in Kenya explored the relationship between enforcement recommendations and taxpayer provider on tax compliance in Kenya. The look at followed the use of easy regression assessment of combination variables representing enforcement measures in opposition to audit, penalties, criminal sanctions and taxpayer carrier. The have a examine used a pattern frame of self-hired person taxpayers for the duration 2003-2012. The findings of the check indicated that audit and penalty had a pleasing dating with tax compliance and for this reason advanced tax sales and taxpayer company and criminal sanctions had a negative impact on tax sales.

Mararia (2014) examined the effect of Integrated Tax Management System (ITMS) on tax conformity with the resource of SMEs in Nairobi's CBD. Research study followed a goal population of 200taxpayers from which a hundred taxpayers had been picked as a consultant sample. Data evaluation become done via the makes use of of SPSS version 20.Zero. The findings of her take a look at showed that consequences and fines had a great and huge affiliation with tax conformity. This resulted to a normal rise inside the collections as penalties and fined deterred tax evasion with the resource of taxpayers.

Akumu (2015) sought to installation the determinants of tax sales in Kenya with facts spanning 24 years from the year 1990 to the yr 2014. The check specifically aimed to installation the connection among hobby expenses, exchange expenses and imports growth on sales growth. The test used time collection facts collected on a quarterly basis from the yr 1990 to 2014. A descriptive research layout grow to be used. Data became gathered from assets like Central financial institution of Kenya, Kenya National Bureau of data, International financial fund and World Bank and analyzed via regression modeling. The observe findings discovered that the take

a look at variables investigated; hobby prices, alternate costs and imports growth notably have an impact on income growth negatively.

2.6 Critique of the Existing Literature

As consistent with Karingi (2005), encounters within the recent times have verified that SMEs are undeniably the improvement automobiles of the continent's economic system and consequently the Kenyan authority's area the difficulty of the SME on the pinnacle of their agendas. Sufficient proof has been adduced to the effect that popping out of monetary and financial disaster requires the small firms, this result in the need to nurture them.

The SMEs tax is one measure supposed to nurture them. This tax become set toward every other path in the profits tax shape. Despite this sure segments of the shape that has been subjected to legislative process may additionally regardless be balanced via the regular communal and lawmaking prudent dialog, be that as it is able to consolidate – other than an extra best obligation price computed contrasts whether the evaluation claimed on crucial consumer gadgets in the VAT fee 2013 become exquisite or figuring for money impose in angle of cash streams will bolster the SMEs (Keen, 2004).

As indicated via Moore (2004), tax regimes and taxation of SMEs have become out to be step by step up-to-date and administrations all around the globe have attempted to oblige and deliver a way to such organizations to participate in widespread financial motion in a real blue way. Already, tax companies had contended that the price of enlisting these ventures and coping with their profits a ways surpassed the benefits as a long way as earnings yield.

2.7 Summary of Literature Review

A nearer look at the empirical research that have been reviewed virtually indicates that withholding tax non-compliance has been a first-rate situation for many governments and that tax enforcement via withholding tax may be the handiest appropriate tool that can be adopted by means of tax agencies to deter in addition non-compliance. Enough interest has now not been paid to digital tax submitting which is an critical aspect due to the fact that maximum of the beyond research have focused on manual tax submitting. There are huge differences inside the

manner that taxpayers in one-of-a-kind tax brackets behave regarding taxation topics. From the empirical review, maximum research done on withholding tax price have been concentrated mainly on VAT. It is consequently vital to conduct a research focusing at the effect of digital tax filing on withholding tax payment in Kenya.

2.8 Research Gaps

Fitting approaches have been made by the World Bank in improving tax strategies. In making an empowering and appropriate condition for the accomplishment of organizations, government change taxes to attire long haul monetary goals. Be that as it may, examined into tax arrangements by asking these three inquiries: How much cash should government assemble as taxes? By what method can tax liabilities be conveyed among potential taxpayers? In what manner can the financial cost of taxation be consumed or limited? Independent of these inquiries on tax strategies, tax approaches ought to create a tranquil situation in which SMES can extend their operations (Baurer, 2005).

A highly multifaceted administrative structure and duty policy or one misty in its organization and implementation makes fulfilling tax obligations excessively repressive (Masato, 2009). This outcome in a tax structure that achieves high expenses on the overall economy. A pitiful tax structure moreover encourages low adequacy, high amassing charges, and the deviation of perfect portion of advantages (Farzbod, 2000).

According to Evans (2003), existing literature well articulate the fact that medium enterprises are greatly impacted upon by costs such as being taxed in terms of their operations or resource capacity, and their cost of complying are much more as compared to the established institutions. There are numerous elements mitigating against Medium enterprises tax compliance including the high rates of the taxes, lack of effectiveness, and high cost of collection as well as the lack of adequate measures to curb evasion.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used to carry out the study. It further describes the research design, target population, sample size and sampling procedures, data collection instruments, data collection procedures, data analysis techniques and operationalization of variables.

3.2 Research Design

Research design works as a systematic plan outlining the study, the researchers' methods of compilation, details on how the study arrived at its conclusions and the limitations of the research. Research design is not limited to a particular type of research and may incorporate both quantitative and qualitative analysis (Orodho and Kombo, 2002).

In this study, descriptive research design was used. It is described by Holborn and Langley (2008) as a scientific method which involves describing the behavior of a subject without influencing it in any way and descriptive research is often used as a pre-cursor to quantitative research designs, the general overview giving some valuable pointers as to what variables are worth testing quantitatively, continues to cite the advantages that this descriptive method of research design helps researchers plan and carry out descriptive studies, designed to provide rich descriptive details about people, places and other phenomena.

3.3 Target Population

The study targeted 600 employees of consultancy firms, specifically those dealing with financial records and tax in Nakuru Town. Nakuru town is deemed fit for this study because the area attracts a number of consultancy firms as compared to other areas.

Table 3.1 Target Population

Categories	Frequency	Percentage
Hort Zone	120	30
Focus Management Ltd	135	23
Jokam Consultants	212	27
Larry Insurance & Management Consultants	133	20
Total	600	100

3.4 Sample Size and Sampling Procedures

The study adopted stratified random sampling technique in the determination of the appropriate sample size. The method involved sampling each group separately to obtain the study sample size.

3.4.1 Sample Size

According to Yin (2011), a sample is a small proportion of a population selected for observation and analysis. The sample size was determined through the use of RAOSOFT sample size calculation (<http://www.raosoft.com/samplesize.html>). This often improves the representativeness of the sample by reducing sampling error. The margin of error was 5% while the confidence level was 95% and population size was 600. This generated a sample size of 180 respondents.

3.4.2 Sampling Procedures

For this study, Krecjie and Morgan (2010) sampling technique was used to sample finance/accounting officers while census survey was adopted for the chief financial managers. The Krecjie and Morgan (2010) sampling technique was used as follows:

$$S = \frac{X^2NP(1-P)}{[d^2(N-1) + X^2P(1-P)]}$$

Where:

S = Required Sample size.

X = Z value (e.g. 1.96 for 95% confidence level)

N = Population Size.

P = Population proportion (expressed as decimal) (assumed to be 0.5 (50%))

d = Degree of accuracy (5%), expressed as a proportion (.05); It is margin of error.

3.5 Data Collection Instruments

Primary data was collected. A semi- structured questionnaire was used to collect primary data from the respondents. The questionnaires are preferred in this study because respondents of the study are assumed to be knowledgeable and able to answer questions asked adequately. The questionnaire was contain the five point likert scale because its appropriate instrument due to its ability to collect a large amount of information in a reasonably quick span of time. It guarantees confidentiality of the source of information through anonymity while ensuring standardization (Churchill, 1991). It is for the above reasons that the questionnaire was chosen as an appropriate instrument for this study.

3.5.1 Pilot Testing

The researcher conducted a pilot study in five consultancy firms in Nakuru Town. The aim of the pilot survey is to test whether the design of questions is logical, if questions are clear and easily understood; whether the stated responses are exhaustive and how long it would take to complete the questionnaire. Views given by the respondents during pilot study was used to improve the research quality before actual collection of data.

3.5.2 Validity of the Study

According to Borg and Gall (2006) validity is the degree to which a test measures what it purports to measure. In other words, validity is the degree to which results obtained from the analysis of the data actually represent the phenomena under study. According to Borg and Gall (2006), validity of an instrument is improved through expert judgment. As such, the content validity was ascertained by supervisors; who was constantly check, evaluate and highlight errors in this research.

3.5.3 Reliability of the Instruments

Reliability is a measure of the degree to which a research instrument yields consistent results after repeated trials using the same subjects under the same conditions (Mugenda & Mugenda, 1999). The study was use ‘split-halves’ and ‘internal consistency’ method to measure reliability. ‘Split-halves’ method was used by comparing the two halves of the responses to each other and similarities identified. The more similarities between the two halves and each question can be found the greater the reliability. According to Zikmund (2003), the ‘split-halves’ method is the most suitable and basic method for checking reliability when the study have a large amount of raw data. Internal consistency method will be tested using Cronbach’s Alpha. Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of items are as a group. A "high" value of alpha is often used as evidence that the items measure an underlying (or latent) construct (Warmbrod, 2007). Reliability with a predetermined threshold of 0.7 is considered acceptable. That is, values above 0.7 indicate presence of reliability while values below signify lack of reliability of the research instrument.

3.6 Data Collection Procedures

The researcher obtained an introductory letter from the University to collect data, then personally deliver the questionnaires and have them filled in his presence. The researcher employed self-administration approach of data collection to obtain data from the respondents in order to monitor the process to ensure that unintended people will not fill the questionnaire. The questionnaires were filled and assistance was sought where possible thus raising the reliability.

3.7 Data Analysis Techniques

According to Glen (2010), analysis of data is a process of inspecting, cleaning, transforming, and modeling data with the goal of highlighting useful information, suggesting conclusions, and supporting decision making, data analysis has multiple facets and approaches, encompassing diverse techniques under a given subject of study. During data analysis, qualitative and quantitative methods were adopted. The data was edited, coded and classified so as to present the results of the data analysis in a systematic and

clear way. The analyzed data was presented by use of pie charts and graphs for easy understanding.

3.8 Ethical Considerations

The researcher observed humane treatment of the research subjects. No information was traced back to the research subjects. The researcher maintained client confidentiality and was further obtained informed consent at all times. In addition, the researcher did not reveal the name of the respondent to any other person and no information was traced back to the research subject's ones given. Voluntary participation was observed such that the respondents were not be coerced into providing information at all.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF FINDINGS

4.1 Introduction

In chapter four, the data has been analyzed quantitatively and qualitatively. Analysis of data is a process of inspecting, transforming, and modeling data with the goal of highlighting useful information, suggestive observations and supporting decision making.

4.2 Presentation of Findings

4.2.1 Response Rate

Table 4.1 Response Rate

Category	Frequency	Percentage
Response	166	92
No Response	14	8
Total	180	100

The questionnaires given to the respondents were collected back after being filled. Table 4.1 showed 166 questionnaires were returned while 14 questionnaires were not returned. This was equivalent to 92% and 8% respectively in the order of returned and non-response. Since greater percentages of questionnaires were returned it was therefore considered that the final studies could be analyzed.

4.2.2 Gender

Table 4.2 Gender of Respondents

Category	Frequency	Percentage
Male	90	54
Female	76	46
Total	166	100

The representation of the findings shown on the table 4.2 was based on the gender response. As the results of the analysis it shows; 54% of the total respondents participated in the study were male while 46% were female respondents. The results led to interpreting that this organization had ability to act fairly on gender basis considering that both gender were almost equally represented.

4.2.3 How old are you

Table 4.3 How old are you

Category	Frequency	Percentage
20 - 29	5	3
30 - 39	61	37
40 - 49	66	40
50years and Above	34	20
Total	166	100

This finding indicated the level of education of respondents who participated in this study. Based on these findings in table 4.3 and figure 4.3, it was noted that 3% of the respondents were between 20 -29 years while 37% constituted 30 - 39 and 40% were between 40 – 49 years and 20% of respondents had 50 years and above.

4.2.4 Work Experience

Table 4.4 Work Experience of the Respondents

Category	Frequency	Percentage
Less than 1 year	21	13
1-5 years	45	27
6-10 years	66	40
Above 10 years	34	20
Total	166	100

The study as shown on table 4.4 sought to find out the work experience of respondents, this was to assist in finding out the level of experience employees have in dealing with communication aspects. The results established that majority 40% of respondents had worked in the company for between 6-10 years, 27% of them had worked for 1 to 5 years; 20% had worked for over 10 years and 13% of the respondents have worked in the company for a period below 1 year. This shows that the majority of employees have sufficient work experience.

4.2.5 Internet Availability

Table 4.5 Internet access through mobile phones enhances ease of payment of withholding tax.

Category	Frequency	Percentage
Strongly agree	68	41
Agree	58	35
Neutral	10	6
Disagree	21	13
Strongly disagree	9	5
Total	166	100

The presentation shown on table 4.5 focused on whether Internet access through mobile phones enhances ease of payment of withholding tax. The study findings showed that 41% of respondents strongly agreed to the statement while 35% agreed. However 6% of respondents were unsure of whereas 13% of respondents disagreed and 5% of respondents strongly disagreed.

Table 4.6 Internet speed through safaricom / airtel enable speedy and efficient payment of withholding tax

Category	Frequency	Percentage
Strongly agree	60	36
Agree	31	19
Neutral	66	40
Disagree	6	4
Strongly disagree	3	1
Total	166	100

Table 4.6 summarized study findings focusing on whether internet speed through safaricom / airtel enable speedy and efficient payment of withholding tax. In the analysis based on responses it was found that 36% of respondents strongly agreed, 19% agreed to the statement as 40% were neutral whereas 4% disagreed and 1% of respondents strongly disagreed. Based on the on the majority of respondents, they were not sure whether internet speed through safaricom / airtel enable speedy and efficient payment of withholding tax.

Table 4.7 Internet access through cyber café enhances payment of withholding tax

Category	Frequency	Percentage
Strongly agree	33	20
Agree	71	43
Neutral	50	30
Disagree	8	5
Strongly disagree	4	2
Total	166	100

The presentations were based on summarized findings on whether internet access through cyber café enhances payment of withholding tax. The study found that 20% of respondents strongly agreed to the idea whereas 43% agreed as 30% of respondents were neutral as 5% of respondents disagreed and 2% of respondents strongly disagreed.

Table 4.8 Stable and reliable internet services in the area enable speedy and efficient payment of withholding tax

Category	Frequency	Percentage
Strongly agree	68	41
Agree	51	31
Neutral	23	14
Disagree	18	11
Strongly disagree	6	3
Total	166	100

Table 4.8 provided a summarized percentage response on whether stable and reliable internet services in the area enable speedy and efficient payment of withholding tax. The study found that 41% of respondents strongly agreed to the statement while 31% agreed as 14% of respondents were neutral whereas 11% of respondents disagreed and 3% of respondents strongly disagreed.

4.2.9 System Convenience

Table 4.9 System support for smart phone enhances ease of payment of withholding tax

Category	Frequency	Percentage
Strongly agree	71	43
Agree	54	33
Neutral	21	13
Disagree	6	6
Strongly disagree	14	5
Total	166	100

Table 4.9 summarized study findings on whether System support for smart phone enhances ease of payment of withholding tax. According to the findings 43% of respondents that were the majority indicated that they strongly agreed, 33% agreed as 13% of respondents were neutral whereas 6% of respondents disagreed and 5% of respondents strongly disagreed.

Table 4.10 Online system applications by KRA enable speedy and efficient payment of withholding tax

Category	Frequency	Percentage
Strongly agree	46	28
Agree	71	43
Neutral	36	22
Disagree	5	3
Strongly disagree	8	4
Total	166	100

The analysis of findings depicted on the table 4.10 addressed the findings on whether online system applications by KRA enable speedy and efficient payment of withholding tax. The percentage response showed that 28% of respondents strongly agreed as 43% agreed whereas 22% of respondents were neutral and 3% of respondents disagreed and 4% of respondents strongly disagreed.

Table 4.11 KRA website accessibility ease of payment of withholding tax

Category	Frequency	Percentage
Strongly agree	66	40
Agree	59	36
Neutral	41	24
Disagree	0	0
Strongly disagree	0	0
Total	166	100

The findings in the study as shown on table 4.11 was about the need to establish whether KRA website accessibility ease of payment of withholding tax. It was found that 40% of respondents strongly agreed, 36% agreed as 24% of respondents were neutral whereas none disagreed and still none of respondents strongly disagreed. As per the majority of respondents, it was noted that majority of respondents strongly agreed.

Table 4.12 Stable and user friendly system enable speedy and efficient payment of withholding tax

Category	Frequency	Percentage
Strongly agree	81	49
Agree	33	20
Neutral	25	15
Disagree	17	10
Strongly disagree	10	6
Total	166	100

Table 4.12 presented findings that sought to establish whether stable and user friendly system enable speedy and efficient payment of withholding tax. The analysis showed that 49% of respondents strongly agreed to the idea as 20% agreed whereas 15% of respondents were neutral as 10% of respondents disagreed and 6% strongly disagreed.

4.2.14 Tax Filing Security

Table 4.14 Security of information sharing via smart phone ease of payment of withholding tax

Category	Frequency	Percentage
Strongly agree	111	67
Agree	46	28
Neutral	2	1
Disagree	0	0
Strongly disagree	7	4
Total	166	100

In examining whether security of information sharing via smart phone ease of payment of withholding tax. The ratings obtained from the study showed that 67% of respondents felt they strongly agree to the idea, 28% agreed as 1% of respondents were indecisive whereas none of respondents claimed they disagreed as 4% of respondents strongly disagreed to the statement. Based on the majority of respondents it was a confirmation that security of information sharing via smart phone ease of payment of withholding tax.

Table 4.15 Online system security issues affect efficient payment of withholding tax

Category	Frequency	Percentage
Strongly agree	28	17
Agree	99	59
Neutral	31	19
Disagree	6	4
Strongly disagree	2	1
Total	166	100

In the analysis the study found that online system security issues affect efficient payment of withholding tax. However, there were responses to confirm about the statement. The ratings showed that 17% of respondents had strongly agreed to the statement, 59% of respondents agreed whereas 19% of respondents were neutral as 4% of respondents claimed they disagreed and 1% of respondents strongly disagreed.

Table 4.16 KRA website security breaches affect payment of withholding tax

Category	Frequency	Percentage
Strongly agree	8	5
Agree	68	41
Neutral	50	30
Disagree	36	22
Strongly disagree	4	2
Total	166	100

The analysis of findings revealed that KRA website security breaches affect payment of withholding tax. In the analysis, the percentage response showed that 5% of respondents strongly agreed to the idea, 41% agreed as 30% of respondents were indecisive whereas 22% of respondents claimed they disagreed as 2% of respondents said they strongly disagreed. Going by the majority of respondents it was a confirmation that KRA website security breaches affect payment of withholding tax.

Table 4.18 General tax system security hitches affect efficient payment of withholding tax

Category	Frequency	Percentage
Strongly agree	83	50
Agree	43	26
Neutral	25	15
Disagree	15	9
Strongly disagree	0	0
Total	166	100

The findings addressed whether general tax system security hitches affect efficient payment of withholding tax. The ratings showed that 50% of respondents felt they strongly agree to the idea, 26% agreed as 15% of respondents were neutral whereas 9% of respondents claimed they disagreed as none of respondents said they strongly disagreed.

4.2.19 Withholding Tax Payment

Table 4.19 The consultancy firm has been paying its withholding tax in good time

Category	Frequency	Percentage
Strongly agree	38	23
Agree	58	35
Neutral	38	23
Disagree	25	15
Strongly disagree	7	4
Total	166	100

The summarized study findings were to address whether the consultancy firm has been paying its withholding tax in good time. The study found that respondents who were totaling to 23% claimed they strongly agreed, whereas 35% of respondents agreed as 23% of respondents were neutral however 15% of respondents disagreed and 4% of respondents strongly disagreed.

Table 4.20 Payment of withholding tax has been ease and efficient with electronic tax filling

Category	Frequency	Percentage
Strongly agree	46	28
Agree	66	40
Neutral	41	25
Disagree	13	7
Strongly disagree	0	0
Total	166	100

The presentations of study findings on payment of withholding tax has been ease and efficient with electronic tax filing. As shown in the study a total of 28% of respondents claimed that they strongly agreed, whereas 40% of respondents agreed as 25% of respondents were neutral and still 7% of respondents disagreed whereas none of them strongly disagreed.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings as generated from data analysis, there is also presentation of the conclusion, the recommendations and the suggestion of further studies. The study focused on effect of electronic tax filing on withholding tax payment among SMEs in Kenya on a case study of consultancy firms in Nakuru town.

5.2 Summary of Findings

5.2.1 The effects of Internet Availability on withholding tax payment on consultancy firms within Nakuru town

The summary of findings as generated from data analysis was based from a study seeking to establish the relationship of various aspects of internet availability on withholding tax payment among consultancy firms. Some of the aspects focused on a study to establish whether internet access through mobile phones enhances ease of payment of withholding tax. The study findings showed that 41% of respondents that were majority confirmed that they strongly agreed to the statement while 5% of respondents strongly disagreed. Summary also showed that on a study whether Internet speed through safaricom / airtel enable speedy and efficient payment of withholding tax, 63% were neutral while 1% of respondents strongly disagreed. In summarized findings on whether Internet access through cyber café enhances payment of withholding tax. The study found that 43% agreed as 5% while 2% of respondents strongly disagreed.

The summarized percentage response on Stable and reliable internet services in the area enable speedy and efficient payment of withholding tax. The study found that 41% of respondents strongly agreed and 3% of respondents strongly disagreed.

5.2.2 The effect of System Convenience on withholding tax filing on consultancy firms within Nakuru town

The summarized study findings were aimed at determining whether system support for smart phone enhances ease of filing of withholding tax. The findings revealed that 43% of

respondents strongly agreed however 5% of respondents strongly disagreed. The summary from a study on whether online system applications by KRA enable speedy and efficient filling of withholding tax. The percentage response revealed that 43% agreed and 3% of respondents disagreed. This was a confirmation from the majority of respondents that online system applications by KRA enable speedy and efficient payment of withholding tax. In summary on a study whether KRA website accessibility ease of payment of withholding tax. It was found that 40% of respondents were neutral whereas none disagreed and still none of respondents strongly disagreed.

The summary was further provided to address Stable and user friendly system enable speedy and efficient payment of withholding tax. The analysis showed that 49% of respondents strongly disagreed however 6% agreed.

5.2.3 The effects of Electronic Tax Filing Security on withholding tax on consultancy firms within Nakuru town

The summary was generated from a study that sought to establish whether Security of information sharing via smart phone ease of payment of withholding tax. It was noted that 67% of respondents strongly agreed as 4% of respondents strongly disagreed to the statement. In the analysis examining whether Security of information sharing via smart phone ease of payment of withholding tax. The study was confirmed by 59% of respondents who agreed while 1% of respondents strongly disagreed. The analysis of findings revealed that KRA website security breaches affect payment of withholding tax as supported by 41% against 2% of respondents who strongly disagreed.

5.3 Conclusions

An attempt has been made in this paper to present an in- depth analysis of factors affecting electronic tax filing on consultancy firms in Nakuru town in Kenya. The findings have discovered that internet availability on electronic tax filling cost have a positive and considerable courting with tax filing therefore the look at concludes that a stable internet associated with included tax management system increases tax filing with the aid of small and medium businesses while a boom in tax compliance fees associated with included tax control system undoubtedly influences tax compliance by SMEs in the Nakuru County.

On the system convenience, user training, there is little training offered on the use of the electronic filing gadgets by the suppliers. Technicians were cited as the major source of knowledge on the use of ETR machines. According to majority of the respondents there is need for more training on using of electronic gadgets as to ensure that they are more efficient and effective.

The study concludes that this gadgets are additional cost to the business. The consultancy firm has to incur installation cost as well as maintenance costs. The government should therefore provide the electronic gadget Machines to taxpayers at no cost. Since taxation is for the government revenue collection therefore the government should be responsible for the initial cost of the Machines. From the study, it is clear that there is still a big number of tax payers who perceive WHVAT as not important. Compliance among those who are of the opinion that SMEs should not be taxed is likely to be lower. Government should thus sensitize SMEs on the importance of taxes and the benefits tax payers stand to achieve from these government collections. In order to achieve maximum benefits and the fiscal policies, KRA should also strive to implement and enforce the requirements of CAP 476 in regard to operations of business and penalties for late filling of returns. Some respondents also recommended that the government should carry out regular checks on the electronic filing gadgets so as to avoid manipulation by fraudulent taxpayers to cultivate a culture of patriotism to taxation.

5.4 Recommendations

From the findings of this study, we advocate that the government ought to set tax prices which are widespread so that SMEs and other buyers may be stimulated to make bigger

their unlimited ability in the commercial enterprise global. This could in turn impact the economy of Kenya positively and the benefits might be handed directly to all of the citizens. The government must also searching for to come up with a very good tax policy that clearly defines and stipulates the tax processes, governing acts, tax prices among other essential troubles that impact taxes in and throughout the use's obstacles.

The types of taxes ought to be truly described and made depending on the scale, nature, obligations and prison attachment of different businesses. Special remedy have to be accorded to SMEs in developing the distinctive forms of taxes as they are the ones that are always near the common citizen. Kenya revenue authority desires do greater so in regard to sensitizing the general public on tax quotes, varieties of taxes and tax guidelines because human beings in enterprise do little to enlighten themselves on earnings tax.

The owners of SMEs on their facet should attempt to apprehend their commercial enterprise surroundings which includes tax fees, tax regulations and distinctive types of taxes and tool techniques with a purpose to necessitate their growth whilst satisfying their tax obligations. The county government ought to intensifying efforts in tax recognition campaigns to educate the public at the numerous varieties of taxes. This will growth the amounts of tax sales accrued a good way to make sure the provision of services to the majority.

5.5 Suggestions for further research

This study proposes the following areas for further study:

1. Factors affecting income tax compliance among SMEs in other regions of Kenya.
2. A study on the relationship between voluntary tax compliance strategy and the deterrence measures kind of strategy.
3. Factors that motivate SMEs to be tax compliant.

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APPENDIX I

Appendix I: Questionnaire

I am a student at Kenya School of Revenue Administration. I am undertaking a survey in partial fulfillment of a requirement for the award of Post-Graduate Diploma. I am kindly requesting for your assistance in completing the attached questionnaire.

Name: _____

Date of Interview: _____

A: DEMOGRAPHIC FACTORS

1. Gender: Male Female {Tick Appropriately}

2. How old are you? {Tick Appropriately}

1	8	-	2	8	
2	9	-	3	9	
4	0	-	5	0	
A	b	o	v	e	5 0

3. How long have you worked in this consultancy firm?

L	e	s	s	t	h	a	n	1	y	e	a	r	
1	-	5		y	e	a	r	s					
6	-	1	0		y	e	a	r	s				
O	v	e	r	1	0		y	e	a	r	s		

4. Whats your designation/role? {Tick as appropriate}

Finance/Accounting officer	
Director	

B: Internet Availability and Withholding Tax Payment {Tick once against each factor as appropriate}

Factor	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Internet access through mobile phones enhance ease of payment of withholding tax					
Internet speeds through safaricom/airtel enable speedy and efficient payment of withholding tax					
Internet access through cyber cafes enhance ease of payment of withholding tax					
Stable and reliable internet services in the area enable speedy and efficient payment of withholding tax					

C: System Convenience and Withholding Tax Payment {Tick once against each factor as appropriate}

Factor	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
System support for smart phones enhance ease of payment of withholding tax					
Online system applications by KRA enable speedy and efficient payment of withholding tax					
KRA website accessibility enhance ease of payment of withholding tax					
Stable and user-friendly system enable speedy and efficient payment of withholding tax					

D: Tax Filing Security and Withholding Tax Payment {Tick once against each factor as appropriate}

Factor	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
System					
Internet					
KRA					

Factor					
--------	--	--	--	--	--

E: Withholding Tax Payment {Tick once against each factor as appropriate}

F a c t o r	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
The consultancy firm has been paying its wotholding taxes in good time					
Payment of withholding tax has been easy and efficient with electronic tax filing					

THANK YOU FOR YOUR TIME

APPENDIX II: WORK PLAN

ACTIVITY	WK 1	WK 2	WK 3	WK 4	WK 5	WK 6	WK 7	WK 8	WK 9	WK 10
Problem Formulation										
Preparation of research questions										
Compiling										
Proposal Defense										
Field Data Collection										
Data Analysis Report Writing										
Presentation										

Table IN.B: Activities on the Research Management Table are indicated by the following symbols:



APPENDIX III: BUDGET PROPOSAL

		Amount
No	Item	Kshs
1	Stationeries	10,800
2	Telephone and Internet cost	5,600
3	Typing work	5,000
4	Photocopies and journals	1,700
5	Travelling cost	2,500
6	Contingencies	5,000
	Total	30,600