
**FACTORS INFLUENCING TAX COMPLIANCE ON RESIDENTIAL RENTAL
INCOME TAX IN KENYA: A CASE OF KIAMBU COUNTY**

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**A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF ECONOMICS,
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AND TECHNOLOGY.**

2018

DECLARATION

Declaration by candidate:

I declare that this research project is my original work and has not been presented for a degree in any other university.

.....

.....

Signature

Date

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Declaration by supervisor:

This research project is submitted for examination with my approval as Kenya School of Revenue Authority supervisor.

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ABSTRACT

The major source of revenue collection by the government of Kenya is Taxation and the government have instituted measures to control various categories of taxes by compliance measures. The main objective of this study was to determine the factors influencing the tax compliance on residential rental income tax in Kenya a case of Kiambu County. The specific objectives were to determine how the Monthly rental tax, Choice of tax regime, fear of penalties and Tax literacy influence tax compliance in Kenya, a case study of Kiambu County. The target population consisted of Four hundred Landlords in Kiambu County, Rwaka village in Kiambaa sub-county who are registered with the County government of Kiambu as at December 2017. The random stratified sampling method was used where every item of the population was given an equal chance of being selected. The random sampling and stratified sampling methods were used to collect the data from primary sources where 61 landlords responded the questionnaire from a cluster of 100 landlords who received the questionnaire. The data was collected through Primary sources by the use of questionnaire for 5 years from the year 2013 to 2017. The secondary data was collected from published financial statements, information from the institutional journals, books, other financial journals and also from the KRA website. The data analysis was done using the STATA software. The data was presented through the use of tables, graphs and figures. The statistical results originated from STATA software indicated that tax compliance in Kenya is statistically influenced by Monthly rental tax, Choice of tax regime, tax penalties and tax literacy and the results are demonstrated in this research dissertation. The graph matrix in chapter four shows clearly that the variables are concentrated around a specific area and are statistically significant meaning there is an influence of the Dependent variable and the

Independent variables. The p value was 0.0000 and was less than 0.05 and this indicates that there is a strong relationship between the Dependent variable and the Independent variables.

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My sincere appreciation also goes to my parents who never forgot to pray and encourage me every day.

DEDICATION

I dedicate this research project to my parents, Mr. Cosmas Fellimo Asin and Mrs Lucy Wanga Asin and to my family who encouraged, supported and sacrificed all to ensure I got the best education.

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ACRONYMS AND ABBREVIATION

ATM Automated Teller Machine

BOD Board of Directors

CSR Corporate social responsibility

EACC Ethics and Anti-Corruption Commission

DTD Domestic Taxes Department

GOK Government of Kenya

IT Information Technology

ICPAK Institute of certified Accountants of Kenya

KEBS Kenya Bureau of standards

KESRA Kenya School of Revenue Authority

KIPRA Kenya Institute of public policy research and analysis

KIPI Kenya Industrial Property Institute

KRA Kenya Revenue Authority

LTO Large Taxpayers office

MRI Monthly Rental Income

MTO Medium Taxpayers Office

NEMA National Environmental Management Authority

STATA General Purpose statistical software

VIF Variance Inflation Factor

DEFINITION OF TERMS

Tax compliance	This is the fulfilment of tax obligations in terms of adhering to the rules and regulations which govern the specified taxes which include filing and payment of the taxes. Tax compliance in Kenya is issued by Kenya Revenue Authority which has been appointed by an Act of parliament to deal with Taxes in Kenya (KRA, 2017)
Tax penalties	Refers to the extra amount of tax which is levied by the Government because of failure to file taxes on time or refusal to file taxes (KRA, 2017)
Choice of tax regime	This refers to the taxes which are levied by the government and the citizens have the choice to choose which one to use (Karanja, 2014)
Tax rate	The tax rate refers to the agreed percentage of tax which is payable to the government (Karanja, 2014)
Tax literacy	This refers to the educational knowledge with regard to taxes which are offered by any government (Karanja, 2014)

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CHAPTER ONE: INTRODUCTION

1.0 Introduction

This chapter discusses about the factors influencing the tax compliance on residential rental income tax in Kenya, a case study of Kiambu County. The specific objectives were to determine how the tax rate, Choice of tax regime, fear of penalties and Tax literacy influence tax compliance in Kenya, a case study of Kiambu County. The chapter also outlines the research questions which acted as a guiding tool of the researcher, the statement of the problem and finally the significance of the study to the various stakeholders.

1.1 Background of the Study

The landlords provides a very important role of providing the accommodation and housing to the tenants who work in the both the public sector and the government sector. The tenants have the right to use the property of the landlord for their own use according to the agreement. The landlords get rental income from the tenants and they are required to pay the taxes to the KRA. The landlords are the owners of the properties and they are required to be paid by the tenants on monthly basis according to the rental agreement or collective agreement which can be either oral or written for both the landlord and the tenant. The agreement is acceptable document in any court of law in Kenya with regard to the dispute for both the Tenant and the landlord (Hussain, 2007).

The tax compliance on residential rental income tax in Kenya is regulated and governed by the KRA. The tax compliance means that the landlord has complied with the relevant tax laws of Kenya and KRA is certified that the landlord has complied and a Tax compliance certificate is issued by the KRA where the landlord requests for it through online system. The tax compliance

certificate can be used for many purposes by the landlord depending on the individual reasons for example the tax compliance is a mandatory requirement to get the government senior positions as required by the constitution of Kenya. (Otieno, 2017).

The landlord has the obligation to file the monthly rental income by 20th of every month and failure to do so there are penalties and interest to pay. The landlord has the obligation to keep proper records and ensure the correct information is given since the KRA is based on the core value of trust and facilitation. The KRA can enforce the payments through the demands and other enforcement methods and requires the landlord to declare correct information. The KRA online filling is friendly to use and payments are done to the respective banks or can be paid through online methods for example through the phone. (Mutegi, 2017).

According to (KRA, 2017) the mission statement of KRA include building trust through facilitation so as to foster compliance with tax and custom legislation. The core values which govern the KRA include trustworthy, ethical, competent and helpful. The landlords are dealt by KRA using the professional competence and the Taxman believes to the best of his knowledge that the landlords are compliant with the monthly rental income tax of 10%. The tax man also is certified while issuing the tax compliance the landlord has disclosed the correct information and paid the relevant taxable amount and proper records are maintained (KRA, 2017).

The monthly rental tax is simple to compute since it is the flat rate of 10% gross of the rental income and no expenses are allowable for this new tax regime but where the gross rental income is above 10 million the taxpayer is allowed to use the graduated scale method to pay tax which is filled through the IT1 for the individual and for the company the IT2C. The payment slip is generated online for the MRI and immediately the taxpayer pays the ledger account is credited

with the amount paid. The tax payer is able to view the ledger online as well as KRA and when issuing the compliance certificate the KRA views the ledger (Mukumu, 2016).

According to (Karanja, 2014) the Government of Kenya has taken the housing of the residents as a growth measure in recent years by improving the sector through the enactment of various organisations like the ministry of lands and housing which encourage the growth of the housing sectors. Kenya has over the years undertaken various revenue administration reforms aimed at enhancing revenue collection. One of the measures was the introduction of the SAS in 1992 (Karanja, 2014). The purpose of the system was to increase voluntary compliance, reduce KRA's burden of assessing returns and increase collection efficiency. Despite this reform, the compliance level has remained low. The levels of tax compliance have remained low even with the use of sanctions like penalties, routine audits, fines and so on but not much improvement in tax revenue collections particularly in the real estate. Kenya is therefore ranked among the countries with low compliance as far as tax revenue collection is concerned (KIPPRA, 2016).

According to (Atawodi, 2012) numerous studies have been to provide an in depth understanding on key motivators to tax evasion. Despite these studies from the famous scholars like (Karanja, 2014) and (Alm, 1992) the economy of Kenya continues to face a challenge since there is lack of a proper tax policy, low compliance and poor tax administration are linked to elevated levels of tax evasion and avoidance in developing countries. According to (Karanja, 2014) the contribution of the landlords has been very low despite all the efforts by the government taxing all Kenyans to support the development of the economy by paying fair share of taxes. The revenue from the landlords has not been collected fully since some of them are not registered with KRA as revenue paying taxpayers and this has led to the conduct of this research. (Karanja, 2014).

According to (Osebe, 2013) the Budget policy statement for the year 2013 showed there was a shortfall in revenue collection and this led the National Treasury to enhance and improve the new procedures to collect the revenue by KRA. According to (ICPAK, 2016) the National Treasury needed more revenue collections to improve the growth of the government infrastructure. There are many areas of revenue collection points which are improved by KRA and one of them includes the residential rental income. The monthly rental income has been low yet the houses are being built day by day in most areas of the Republic of Kenya. Kiambu County has seen the development of the Residential houses being built day by day and this has also lead to the conduct of this study to ensure if there are factors influencing the tax compliance on residential income tax in Kenya. (ICPAK, 2016).

According to Noreen, Brewer, & Garrison, (2011) the organisational structure of the firm is very important to define so that the organisation can attain its objective. The organisational structure shows the hierarchy of the responsibilities from the top management to the lower level management. The KRA is a government corporation which was formed by an act of Parliament and is supposed to ensure all the taxpayers are treated fairly including the landlords and in terms of fighting corruption the organisation is corruption free since what the landlord has declared in the return it is the correct amount which is received by KRA and sent to the National Treasury. There are other agents in the government which assist the KRA to ensure it's free from corruption in collecting the revenue from the residential income which include EACC and other non-governmental organisations. (KRA, 2017).

According to (Ali, 2012) the tax compliance is the degree to which the tax payer pays the required taxes by the government and has certified all the rules and regulations are followed. KRA currently issues the tax compliance certificate through online method after the taxpayer has

applied for it. There are cases where the tax compliance is not issued where the taxpayer has not complied with the tax system or is in arrears. The tax payer is required to file the income tax yearly and in case one fails to do so the Tax procedures Act of 2015 is very clear there is a penalty of Kshs.20,000 for the commercial properties which attracts the VAT. The penalty for Monthly rental income for the landlords for Kshs. 2,000 if they fail to submit their return by 20th of every month. (Lumumba, Migwi, & Obara, 2010) .

1.2 Statement of the Problem

The aim of this research study was find out the factors that influencing tax compliance on residential rental income tax in Kenya, a case study for Kiambu County. According to (ICPAK, 2016) the Budget policy statement for the year 2016 showed there was a shortfall in revenue collection and this led the National Treasury to enhance and improve the new procedures to collect the revenue by KRA. The National Treasury needed more revenue collections to improve the growth of the government infrastructure. There are many areas of revenue collection points which are improved by KRA and one of them includes the residential rental income. The monthly rental income has been low yet the houses are being built day by day in most areas of the Republic of Kenya. There has been the development of the Residential houses in Kiambu County which are being built day by day and this has also led to the conduct of this study to ensure if there are factors influencing the tax compliance on residential income tax in Kenya (ICPAK, 2016).

According to (Mukumu, 2016) the National treasury reported a shortfall in revenue collection and the reports showed there are sectors in the economy which needs to be taxed more and others are producing little revenue. The estate sector which includes the landlords who own the residential houses was highlighted by KRA and needs more improvement since the introduction

of Monthly rental income the revenue is still low and KRA needs to net more Landlords in order to have more revenue since the sector of estate is growing day by day since the residential houses are increasing but the revenue from residential revenue is not growing. The above has led to the conduct of this study (Mukumu, 2016).

There was a huge demand for the residential houses in Nairobi because of the creation of employment opportunities by the GOK through the encouragement of international companies to start the businesses in Kenya and giving them the incentives (Otieno, 2017) .The Chinese companies which are building the Kenyan roads are a good example of international companies and their staff need rental houses as they proceed with their infrastructure work. This has created the demand for residential houses leading to the increase of landlords building more houses. The KRA has not seen any improvement in revenue despite the increase in residential houses. This has also led to the conduct of this research. (Mutegi, 2017).

According to (Kenya National Bureau of statistics, 2016) the developing countries have been reporting the cases of tax evasion because of slow development in some sector and corresponding increase in other sectors of the economy and if not checked the revenue of a state or government can decrease in revenue. The government should ensure there are stringent measures to ensure the signals of the economy are noted and interpreted to ensure there is smooth flow of the revenue and resources of the economy as reported by (Awa, 2015). The balance of the economy is given precedence in order to have a full control of the government sectors. The GOK should ensure it's able to control all the sectors of the economy and among them include the estate sector which includes the residential houses. The above have also led to the conduct of this study (PWC, 2013).

I would like to know why the landlords are not tax compliant on residential rental income while they are expanding so fast in the economy and the taxes they are paying is not growing but only shortfalls has been seen by the National Treasury and KRA. When you visit the areas around Nairobi there are residential houses which are being built day by day yet the revenue is not growing and the GOK is still getting grants and the loans to sustain its economy.

1.3 The objective of the Study

The general objective of this study was to determine the factors influencing tax compliance on residential rental income tax in Kenya, a case of Kiambu County.

1.3.1 The specific Objectives.

This research study addresses the following specific objectives:

1. To establish the influence of tax rate on the tax compliance on residential rental income tax in Kiambu County.
2. To establish the influence of choice of tax regime on the tax compliance on residential rental income tax in Kiambu County.
3. To establish the influence of Tax penalties on the tax compliance on residential rental income tax in Kiambu County.
4. To establish the influence of tax literacy on the tax compliance on residential rental income tax in Kiambu County.

1.4 The Research Questions

The research addresses the following research questions:

1. How does tax rate influence the tax compliance on residential rental income tax in Kiambu County?
2. How does choice of tax regime influence the tax compliance on residential rental income tax in Kiambu County?
3. How does Tax penalties influence the tax compliance on residential rental income tax in Kiambu County?
4. How does tax literacy influence the tax compliance on residential rental income tax in Kiambu County?

1.5 Significance of the Study

The importance of this study was to contribute to the changes and mechanisms which when effected will improve the tax compliance on residential rental income and the society as a whole. There are number of the users who can rely on this research to make the decisions regarding the factors influencing the tax compliance on residential rental income and include the following;

1.5.1 Investors/ Shareholders

The investors include those who need to venture in to the business of residential rental income and they can be the local citizens or international citizens. The corporate organisations and private companies are also included where are Shareholders who own these organisations they can understand the factors influencing the tax compliance on residential income tax in KRA and mostly in Kiambu County.

1.5.2 The Government of Kenya

The findings of this study will be of importance to the government departments that regulates the residential rental income and to put in place measures in order to establish on how to improve the sector and get more revenue. The GOK can use this research study to assist in data collection and to improve the revenue collection.

1.5.3 The Landlords

The landlords will use the findings of this study to be able to set up strategies which will enable them achieve their vision and targets as well to get more education with regard to the tax compliance matters. It will also assist in establishing the most efficient management style to apply in order to be able to achieve set goals of increasing their revenue and payment of rental income.

1.5.4 The Academia

The study will help the Scholars to determine how the tax rate, Choice of Tax regime, tax penalties, and tax literacy influence the tax compliance on residential rental income in Kenya, a case of Kiambu County.

1.6 Scope of the Study

The study focused on the factors influencing the tax compliance on residential rental income in Kiambu County. The study was conducted from sixty one landlords in Kiambu County who were registered with Kiambu County for the year ended 2017. The stratified random sampling method was used to select the areas which has residential houses and Rwaka village in Kiambaa sub-county was selected. The time will be minimal to conduct this research study but the researcher worked extra hours to get the accurate results of the study. The primary data will be collected through the use of well-structured questionnaire. Data was also be collected through the

secondary sources from other published reports, books and journals from other scholars, focus groups and KRA website. The data collection will take four weeks and the various activities are shown in the schedule of the work in appendix 3.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter attempts to review areas and various literature related to factors influencing rental income tax rate, Choice of tax regime, tax penalties and Tax literacy in relation to tax compliance on residential rental income tax in Kenya a case study of Kiambu County.

The tax compliance on residential rental income should be fully checked and compared with other factors to get the general outcome and this has been done in this research study. The residential income can increase but the rental income tax can decrease and the general revenue of the country decreases as can be seen by the study of other researchers, there are various reasons which have led to the above decreases in revenue but the compliance of rental income has been affected which is also related to this study (ICPAK, 2016).

2.2 Reviews of Theoretical Literature

There have been past studies and the theories which are conducted by other researchers with regard to the factors influencing tax compliance on residential rental income. Under this section findings from the related studies are presented, discussed and criticized. The theories which support the tax compliance on residential rental income include the Agency theory, Profit maximisation theory and the Theory of the growth of the firm. There are other theories supporting this research but the above theories are clearly discussed and criticised in this research.

2.2.1 Agency theory

According to Eisenhardt, (1989) the Agency theory is the relationship between the principal who are the owners of the capital and the agents who are the managers of the firms. The managers should ensure the interests of the principal are safeguarded at all times in order to achieve the

common goal, the agents should ensure there are no conflicts of interest for smooth running of the firm (Eisenhardt, 1989).

Eisenhardt, (1989) Further says that the Agency theory has been supported by various scholars but other scholars had disagreed with it claiming it's not important. The Residential houses are owned by the Owners and they always ensure there are no conflicts with the tenants as they prefer their goals for profit maximisation are met and this has led to the growth and increase of residential houses in Kiambu County which is closure to Nairobi County. The demand for residential rental houses is growing day by day (Macharia, 2014).

The Agency theory was supported by Jensen, (1983) and recommended that it is important for the organisation to implement and ensure there is always the good relationship between the shareholders of the entity and the management. The organisational theory of the organisation also incorporates the decisions of the shareholders and guards the interests of other interested parties. The Agency theory was given priority and given much attention by (Jensen, 1983).

The other scholars who disagreed with the Agency theory include Perrow,(1989) who criticised the theory and said it's not important and should not be considered in making the decisions of the management and that it is outdated and irrelevant (Eisenhardt, 1989). Perrow (1989) was earlier given a response in the management review by Langton, (1985) and his work was criticised and the agency theory was given further support and the importance was clearly seen since the shareholders are the owners of the organisations and when they receive rental income they don't complain to the Tenants and the relationship is good (Langton, 1985).

The KRA is run by professionals who are qualified in collection of revenue and apply stringent measures to ensure the revenue collected reflect the actual revenue which has been collected

from the landlords together with other revenues collected is credited to the National treasury and received by the government of Kenya. The rental income tax is paid through the KRA Itax system after generating the payment slip and making the relevant payments to the financial institution. There has been a shortfall in revenue collection which has led to the conduct of this research. The landlords have been expanding fast but are not compliant and that is the basis of this research (KIPPRA, 2016).

2.2.2 Contingency theory of taxation

The contingency theory of taxation is an approach to the study of organizational behavior in which explanations are given as to how contingent factors such as technology, culture and the external environment influence the design and function of organizations. The assumption underlying contingency theory is that no single type of organizational structure is equally applicable to all organizations but the structure changes according to the different organizations. Rather, organizational effectiveness is dependent on a fit or match between the type of technology, environmental volatility, the size of the organization, the features of the organizational structure and its information system. The factors influencing the tax compliance on residential rental income in Kenya a case of Kiambu County provided the statistical results which could be different from other counties of Kenya. Contingency theories were developed from the sociological functionalist theories of organization structure such as the structural approaches to organizational studies (Woods, 2009)

The contingency theory is used to describe the relationships between the context and structure of internal control effectiveness and organizational performance, especially reliability of financial reporting. This study involves the factors influencing the tax compliance on residential rental income in Kenya, a case of Kiambu County, the relationship between the Tax compliance and

other variables have been demonstrated well in this document. Empirical study suggests that internal auditors who are specialized and higher in internal audit ability will achieve internal control effectiveness analysis and that the firm will benefit from the organizational effectiveness through internal control mechanism efficiency (Bhartia, 2009). There are some factors which has an impact on management control systems and they include external environment, technology, structure and size, strategy and national culture. It suggests that the demands imposed by technical tasks in the organization encourage the development of strategies to coordinate and control internal activities. The location of information in relation to technology and environment has an important influence on organization structure (Bhartia, 2009)

The contingency theory also demonstrates how the organization operate its tax system and ensures the taxes are paid on time to avoid penalties. The tax system is different from one organization to another since the organizations are different for example the manufacturing entities are different from the ones which imports the completed products. Dimensions of structure and control include authority structure and activities structure, i.e., rules and procedures that determine the discretion of individuals. Authority relates to social power. In the contingency model, decentralized authority is more appropriate where uncertain environments. Contingency theory was also demonstrated by (Sandmo, 2006) who concluded that the use of control systems is contingent upon the context of the organizational setting in which these controls operate. Therefore the idea of contingency theory is that the selection and use of a management control system is contingent on a variety of internal and external factors. It is therefore clear that, factors such as external environment, technology, structure and size, strategy and national culture impact management control systems. The theory suggests that the demands imposed by technical tasks

in the organization encourage the development of strategies to coordinate and control internal activities (Sandmo, 2006)

2.2.3 Ability to pay theory of taxation

The Ability to pay theory is one of the most important theories of the firm because the aim of the firm is to make profit and to pay expenses according to the financial position of the firm or how the firm can afford to pay the expenses which include taxation expenses (Crossan, 2015). The profit is the difference between the marginal cost and the marginal revenue and the higher the profit the higher the taxes the firm pays. The landlords of residential rental houses must make profit for them to exist and experience growth. The main objective of the shareholders of the firm is to maximise their profits and ensure there is continuity in the operations. When the profit increase the revenue increases and this is the reason why there is an increase in the residential rental houses in various parts of the country including Kiambu county which is the area of the selected study for this research. The ability to pay theory does not consider the quality of the product and it is the responsibility of the firm to ensure the high quality products are produced and for the firm to grow then the firm will pay the taxes according to its ability (Crossan, 2015).

The landlords build their houses using the stones and the cement which normally takes a period of three to one year depending on the size of the residential property. When the houses are completed the tenants starts to occupy the houses based on the agreement of both the Landlord and the Tenant. The landlords are expected to pay the taxes based on the income they receive and those who receive more pay more taxes. There are other houses which are build using the iron sheets but the Tenants are the ones to choose which one to occupy. The recent study conducted in the market has shown that the Tenants prefer the stone houses. The ones closure to Nairobi Charges higher Rent compared to the ones in the rural areas and this also translate to the wat the

landlord pay taxes the more rental income leads to more payments of taxes (Bunyasi, Bwisa, & Namusonge, 2014).

The ability to pay theory of taxation will help to ensure whether it's true the landlords are making profits in their business and if they are paying the rental income tax to KRA using the correct actual revenue they get from their rental houses (Law, 2015)

The classical model for the management as demonstrated by the founders of management theory Henry fayol and Taylor, (1845) is still applicable in the modern organisation and recognised the ability to pay theory as one of the most important theories of the organisation because the organisation pays its taxes according to its ability to pay. The authority is recognised and given precedent on any objective which is set and is followed in all units of management to attain the set goals. The growth of the firm is given much attention since the capital and the expenditure has to increase as the output increases which leads to the increase of taxes which are payable to the government (Philips, 2013)

2.3 Conceptual framework

INDEPENDENT VARIABLES

DEPENDENT VARIABLE

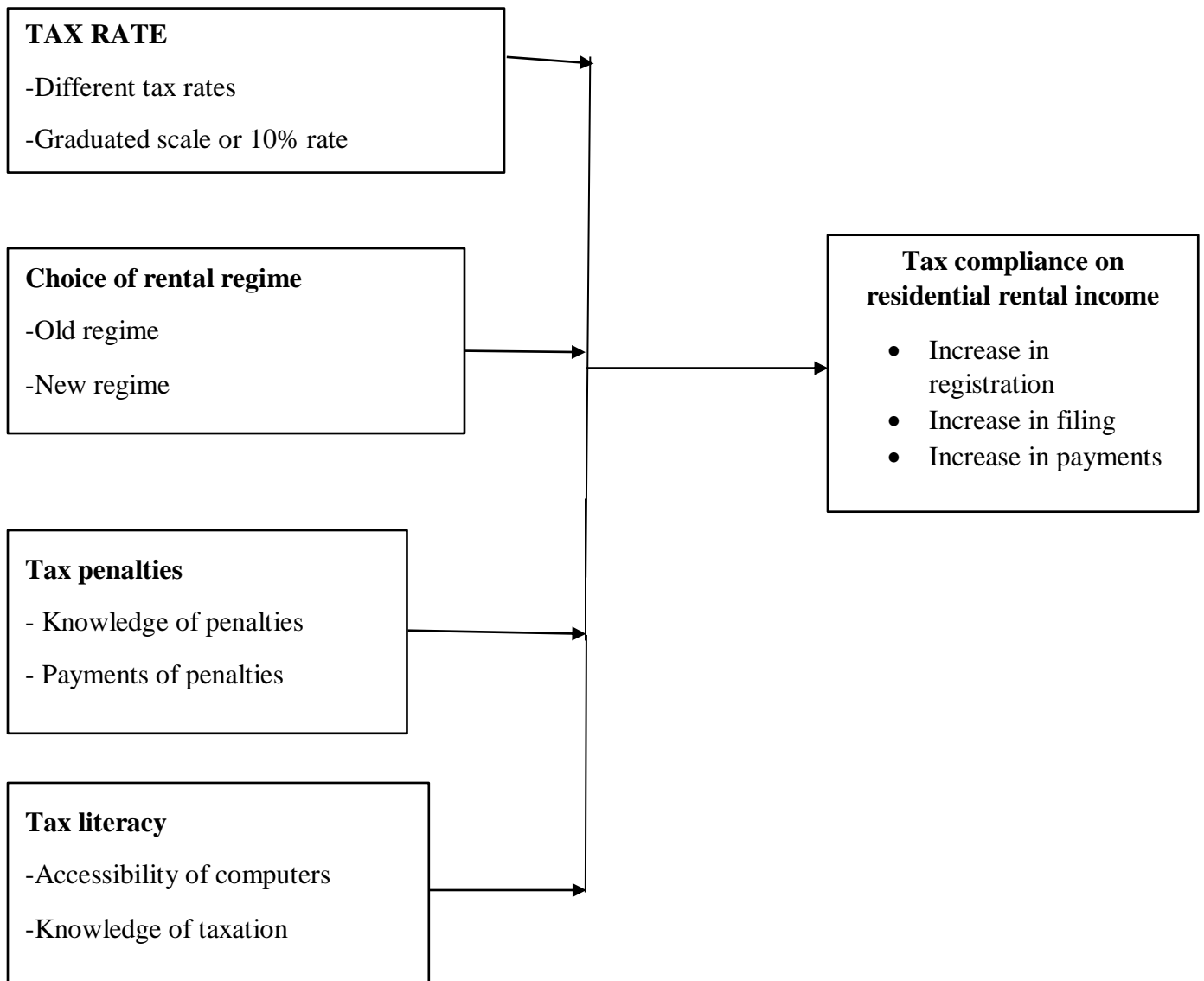


Figure 1: Conceptual framework

2.4.1 Tax rates

The tax rates in this study refers to the Rental tax rates which can be used by the tax payers to pay the rental income tax. The common method which is used by many taxpayers include the Monthly Rental Income (MRI) which is charged at the rate of 10% monthly and the gross rental income received is the one which is taxable. There is no room for expenses in this type of tax.

The other type of tax rates which are used include the graduated scale which uses the rate according to net rental income received after deducting the expenses from the gross rent (KRA, 2017).

2.4.2 Choice of rental regime

The choice of tax regime depends with the tax payer since the use of graduated scale for the individual was referred to as the old tax regime for rental income and allowed the expenses to be offset from the gross rent received. The tax payers who preferred to stay in that regime were allowed to write letters and remain in that regime. The new regime is MRI which uses a flat rate of 10% for the gross rent collected and is final tax. The companies were not affected which were filing the rental income since they were taxed at a flat rate of 30% for resident companies and 32.5% for non-resident companies (Karanja, 2014).

2.4.3 Tax penalties

The tax penalties in this study refers to those penalties which are imposed where taxpayers don't file the returns and they include kshs.2,000 per month for the individual who file MRI and kshs.10,000 per year for the company which does not file the rental income. The penalties for the taxpayers who file their returns at the year-end are currently taxed Kshs.2,000 for failure to pay the penalties (Karanja, 2014).

2.4.3 Tax literacy

The tax literacy this refers to the knowledge of taxation and filing of returns and in this research study it refers to the rental income taxes for both individual and body corporates. The filing of the rental income is done through KRA itax system and the payment is also done through the same system as taxpayer generates the payment slip and then pays online through a mobile phone or through the Bank (Karanja, 2014)

2.4.3 Tax compliance on residential rental income

The tax compliance on residential rental income refers to the observance of the rules and procedures relating to the rental income tax which include registration, filing and payment of rental income through KRA itax online system. The taxpayers should be registered online and have a pin and the returns should be filed and payment slip generated which is used to pay the taxes. The KRA requires all the taxpayers to file all the returns in order to get the tax compliance and includes those taxpayers who deal in Residential rental income (KRA, 2017).

2.5 Empirical review

The previous studies which have been conducted with regard to the factors influencing the tax compliance on residential rental income has not been interpreted properly to apply to get the most efficient and economical tax system in Kenya. The previous studies have also been criticised by other scholars

There have been complains in the media that the revenue collection by the KRA through the KRA Itax system is hard and cannot be used by the people who are computer uneducated. Some people have criticised it that it's not efficient leading to non- compliance with regard to the taxes. The KRA online system requires the taxpayer to have only the basic computer skills since the cyber attendants are able to file their returns with no difficulty and they are distributed country

wide and they only require basic education. KRA requires all the landlords to be filling their returns efficiently and comply with the guidelines and regulations of tax compliance. (Gcabo, 2007).

There are various research from other scholars which have been conducted with regard to tax compliance which is the dependent variable with regard to this study. The results of this research study from the STATA indicated that there is statistical relationship between the dependent variable and the independent variables which include the tax rate, choice of tax regime, tax penalties and tax literacy.

The independent variables which include the tax rate, choice of tax regime, Tax penalties and tax literacy directly influence the tax compliance on rental income in Kenya and the results are demonstrated in chapter four of this research study.

The theory of the growth of the firm as demonstrated by Edith Tilton, (1960) and supported by various scholars and shows how the small firms starts and grows to big firms with more growth in output, capital and expenditure (Miller, 1960). The same theory can also be used to show the relationship between the Dependent variable which is tax compliance and is influenced statistically by the independent variables which include tax rate, choice of tax regime, tax penalties and tax literacy. The results of this study clearly shows there is statistical relationship between dependent variable and independent variables. The variables are concentrated around a specific area in the graph matrix and not randomly distributed meaning that the variables are significantly related as shown in the figure for graph matrix in this research study

2.6 Critique of existing literature relevant to the study

The previous studies which have been conducted with regard to the factors influencing the tax compliance on residential rental income has not been interpreted properly to apply to get the most efficient tax system in Kenya.

There have been complains in the media that the revenue collection by the KRA through the KRA Itax system is hard and cannot be used by the people who are computer uneducated. Some people have criticised it that it's not efficient leading to non- compliance with regard to the taxes. The KRA online system requires the taxpayer to have only the basic computer skills since the cyber attendants are able to file their returns with no difficulty and they are distributed country wide. KRA requires all the landlords to be filling their returns efficiently and comply with the guidelines and regulations of tax compliance. (Gcabo, 2007).

2.7 Summary of Literature review

The theories which have been used in this study have been fully supported by other scholars and have been explained well in this research study. The aim of this study was to show the factors which influence the tax compliance on residential rental income in Kenya. The variables which include the tax rate, choice of tax regime, Tax penalties and tax literacy directly influence the tax compliance on rental income in Kenya.

2.8 Research Gaps.

From the various sources, some of the writers have shown clearly how some of these factors influencing the tax compliance on residential rental income in Kenya while others have not shown. The purpose of this research was to show clearly the factors influencing the tax compliance on residential rental income in Kenya and this has been clearly shown by the statistical results which have been obtained using the STATA software.

The model for this research includes the following linear regression equation;

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon_i$$

Where: Y_i = Tax compliance on residential rental income (Dependent Variable)

X_1 = Tax rate, β_1 = Coefficient of variable X_1

X_2 = Choice of tax regime, β_2 = Coefficient of variable X_2

X_3 = Tax penalties, β_3 = coefficient of variable X_3

X_4 = Tax literacy, β_4 = coefficient of variable X_4

B_0 = constant of regression and ϵ_i = error term

The variables were further simplified in order for the data to be acceptable by the STATA software which is a general statistical software used for the analysis as follows.

Y_i = Tax compliance on residential rental income = A

X_1 = Tax rate = B

X_2 = Choice of tax regime = C

X_3 = Tax penalties = D

X_4 = Tax literacy = E

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction

The chapter seeks to explain the research method that will be used in conducting the study relating to the factors influencing tax compliance on residential rental income. It includes the research design, population of study or target population, sample design and procedures, data collection methods and data analysis procedures to be applied.

3.1 Research Design

The research design refers to the plan which is used to get the actual results of the research study in order to make the final conclusion and actual data is required to provide accurate results. The research design used is descriptive since the researcher aim is to identify the factors influencing tax compliance on residential rental income in Kenya Revenue Authority a case of Kiambu County. According to (Mugenda & Mugenda, 2003) this research design involves gathering data that describes events and then organizes, tabulates, depicts, and describes the data collected by use of percentages, ratios and other qualitative methods. The main reason of choosing this design is to help establish a deeper clarity on the various matters seen as contributory factors to this research. This descriptive research design was adopted because the data involved was qualitative, identified and the research problem was not well defined (Krishnaswami & Satyaprasad, 2010).

3.2 Population

According to (Mugenda & Mugenda, 2003) population includes all the entities belonging to a certain parameter. A population is that population to which a researcher wants to generalize the results of a study (Mugenda & Mugenda, 2003). According to (Kothari, 2009) population refers to an entire group of individual's events or objects having common observable characteristics. The target population consisted of Four hundred Landlords in Kiambu County who have

residential houses to ensure they are tax compliant and to get the information of what was affecting them to increase the rental revenue to KRA. A simple random sampling method was used to get the data through questionnaire in order to get the accurate results of the research.

3.3 Sampling frame

A simple random sampling method was used to conduct this study in order to get accurate results because the data was greater than one hundred and it's simple to use in this type of the case study. The simple random sampling method is where a random item in the population is closely surveyed and everything in relation to that item is studied and is mostly applicable where the data is easily surveyed and is big such that not every item in the population can be studied (Harper, 1991). This method was used because the population is big, it is cost effective and efficient to use and accurate results can be obtained. This was aimed at achieving comprehensive coverage and gives much accurate results. (Harper, 1991). There are other researchers who have used random sampling method to get the data in relation to taxes in Kenya and have been successful. Kiambu County that is Rwaka village in kiambaa sub-county were selected and surveyed and everything in relation to compliance with taxes was studied (KIPPRA, 2016).

The Sample size was derived as per the following formula according to (Harper, 1991)

$$\frac{N}{4} = S$$

Population was

N= 400 Landlords

S= Sample size which is equal to 100 Landlords.

Table 1: Sampling frame

Items in the population	Respondents
Population of Landlords in Kiambu County	400
Sample of the landlords	100
Totals	400

Source: Author (2018)

3.4 Sample and Sampling technique

The sample includes the landlords from Kiambaa Sub-county in Kiambu County and the area of interest was Ruaka village in Kiambaa sub-county and the researcher conducted the whole of Kiambaa Sub-county where there are many landlords by issuing one hundred questionnaires.

This can be used to present the whole items in the sector to give a clear picture of the landlords in Kenya. The sampling technique which was used is cluster random sampling method which is simple to use and accurate results can be obtained (Sekaran, 2010) .The area of Rwaka village was selected out of four hundred landlords in kiambu County and had one hundred registered landlords which were registered as companies by the Kiambu County department of housing.

3.5 Instruments

The instruments which the researcher used to capture primary data include the structured questionnaire which has both open and closed questions which helped the researcher to get the accurate results. The structured questionnaire was designed in such a simple method that it can

be filled by the respondents in simple English language and does not require mathematical calculations or required an interpreter.

The data collection instruments also included the secondary sources which were published and available in soft copy or hard copy and the authors were duly acknowledged and the source was stated from all the one hundred Landlords who received the questionnaire. This helped in gathering data from each respondent and using the data collected to form a basis of the research. The purpose of the research was communicated to any interested person during the research process and the provision of the letters for the confirmation from Jomo Kenyatta University of Agriculture and Technology duly signed and free for any confirmation.

Table 2: Questionnaires response

Items in the population	Respondents
Sample of the landlords whose questionnaires were distributed	100
Sample of the landlords who responded	61
Totals	100

Source: Author (2018)

3.6 Data Collection procedure

The primary data was collected by the use of structured questionnaire and also Secondary data was obtained from the following sources which include; the journals, financial statements, Company's websites, focus groups, financial information in the website, books and any other

relevant materials for the purpose of this study which helped the researcher to gather data relating to the factors influencing tax compliance on residential rental income a case of Kiambu County.

The primary source was used to capture the actual data as well as recent data. The Secondary sources were applicable in situations where the research data can be easily obtained from other published statements which can be relied upon and where the author is stated and sources acknowledged and the year of publication was stated. Secondary data is easy and cheap to get and where the primary sources are expensive to use the secondary data can be used. The financial and educational institutions help in provision of the secondary data in the libraries and also in the website. (Mugenda & Mugenda, 2003).

3.7 Pilot study

The pilot study was carried-out to ascertain the reliability of the research instrument constructed to determine whether it sufficiently answered the research questions under consideration. In that regard a total of 15 questionnaires were issued to the respondents to establish whether they answered the research questions sufficiently.

3.7.1 Reliability of the research instrument

According to (Kothari, 2009) reliability is the consistency of scores obtained or the degree to which a research instrument yields consistent data after repeated trials. The results produced were stable and consistence. Reliability in research is influenced by random error which refers to the deviation from a true measurement due to factors that have not been effectively been addressed by the researcher. Errors may arise from inaccurate coding, ambiguous instructions to subjects, interview. Secondary sources are regarded accurate since the data is published and sources acknowledged. (Saris & Gallhofer, 2014).

The reliability test for this study was conducted using the Cronbach’s Alpha test from the stata results in the following table

Table 3: Cronbach's Alpha

. alpha A B C D E, item

Test scale = mean(unstandardized items)

Item	Obs	Sign	item-test correlation	item-rest correlation	average interitem covariance	alpha
A	305	+	0.5655	0.4877	2.090825	0.3610
B	305	+	0.9916	0.8319	.2524585	0.7184
C	305	+	0.3793	0.3507	2.72946	0.4308
D	305	+	0.8120	0.7915	2.191836	0.3703
E	305	+	0.9242	0.9076	1.513638	0.2820
Test scale					1.755643	0.4227

Source: Author (2018)

The cronbach’s alpha coefficient is 0.4227 which is acceptable because it’s between 0 and 1. The higher the alpha value the higher the items or variables have shared the covariance.

3.7.2 Validity of the research instrument

Validity is the degree of which the results or final conclusion obtained from an analysis of data actually represent the phenomenon under study or they present the truth of the study. The results should be free from errors and should be accurate according to (Bhujanga, 2008). To establish the validity of the primary data and secondary data, expert judgment method was applied. The information obtained can be relied upon since the sources were indicated. Many inputs and response were generated from the both primary and secondary sources and were included while finalizing the research (Mugenda & Mugenda, 2003).

3.8 Data Processing and Analysis

The data was collected through primary and secondary sources and upon completion of the data collection process, the data was evaluated and analysed using computer software that is STATA. The STATA can provide accurate results which can be relied upon to make future financial performance decisions. The data was also presented in the form of tables, graphs, charts to analyse data. The data was analysed through descriptive statistics and inferential statistics which was through regression analysis.

3.9 Measurement of Variables

The Tax compliance is the dependent variable and is measured using descriptive inferential statistics. The structured questionnaire was used to get the primary data and the regression method was used to get the conclusion of the factors influencing the tax compliance on residential rental income in Kenya.

Table 4 Measurement of variables

Variable	Indicators	Type of Analysis	Questionnaire Item
Tax compliance on residential rental income	<ul style="list-style-type: none">• Registration• Filing• Payments	Descriptive Inferential	Section A: 36-37
Tax rate on rental income	<ul style="list-style-type: none">• The registered tax payer• The tax rate preferred 10% or the graduated scale.	Descriptive Inferential	Section B:37-39
Choice of regime	<ul style="list-style-type: none">• The preferred tax regime old regime or the new tax regime for the monthly tax rate of 10%	Descriptive Inferential	Section C: 39-40
Tax penalties	<ul style="list-style-type: none">• Knowledge of penalties• Payment of penalties	Descriptive Inferential	Section D: 41-42

Variable	Indicators	Type of Analysis	Questionnaire Item
Tax literacy	<ul style="list-style-type: none"> • The accessibility of the computer and the internet. • Knowledge of rental income taxes 	Descriptive Inferential	Section E: 42-43

Source: Author (2018)

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.0 Introduction

The chapter seeks to explain the data analysis, findings and discussions which were found using the statistical models for econometrics. The STATA software was used to analyse the data and the findings were reported using figures, tables and interpretations are also provided. The correct data was reported to ensure that the correct results were obtained which did not have errors. The results have also been tested for consistency purposes because the data set is not changing the same results can be obtained at different times. The results are then compared to the previous studies which were conducted by other scholars. The discussion also include a comparison of the theories applied in the study.

4.1 Descriptive Data Analysis

Table 5: Balanced panel data

```
. xtset Firm1 YEAR
      panel variable:  Firm1 (strongly balanced)
      time variable:  YEAR, 2012 to 2016
                   delta:  1 unit
```

Source: Author (2018)

The above test shows the data met the specifications test of the panel data analysis and it was arranged in good order for it meet the above test and the data is for the year 2012 to 2016 and is strongly balanced. The balanced panel also means that all the entities or companies in this case have the measurements in values in all time periods.

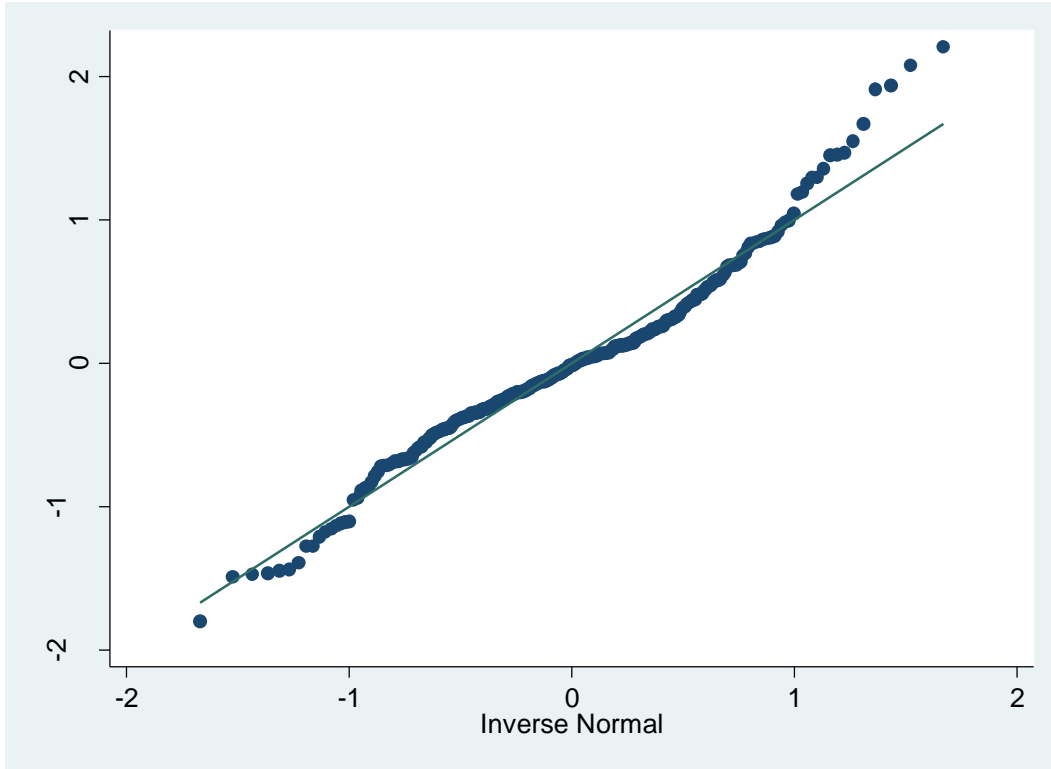


Figure 2: Normality test residual Graph 2

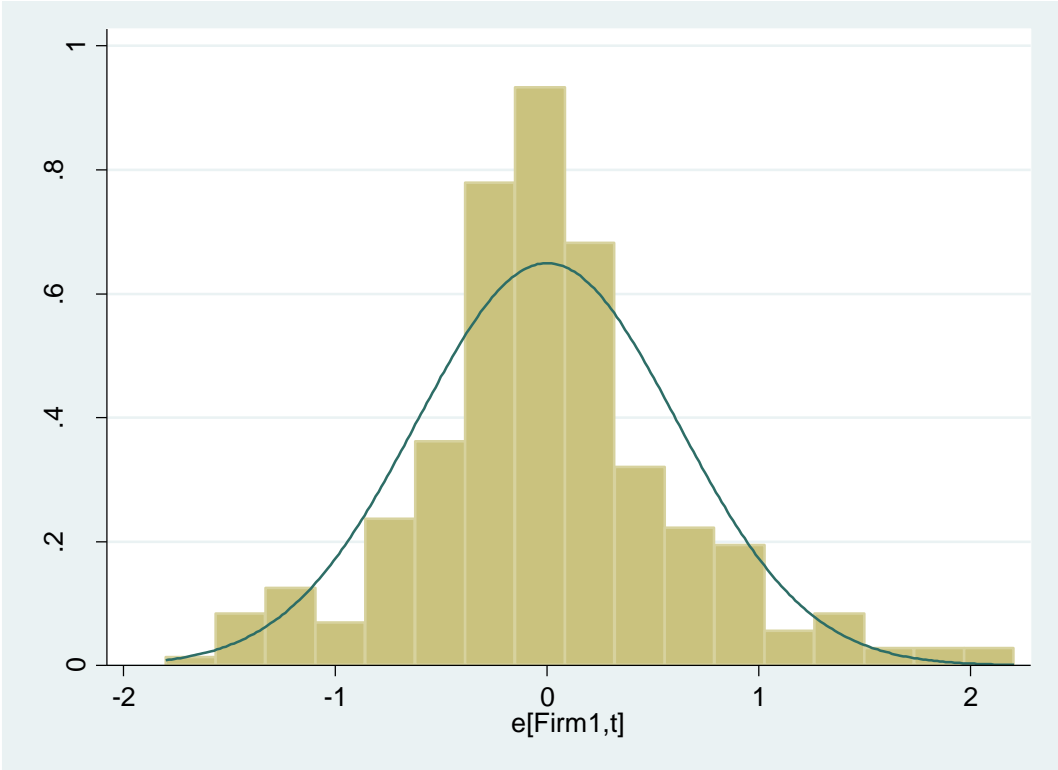
Source: Author (2018)

The qnorm checks for non-normality on the extremes of the data (tails). It plots quintiles of residuals vs quintiles of a normal distribution. Tails are a bit off the normal as can be seen in the above results which shows there is a relationship between the variables.

A further test for non-graphical test for the normality is Shapiro Wilk test and it tests the hypothesis if the distribution is normal and in this case the distribution of the residual is normal because the p value is zero at 95% interval and we conclude the residuals are normally distributed they are not at 90%. The hist residual, normal graph shows there is normal distribution of the data as can be seen below

Figure 3: Histo Residual Normal graph

Source: Author (2018)



The line of best fit for most companies shows it is horizontally and shows there is a relationship between the dependent variable and the independent variables.

The Graph matrix

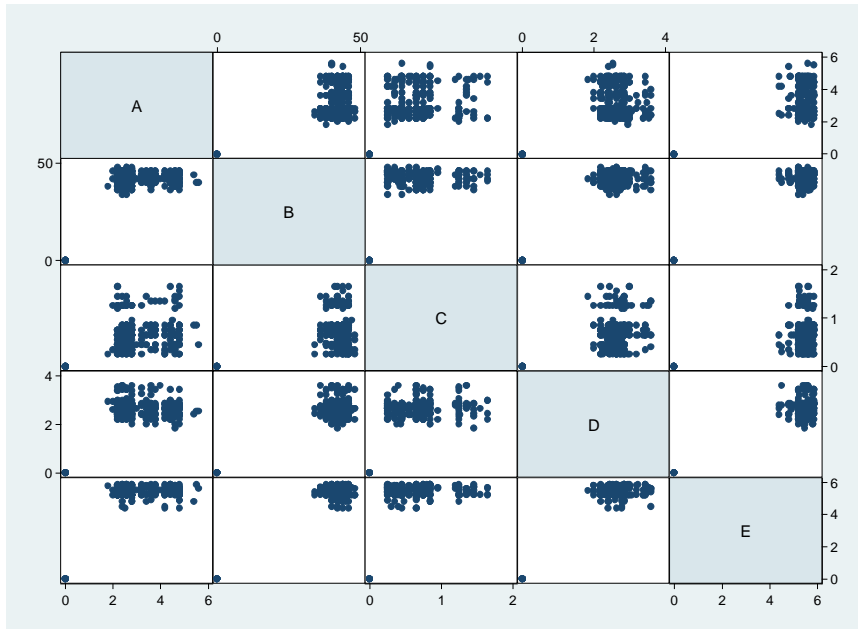


Figure 4: Graph Matrix

The variables are concentrated around a specific area in the graph matrix and not randomly distributed meaning that the variables are significantly related.

4.3 Diagnostic analysis

The pre analysis diagnostic tests included the test for heteroscedasticity, serial correlation and normality test

Table 6: Test for Heteroskedasticity

```
. xttest3

Modified Wald test for groupwise heteroskedasticity
in fixed effect regression model

H0: sigma(i)^2 = sigma^2 for all i

chi2 (61) = 1.5e+06
Prob>chi2 = 0.0000
```

Source: Author (2018)

There is presence of heteroskedasticity since the prob is 0.0000 meaning that null is homoscedasticity or constant variance so we reject null and accept the Presence of heteroskedasticity.

4.3 Descriptive statistics

Table 7: Descriptive statistical of dependent Variables

```
. xtsum A B C D E
```

Variable		Mean	Std. Dev.	Min	Max	Observations
A	overall	3.07918	1.067462	0	5.6	N = 305
	between		.782914	1	4.6	n = 61
	within		.7311536	.1991803	5.99918	T = 5
B	overall	41.20328	8.132415	0	48	N = 305
	between		4.912093	18	46.2	n = 61
	within		6.505767	5.603279	69.20328	T = 5
C	overall	.6705574	.3340895	0	1.65	N = 305
	between		.2411202	.29	1.37	n = 61
	within		.2328988	.0605574	1.702557	T = 5
D	overall	2.572328	.5719307	0	3.6	N = 305
	between		.3654514	1.23	3.36	n = 61
	within		.4419359	.4123279	4.842328	T = 5
E	overall	5.264361	1.007598	0	5.87	N = 305
	between		.6174852	2.24	5.65	n = 61
	within		.7993643	.8543607	8.824361	T = 5

Source: Author (2018)

The total number of observations is 305 because there are 61 units or companies and 5 time period .The overall mean is 3.07 and the standard deviation is 1.067.The overall statistics are ordinary statistics which are based on 305 observations and between statistics are calculated on basis summary statistics of 61 companies regardless of time period while within statistics are summary statistics of 5 time period regardless of the company. The table indicate that on average there is 30.7% of the total earnings of the firms was used to generate profit of the firm.

Table 8: ANOVA table

```
. regress A B C D E
```

Source	SS	df	MS	Number of obs =	305
Model	91.3665478	4	22.841637	F(4, 300) =	26.87
Residual	255.033747	300	.850112491	Prob > F =	0.0000
Total	346.400295	304	1.13947465	R-squared =	0.2638
				Adj R-squared =	0.2539
				Root MSE =	.92202

A	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
B	.020077	.0150637	1.33	0.184	-.009567 .049721
C	.1362313	.1714623	0.79	0.428	-.2011898 .4736524
D	-.1768777	.1610133	-1.10	0.273	-.4937363 .139981
E	.4555716	.1282193	3.55	0.000	.2032484 .7078947
_cons	.2172848	.2854659	0.76	0.447	-.3444844 .779054

```
. vif
```

Variable	VIF	1/VIF
E	5.97	0.167541
B	5.37	0.186337
D	3.03	0.329756
C	1.17	0.852197
Mean VIF	3.89	

Source: Author (2018)

The VIF is variance inflation factor and the mean VIF is less than 5 because it is 3.89 meaning that there is no presence of multicollinearity of the variables and the correlation coefficient between the variables in absolute form were less than 0.8 indicating there was no multicollinearity. The p value was 0.0000 and was less than 0.05 and this indicates that there is a strong relationship between the Dependent variable and the Independent variables.

4.4 Regression Model

The model for this research includes the following linear regression equation;

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon_i$$

Where: Y_i = Tax compliance on residential rental income (Dependent Variable)

X_1 = Tax rate, β_1 = Coefficient of variable X_1

X_2 = Choice of tax regime, β_2 = Coefficient of variable X_2

X_3 = Tax penalties, β_3 = coefficient of variable X_3

X_4 = Tax literacy, β_4 = coefficient of variable X_4

B_0 = constant of regression and ε_i = error term

The variables were further simplified in order for the data to be acceptable by the STATA software which is a general statistical software used for the analysis as follows.

Y_i = Tax compliance on residential rental income

X_1 = Tax rate

X_2 = Choice of tax regime

X_3 = Tax penalties

X_4 = Tax literacy

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The chapter presents the summary of the findings, conclusions and recommendations. The conclusions provided in this chapter are in regard to the findings that were arrived after analysis of the data was done using the STATA software which provide accurate results for panel data analysis. The STATA software was used to analyse the data and the findings were reported using figures, tables and interpretations are also provided. The correct data was reported to ensure that the correct results were obtained which did not have errors. The results have also been tested for consistency purposes because the data set is not changing the same results can be obtained at different times. The results are then compared to the previous studies which were conducted by other scholars. The discussion also include a comparison of the theories applied in the study.

5.1 Summary of findings

The summary of the findings include the summary of results and tests which were conducted using STATA software and were free from errors and manipulations and portrays the true and fair view of the organisation status. The Histo residual normal graph shows there is normality of the results and the data is normally distributed. There is a bell shaped curve which shows the results are normally and statistically distributed according to figure 5 but there are other tests which were carried out to prove the statistical tests. The results of the regression analysis using the STATA shows there is linear relationship between the variables and it's statistically significant.

5.1.1. Relationship between tax rate and tax compliance on residential rental income

The tax rate was measured by the standard rate of 10% and the amount contributed as indicated by the taxpayer from his or her response in the questionnaire. The findings from this study indicated that the p value < 0.05 meaning that there is a significant relationship between the tax rate and the tax compliance on residential rental income. The tax compliance on residential rental income is affected by the changes tax rate in Kiambu County.

5.1.2. Relationship between choice of rental regime and tax compliance on residential rental income

The choice of rental regime was measured by the responses from the questionnaire which were distributed. The findings from this study indicated that the p value < 0.05 meaning that there is a significant relationship between the choice of rental regime and the tax compliance on residential rental income.

5.1.3. Relationship between Tax penalties and tax compliance on residential rental income

The Tax penalties was measured by the responses from the questionnaire which were distributed. The findings from this study indicated that the p value < 0.05 meaning that there is a significant relationship between the choice of rental regime and the tax compliance on residential rental income.

5.1.4. Relationship between tax literacy and tax compliance on residential rental income

The tax literacy was measured by the responses from the questionnaire which were distributed. The findings from this study indicated that the p value < 0.05 meaning that there is a significant relationship between the choice of rental regime and the tax compliance on residential rental income.

5.2. Conclusion

The results of the study shows that the P value is <0.05 meaning that there is significant relationship between the Dependent variable and Independent variables. The tax compliance on residential rental income is influenced by the following variables which include Tax rate, choice of rental regime, fear of penalties and interests, and tax literacy. This research study has demonstrated through various tests and results that dependent variable which is tax compliance on residential rental income is influenced by independent variables which include tax rate, choice of rental regime, fear of penalties and interests and tax literacy. The variables are concentrated around a specific area in the graph matrix and not randomly distributed meaning that the variables are significantly related as shown in the figure for graph matrix in this research study.

5.3 Limitation of the study

While collecting the primary data using the questionnaires the landlords were assured that the information was for school work purposes and confidential, and this information was at all times communicated during the process of the research. This was overcome by giving the respondents the assurance of the privacy of the information and this guaranteed the confidence in their hearts. The introduction letter helped to serve the above purpose.

The time for collection of the data was limited but the researcher worked for extra hours and hired research assistants who assisted to make this research a reality.

5.4 Recommendations

The study highlighted the variables which influence the tax compliance on residential rental income which include the tax rate, choice of rental regime, Tax penalties and tax literacy. There is significant relationship between the dependent variable and Independent variables. The statistical results showed clearly that there is a relationship between the tax compliance and the

the tax rate, choice of rental regime, Tax penalties and tax literacy. When the tax compliance is influenced by other factors then it also influences the independent variables and can be demonstrated significantly using the statistical tests and results as demonstrated in this research study. The variables are concentrated around a specific area in the graph matrix and not randomly distributed meaning that the variables are significantly related as shown in the figure for graph matrix in this research study. There are other results which demonstrated that the dependent variable is influenced by independent variables as shown in this research study. There is need to conduct further research so that different counties in Kenya which have different resources and geographical locations could be studied since this study was limited to Kiambu county.

5.5 Areas of further research

There is need to conduct further research so that all the factors influencing the tax compliance on residential rental income can be known with great certainty and failure of tax compliance and the basis of improvement for the companies and landlords which were not performing well. The government would like to improve the tax compliance in order to increase the revenue.

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APPENDICES
APPENDIX 1
LETTER OF SUPPORT/INTRODUCTION

Cindy Achieng Asin
JKUAT,
P.O Box, 62000-00200

NAIROBI.

To whom it may concern,

Dear Sir/Madam,

RE: REQUEST FOR RESEARCH INFORMATION

I am a student at JKUAT University currently undertaking a study on the Factors influencing the Tax compliance on residential rental income in Kenya Revenue Authority a case study for Kiambu County. I would like to request your assistance in obtaining Primary data related to this study by the use of Questionnaire.

Kindly be assured any information provided will be treated confidentially and professionally for the purpose of this study.

Thank you in advance.

Yours faithfully,

Cindy Achieng Asin

HBD336-c016/2016/2042

APPENDIX 2
QUESTIONNAIRE
INTRODUCTION

The purpose of this questionnaire is formulated to assist in obtaining information on the Factors influencing the tax compliance on residential rental income tax in Kenya Revenue Authority a case of Kiambu County. Your response will be strictly confidential and for the school purposes. Do not indicate your name.

Instructions

- Do not write your name anywhere in the questionnaire.
- The information given is confidential
- Please respond to each item in the questionnaire by putting a tick []
In the appropriate space provided.
- Fill in the blank spaces appropriately

SECTION A: GENERAL INFORMATION

1. Please indicate your gender

- a) Male [] (b) Female []

2. Select the age group you belong

- a) 18-28 years [] (b) 29-39yrs []
c) 40-39yrs [] (d) 50 and above []

3. What is the highest level of education you have attained?

- a) 0 – level _____ (b) Diploma _____
c.) Degree _____ (d) Masters _____
e) Doctorate _____ (f) Others _____

4. Please indicate, how long you have been a Landlord/ Landlady?

a) Less than 1 year _____ (b) 1-5 years _____

c) 6-10 years _____ (d) 11-14 years _____

e) Above 15 years _____

5. Do you file the returns for rental income?

a) Yes []

b) No []

6. Do you have access to computers and internet?

a) Yes []

b) No []

7. Do you have a PIN?

a) Yes []

b) No []

SECTION B: Tax rate

1. Please tick the most appropriate option using the scale provided

1= Strongly disagree. 2= Disagree, 3=Not sure, 4=Agree, 5= Strongly agree

		1	2	3	4	5
1.	<i>Does the increase in Tax rate has an influence on tax compliance on residential rental income?</i>					
2.	<i>Does the taxpayers knowledge of Tax rate has any influence on tax compliance on residential rental income?</i>					

3.	<i>Does changing the Tax rate has any influence on tax compliance on residential rental income?</i>					
4.	<i>The introduction of MRI at 10% has an impact on compliance on residential rental income</i>					

SECTION C: Choice of tax regime on rental income

1. Please tick the most appropriate option using the scale provided

1= Strongly disagree. 2= Disagree, 3=Not sure, 4=Agree, 5= Strongly agree

		1	2	3	4	5
1.	<i>The Tax regime has an influence on tax compliance for residential rental income</i>					
2.	<i>The increase in filing under new tax regime has any influence on tax compliance for residential rental income.</i>					
3.	<i>The introduction of new Tax regime has an influence on tax compliance on residential rental income.</i>					
4.	<i>The old Tax regime has an influence on tax compliance for residential rental income.</i>					

SECTION D: Tax penalties

1. Please tick the most appropriate option using the scale provided

1= Strongly disagree. 2= Disagree, 3=Not sure, 4=Agree, 5= Strongly agree

		1	2	3	4	5
1.	<i>The increase in Tax penalties has an influence on tax compliance for residential rental income.</i>					
2.	<i>The knowledge of penalties has any influence on tax compliance for residential rental income.</i>					
3.	<i>The payment of penalties has any influence on tax compliance for residential rental income.</i>					
4.	<i>KRA has provided the landlords with all the information regarding penalties and failure to pay them.</i>					

SECTION D: Tax literacy with regard to rental income

1. Please tick the most appropriate option using the scale provided

1= Strongly disagree. 2= Disagree, 3=Not sure, 4=Agree, 5= Strongly agree

		1	2	3	4	5
1.	<i>KRA has provided the landlords with all the information regarding tax compliance on residential rental income.</i>					
2.	<i>The increase in tax knowledge with regard to filing has an influence on tax compliance on residential rental income.</i>					
3.	<i>The KRA update the taxpayers on new taxes and procedures which in turn increase the tax</i>					

	<i>compliance on residential rental income.</i>					
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SECTION E: Tax compliance

1. Please tick the most appropriate option using the scale provided

1= Strongly disagree. 2= Disagree, 3=Not sure, 4=Agree, 5= Strongly agree

		<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
<i>1.</i>	<i>The taxpayers understands well the tax compliance procedures on residential rental income.</i>					
<i>2.</i>	<i>The taxpayers know how to comply with tax compliance on residential rental income.</i>					
<i>3.</i>	<i>The KRA itax system is efficient in collecting taxes on residential rental income.</i>					
<i>4.</i>	<i>The KRA has published the Compliance manuals which are used by KRA staff and they are transparent.</i>					
<i>5.</i>	<i>The increase in filing and payment of MRI and also residential rental tax for the year has increased the compliance levels in the recent years.</i>					

Thank you very much for your cooperation.