

**EFFECTS OF ALTERNATIVE DISPUTE RESOLUTION ON TAX REVENUE
PERFORMANCE IN KENYA, A CASE STUDY OF KENYA REVENUE
AUTHORITY**

BY

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DECLARATION

Declaration by Candidate

This research is my original work and to the best of my knowledge, has not been presented for a degree in any other University or institution of higher learning.

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DEDICATION

I dedicate this Research to my wife, two daughters, Parents and colleagues at work for the support and encouragement they have accorded me. Above all, I thank God for He has been good to me and for His steadfast love, his grace, mercy and favor that has seen me complete this project. Isaiah 30:18 – “Therefore the Lord waits to be gracious to you; therefore he will rise up to show mercy to you. For the Lord is a God of justice; blessed are all those who wait for him.”

ACKNOWLEDGEMENT

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ABSTRACT

World over, tax disputes have attracted several resolution mechanisms chief of which are Alternative Dispute Resolution (ADR) and litigation. The constitution and the Revenue laws do not conclusively provide guidelines to every tax matter. Tax Authorities therefore retain discretion in deciding the course of certain tax issues. In the process of discretionary interpretation of tax matters and while implementing tax collection strategies, Tax Authorities invariably aggrieve taxpayers giving rise to disputes. An establishment of a fully-fledged section of ADR was instituted by KRA to help handle these cases. The purpose of this study was to determine the influence of Alternative Dispute Resolution (ADR) on Tax Revenue Performance at KRA CBC Station. The study specific objectives were to determine the effects of Arbitration on Tax Revenue performance, establish the effect of Mediation on Tax Revenue performance and to determine the effect of Negotiation on Tax Revenue performance. The study was grounded by Ripeness theory, Conflict Resolution Theory and Readiness theory. The Study area was KRA's legal Department at CBC station Upper Hill, Nairobi. The target population was 186 and the sample size was 127 respondents computed using Yamane's (1967) formula. The researcher used random sampling technique to sample staff from KRA's legal department at CBC. The study employed explanatory and Descriptive research design. Primary data was collected using closed ended structured questionnaire. Data analysis was done using descriptive and inferential statistics. Descriptive statistics involved frequency distribution, percentages Means and standard deviations while inferential involved correlation and Multiple regression analysis. The findings indicated that Arbitration had no significant influence on Tax Revenue Performance ($\beta_1 = -0.169$, $p = 0.105$ $p > 0.05$); Mediation positively and significantly influenced Tax Revenue Performance ($\beta_2 = 0.506$, $p = 0.000$ $p < 0.05$); Negotiation had no significant influence on Tax Revenue Performance ($\beta_3 = -0.039$, $p = 0.676$ $p > 0.05$). Therefore, the study concluded that mediation improved tax revenue at KRA, while arbitration and negotiation have no significant effect on tax revenue. The current study concentrated on the KRA. It is thus essential for other studies to be carried out on other regional revenue authorities to facilitate the comparison of ADR on tax revenue of different countries. The present study focused on ADR mechanisms; it is therefore vital to conduct studies using litigation mechanisms. Use of ADR mechanisms alone may not be enough for assessment of legal department at KRA. The data was collected from KRA staff. Future studies may collect data from taxpayers. The study provides additional knowledge to the accountants and the legal profession, policy makers and future researchers.

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ABBREVIATIONS/ACRONYMS

KRA	Kenya Revenue Authority
HMRC	Her Majesty's Revenue and Customs
ADR	Alternative Dispute Resolution
ETA	Egyptian Tax Authority
IRS	Internal Revenue Service
UK	United Kingdom
USA	United States of America
IRAS	Inland Revenue of Singapore
SARS	South African Revenue Service
TAT	Tax Appeal Tribunal
OECD	Organization for Economic Corporation And Development
MDGS	Millennium Development Goals
DTAs	Double Taxation Agreements
KIPPRA	Kenya institute for public policy research and analysis
TATA	Tax Appeal Tribunal Act
TDR	Tax Dispute Resolution
TAT	Tax Appeal Tribunal
TP	Tax Payer
TPA	Tax Procedures Act
VAT	Value Added Tax
DSD	Dispute System Design
NCIAA	Nairobi Center for International Arbitration Act
VIF	Variance Inflation Factor

OPERATIONAL DEFINITION OF TERMS

Alternative Dispute Resolution: is a spectrum of negotiation-based resolution processes for solving conflicts where parties or their representatives to a current or potential dispute meet to build consensus collaboratively and find the solution to their cause of dispute (Chepkoech, 2017).

Arbitration: Is a process in which a neutral third party renders a decision based on the merits of the case. The parties to the arbitration can maintain some control over the design of the arbitration process. Although the proceedings are fairly formal, the rules of evidence are more relaxed than court proceedings (Mnookin, 1998).

Kenya Revenue Authority (KRA): Is the national government agency mandated by law to collect revenue on behalf of the State (Kenya Revenue Authority Act 1995, section 5).

Litigation: Litigation is a conventional institutional method of dispute resolution under the judicial court system, given the judiciary's mandate as one of the three arms of government and its mandate for interpretation, application and enforcement of the social values as enshrined in the legislation and common law (Muigua, 2012). Litigation is a formal, generally a public process which resolves disputes through the courts where a judge or a jury is the decision maker (Kashindi, 2017). Ng'etich (2017) defines Litigation as a formal process that determines issues through a court and presided over by judges. She observes that while litigation of tax disputes through judicial review is instrumental in

ensuring accountability in tax administration, taxpayers have utilised it as a dilatory tactic

Mediation - A non-binding process in which an impartial third party, called the mediator, facilitates the negotiation process between the disputants (Mnookin, 1998).

Negotiation: is any form of direct or indirect communication whereby parties who have opposing interests discuss the form of any joint action which they might take to manage and ultimately resolve the dispute between them (Barako, 2015)

Tax Revenue: The Institute of Chartered Accountants of Nigeria (2006) and the Chartered Institute of Taxation of Nigeria (2002) defined tax as an enforced contribution of money to government pursuant to a defined authorized legislation.

CHAPTER ONE

INTRODUCTION

1.0 Chapter Overview

This chapter discusses the background of the research and the formulation of the problem. In addition, the objectives, research hypotheses and the significance of the research as well as the scope of the research are described.

1.1 Background of the Study

To sustain development growth, every government relies on taxes as its main source of income. ‘Until someone comes up with a better idea, taxation is the only practical means of raising the revenue to finance government spending on the goods and services that most of us demand’(IMF,2001)

As a result, collecting tax revenues has become an integral part of every society as governments seek to renew and maintain operations for the benefit of society(Worls Bank,2020). Indeed, Balunywa, Nanoli, Mugerwa, Teko and Mayoka (2014) find that revenue collection is critical to improving service delivery efficiency and economic development in government. Broadway, (2012) states that revenue collection stems from the earlyhistory of civilization where the government received funds to assist its operations for the common good, while Kirimi (2015) defines revenue collection as the obligation of government agencies to collect unpaid financial debts from citizens. In the process of implementing tax collection strategies, disputes have often arisen between KRA and the tax payers. Traditionally in Kenya, and by extension in other Commonwealth countries such as South Africa, Canada, Ghana and Uganda, tax dispute resolution consists of: Settlement as agreed between the tax office and the taxpayer; second, appeals to administrative bodies established under various tax laws, and finally to courts (Kashindi, 2017). In Kenya, this Includes appeal to the Appellate

Administrative body (TAT), The High Court and Court of Appeal. The pace at which tax disputes are resolved have a direct impact on the tax revenue performance of a country.

Conflict is everywhere in every society. In general, conflict is an unavoidable phenomenon throughout human society due to the differences in interests, goals, values and goals between people (Kazeem, 2009). One of the elements of a conflict is dispute. According to (Law Reform Commission, 2008), dispute is viewed as a product of unresolved conflict.

Ury, Brett and Goldberg (1998) view contention as a form of conflict in which a person or organization makes a claim or claim—the result of a perceived loss or the need to find another person who rejects it. According to Barasa (2015), OECD, (2013), and OECD, 2018), tax disputes refer to controversies or disagreements that arise between taxpayers and tax authorities regarding the interpretation of the law or facts or both. in the tax collection process.

Kashindi (2017) points out that the nature of disputes arising from tax issues in Kenya takes the following forms: disputes arising from the treatment of fees in which agents are used by taxpayers in relation to the accounting treatment of recoverable and non-qualified expenses may vary; valuation dispute where the agent and the taxpayer cannot agree on the amount to be assessed as tax; The dispute arising from interest and legal sanctions imposed by the Tax Authority on the taxpayer and the taxpayer then asks for relief but the taxpayer refuses to ignore it; Disputes relating to the process for collecting taxes owed where the tax law allows agents to collect taxes through administrative orders. This means that the designated person can recover the taxes owed to the Tax Authority directly from the bank or other person holding the trust fund for the taxpayer.

The commissioner may ask you to pay him this money to pay all or part of the tax liability. This has repeatedly led to disputes between taxpayers and tax authorities; Disputes about the interpretation of the law on the Commissioner when the Commissioner gives an opinion on certain provisions of the tax law. Therefore, Taxpayers are obliged to manage their tax affairs in a manner consistent with the position of the Kenyan Tax Authority.

While applying the tax laws, the Commissioner also makes numerous administrative rulings which taxpayers may not agree with. This breeds a dispute which in some cases may result to such issues being referred to the courts for interpretation; Disputes relating to Commissioner's Administrative Action. The commissioner decides how existing laws apply to various business transactions carried out by taxpayers. It should be noted that existing laws do not dictate how all issues should be handled in all circumstances and leave a great deal of latitude for officers in the application of these laws, which is limited in their sole discretion. In exercising this discretion, the Commissioner invariably aggrieve taxpayers with his decisions.

Taxpayers would then disagree with the commissioner or fault the decision-making process leading to the adoption of a particular position by the Commissioner. Disputes arising from the failure of persons to carry out their mandates intentionally or as a result of errors or omissions. Many tax laws require certain individuals to collect and report taxes. For example, it is the responsibility of the employer to deduct PAYE from employees' salaries and other emoluments and remit the same to KRA. Failure to do so could spark dispute between KRA and the employer.

For purposes of timely revenue Mobilization to meet Treasury set targets and in keeping with its 8th corporate plan which seeks an improvement in Tax Dispute Resolution

mechanisms that is time bound and quick, KRA is keen to adopt a tax Dispute Resolution Mechanism that not only increases customer satisfaction but also increases revenue performance. Prior to 2015, most tax disputes ended in court. KRA has created an Alternative Dispute Resolution (ADR) framework that is relatively affordable, confidential and fast compared to litigation. Disputes over uncertified taxes, confirmed tax assessments in which the parties agree to an independent review, and disputes in court or the Tax Appeals Court where the parties wish to settle out of court are governed by ADR (Ohaga, Kiche & Muthee, 2012).

1.1.1 Global Perspective of ADR

Generally, Tax Dispute Resolution has become a significant Mandate of Tax Authorities across jurisdictions. This must be accomplished in light of the growing number and complexity of tax collection controversies, as well as budget limits (Parsley, 2007). According to Mucheru (2017), conflict resolution through negotiation, mediation and arbitration has become an acceptable and perhaps unavoidable part of the twenty-first century legal profession. In general, tax administrations are recommended to follow the recommendations of the Organization for Economic Cooperation and Development (OECD), which emphasizes that tax authorities should take an effective and relationship-based approach to tax collection. It is very important to build and maintain a good relationship between taxpayers and tax authorities. Alternative Dispute Resolution (ADR) in resolving tax disputes is the key to developing this relationship. Kashindi (2017) states that ADR offers a quick and inexpensive solution and is not as vulnerable to legal formalities as formal dispute resolution mechanisms. ADR nonetheless remains very suitable in handling disputes arising from a range of tax disagreements relating to transfer pricing, Determination of capital and revenue expense items for purposes of declaration and reporting of profits, valuation

issues around one's net worth, Compliance, pervasive Base Erosion and profit shifting, Et cetera. However, ADR is not adequately equipped to deal with matters relating to tax arbitrage (criminal evasion) or cases where the law requires a fixed default penalties and fines and generally for matters where the Commissioner can exercise statutory discretion.

Most jurisdictions around the world are already integrating ADR. This is mainly due to the many advantages of alternative dispute resolution over traditional procedures such as litigation. The Organization for Economic Cooperation and Development (OECD) Action Plan for Effective Dispute Resolution has adopted the option of arbitration for willing parties. According to the USAID Public Finance Management Leadership Report (2018), more than 95% of tax disputes in Canada are resolved through ADR, in Australia - more than 85%, in Brazil - more than 75%, in South Africa - more than 66%, while Kenya are in high ranking standing at around 40%. However, global best practice recommends that 80% of tax disputes be resolved through ADR.

The United States tax system is self-reporting just like in the majority of tax jurisdictions across the world. Jones (2018) notes that when it comes to incorporating ADR into the system, the Internal Revenue Service seems reluctant to fully adopt ADR. Nina Olson, head of the Office of Taxpayer Protection, found that the IRS underutilized ADR as a potentially valuable tool and in some ways managed ADR in a way that was unattractive to taxpayers. He noted that existing problems with the IRS' use of ADRs included the narrow scope of ADR availability and the agency's effective veto power over all ADR processes.

In the UK, HM Revenue and Customs (HMRC) is being closely scrutinized by the investigation. For tax disputes with HMRC, ADR takes the form of mediation, with an

independent mediator acting as a mediator to try to resolve the dispute without binding the parties to any outcome first. The mediator provides guidance on how the parties should participate in the process. If ADR fails, the parties can still go to court (Tolley, 2022). The ADR process has since become embedded in the tax dispute resolution framework in the UK (Ernst & Young, 2014).

India has a complex tax dispute resolution structure that includes a five-tier appeals hierarchy that resolves disputes between the Treasury and taxpayers. However, the overall structure of the dispute resolution system is similar, that is, three-tier appeal system, preliminary decision mechanism and settlement committee (Naniwadekar, Bhavé & Vaidyar, 2022).

1.1.2 African Perspective of ADR

Alternative Dispute Resolution (ADR) is a set of negotiation-based dispute resolution procedures in which the parties or their representatives in an actual or potential dispute meet to collectively reach a consensus and find a resolution to the root causes of the dispute (Chepkoech, 2017).

According to Kinyanjui, (2016), ADR enables taxpayers and tax administrators to proactively resolve tax disputes together. He adds that, in jurisdictions where alternative dispute resolution procedures have been used, these mechanisms have increased tax administration efficiency and have greatly reduced the number of legal disputes.

Tax administration in South Africa is governed by the Tax Administration Act 2012 which primarily defines the South African Revenue Service (SARS) and the duties and rights of taxpayers. This law provides a legal framework for disputes over all types of taxes that are included in the tax law, except for the Customs and Excise Law. The Alternative Tax Dispute Resolution in South Africa is considered one of the most robust

and comprehensive in Africa. This could be attributed in part to the large number of donor-funded NGOs working on ADR in South Africa prior to the change of government during apartheid). ADR was developed in South Africa to improve access to justice for all (Grenig, 2016). According to the Tax Administration Act. (2012), the tax dispute settlement rules stipulate that taxpayers can ask for reasons for the assessment or immediately initiate a dispute by initiating an appeal procedure by rejecting the assessment. In addition to the assessment, taxpayers can also challenge certain decisions based on the tax dispute resolution rules and other decisions can be referred to the High Court. Tax complaints in the court of first instance are processed by both the tax office and the tax court. The tax authority is established by the Minister of Finance under the Tax Administration Law and consists of a lawyer or attorney as chairman. The IRS may hear appeals in disputes involving taxes not exceeding R200,000. Tax Council meetings are not public and Board decisions are not published by DARS. However, the decision is binding on the parties, even though they have no precedent.

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In Egypt, under the new law, the tax dispute resolution has not been left solely for the Egyptian Tax Authority (ETA). Egypt has set up Tax Dispute Committees. Sale and Partners (2018) explain that Tax dispute resolution committees consider all Tax Dispute types, whether Commercial or Industrial Profits Taxes, Income Taxes, Sales Taxes, Stamp duty or Real estate Taxes. They add: the dispute resolution application is to be submitted by the Financier to the Egyptian Tax Authority or the Real Estate Tax Authority; The request must include some important data such as, the subject of the dispute, the lawsuit, the conciliation or appeal submitted before the competent courts for settling the dispute and some related documents; The committee will refer the request to the competent Resolution Committee within one week from its submission as a maximum duration for referring the request; In case the request is accepted, the lawsuit or appeal or whatever the situation of the lawsuit was, it must be ceased for three months as an initial period for examining the case and settling the dispute.

The minister for Finance issues decrees that establish Tax Resolution Committees under the leadership of experts not working at the Egyptian Tax Authority (ETA) and a member from the judicial consultants and another technical member from ETA.

1.1.3 Kenya's perspective of ADR

The Kenya Revenue Authority (KRA) is a national government agency authorized by law to collect revenue on behalf of the state (Kenya Revenue Authority Act 1995, Section 5). It was established in July 1995 by an Act of Parliament, Section 469 of the Kenya Act, as the only tax collection agency authorized to collect taxes on behalf of the Government of Kenya (Kenya Law, 2012). The purpose of the KRA is the

assessment and collection of taxes and the administration and enforcement of income-related laws. This is clearly stated in the KRA mission which reads; Promote tax compliance in Kenya, improve trade and border laws and regulations by promoting the standards set out in the Taxpayer's Charter (Kenya Revenue Service, 2000) and employ responsible enforcement through highly motivated and professional staff, thereby maximizing tax collection by lowest possible cost to Kenya's socio-economic well-being. Their aim is to promote compliance with tax, trade, customs and border laws and regulations by supporting taxpayer charters and the responsible use of highly motivated and professional staff and further revenue collection at the lowest possible socio-economic level – in fact – optimizing in Kenya (KIPPRA, 2013). The Tax Modernization Program was introduced in Kenya in 1986, in part with the hope of increasing tax collection (Gachanja, 2012).

Before the KRA came into effect, the task of collecting taxes was divided between at least 5 ministries. This results in high levels of revenue loss, multiple roles, high collection and administration costs, and a lack of accountability from the relevant revenue collection ministries. Its introduction has dramatically increased revenue collection and currently around 90 percent of the state budget is financed by tax revenues (Awitta, 2010).

Public spending has increased in recent years. These costs are mainly funded through tax collection. This pressures the authorities to collect more revenue (Waris, 2007). In 2015 the Commissioner General of the Kenya Revenue Authority (KRA) launched a new dispute resolution framework via Alternative Dispute Resolution (ADR). This initiative provides for the resolution of tax disputes through an internal mechanism within the KRA (KRA, 2015).

By 2017, it was reported that the initiative had yielded KShs 6.6 billion in taxation revenues within its first two years, with 140 disputes that had been pending before the Tax Appeals Tribunal (TAT), having been resolved through the ADR framework, and others being resolved in favor of taxpayers with no revenue yield to the KRA (Omar, 2017).

The use of Alternative Dispute Resolution (ADR) in resolving disputes is enshrined in Article 159(2)(c) of the 2010 Kenya Constitution. Under this provision, the Kenya Tax Authority (KRA) adopted the use of ADR in resolving tax and customs disputes in 2015 and has made great strides in this area. Article 55 of the 2015 Tax Procedures Law (TPA) and Article 28 of the Tax Appeals Court Law (TAT) allow parties to resolve their disputes through ADR and set a deadline for dispute resolution (KRA, 2020).

Thus, the use of ADR not only saves time and money, but also serves to speed up the settlement of tax and customs disputes with KRA while maintaining the relationship. The process is voluntary, confidential, friendly and leads to a mutually beneficial outcome for the parties. In addition, the ADR procedure is completely free. KRA encourages taxpayers who have tax and customs disputes to consider using alternative dispute resolution as a way to resolve the dispute (KRA, 2020).

The tax dispute process was overhauled in 2015 through the enactment of a Tax Procedures Act, 2015 (“TPA”), which introduced fundamental changes to the tax dispute resolution process (Caruso & Debelle, 2016). These included the merging the various tax appeals processes in disparate tax legislations, in particular, the Customs and Excise Act, the Income Tax Act and the Value Added Tax Act, and the creation of a uniform administrative process for lodging tax appeals (Gachai, 2018).

Mokaya (2017) notes that its stated intent is that it affords taxpayers with tax disputes a second chance to achieve an amicable resolution, through the establishment of an internal mechanism giving taxpayers the option to seek review of a tax dispute outside of the environment where the dispute is generated. In order to strengthen the process, the KRA sought to create an effective transparent structure as well as giving the process independence from the departments where the disputes originally arise.

ADR is cost-effective, provides a way to resolve tax disputes more quickly, improves compliance, and maintains the relationship between disputants.” ADR was introduced in June 2015 to complement the court process with amicable and timely settlement of tax disputes (KRA, 2020).

Since its inception, ADR has seen improvements in effective and peaceful dispute resolution. The 2018/2019 financial year saw the strongest increase in ADR applications, with 502 applications accepted. Of the 502 applications received, 237 cases were successfully resolved with a turnover of Kshs 8.102 billion. This is a phenomenal increase compared to FY 2017/18 when 90 cases were resolved with a revenue of Ksh 3 billion.

An analysis of the number of cases closed over the two fiscal years showed an increase of 147 cases, a growth of 263 percent. In addition to the number of cases, the resulting impact on revenue is equally large. The increase in Revenue from Kshs 3 billion in FY 2017/2018 to Kshs 8.102 billion in FY 2018/2019 is certainly not small. The increasing number of applications and resolution rates indicate that ADR is gaining increased acceptance, attractiveness and public trust, making it the preferred way to resolve tax disputes (KRA, 2020). Tax disputes can be brought before three different forums in the Kenyan court system, which can be appealed. If the decision of the Commissioner

can be appealed, the taxpayer can file an appeal to the Tax Appeals Court. In addition, each party is free to appeal the appealable decision from the TAT to the High Court of Kenya and the appealable decision from the High court to the Court of Appeal (Ohaga, Kiche & Muthee, 2022).

Public spending has increased in recent years. These costs are mainly funded through tax collection. This pressures the authorities to collect more revenue (Waris, 2007). In 2015 the Commissioner General of the Kenya Revenue Authority (KRA) launched a new dispute resolution framework via Alternative Dispute Resolution (ADR). This initiative provides for the resolution of tax disputes through an internal mechanism within the KRA (KRA, 2015). In order to strengthen the ADR process, the KRA sought to create an effective transparent structure as well as giving the process independence from the departments where the disputes originally arise (Caruso & DeBelle, 2016).

By 2017, it was reported that the initiative had yielded KShs 6.6 billion in taxation revenues within its first two years, with 140 disputes that had been pending before the Tax Appeals Tribunal (TAT), having been resolved through the ADR framework, and others being resolved in favor of taxpayers with no revenue yield to the KRA (Omar, 2017). In Kenya, Article 159(2)(c) of the Constitution recognizes the use of traditional dispute resolution (TDR) and ADR mechanisms in addition to litigation. Article 209 of the Constitution also gives the state exclusive powers to levy taxes and other levies (Constitution of Kenya, 2010; Gachai, 2018).

Based on this provision, the Tax Authority of Kenya (KRA) introduced the use of ADR in resolving tax and customs disputes in 2015 and has made great strides in this area. Section 55 of the Tax Procedures Act (TPA) 2015 and Section 28 of the Court of Appeals Tax Act (TAT) and court-ordered mediation processes allow parties to resolve

their disputes through ADR and establish a time limit within which disputes must be admissible (KRA, 2020). Thus, the use of ADR not only saves time and money, but also serves to speed up the settlement of tax and customs disputes with KRA while maintaining the relationship. The process is voluntary, confidential, friendly and leads to a mutually beneficial outcome for the parties. In addition, the ADR procedure is completely free. KRA encourages taxpayers who have tax and duty disputes to consider using ADR as a way to resolve these disputes (KRA, 2020).

The tax dispute process was overhauled in 2015 through the enactment of a Tax Procedures Act, 2015 (“TPA”), which introduced fundamental changes to the tax dispute resolution process (Caruso & Debelle, 2016). These included the merging of the various tax appeals processes in disparate tax legislations, in particular, the Customs and Excise Act, the Income Tax Act and the Value Added Tax Act, and the creation of a uniform administrative process for lodging tax appeals (Gachai, 2018).

Mokaya (2017) notes that the stated intention is to provide taxpayers with tax disputes a second chance to seek an amicable settlement by creating an internal mechanism that allows taxpayers to request an off-field review of the tax dispute in which it was created. In order to strengthen the process, the KRA sought to create an effective transparent structure as well as giving the process independence from the departments where the disputes originally arise. ADR is cost-effective, provides a way to resolve tax disputes more quickly, improve compliance, and maintain relationships between disputants.” ADR was introduced in June 2015 to complement litigation with the amicable and timely settlement of tax disputes (KRA, 2020).

Since its inception, ADR has seen improvements in effective and peaceful dispute resolution. The 2018/2019 financial year saw the strongest increase in ADR

applications, with 502 applications accepted. Of the 502 applications received, 237 cases were successfully resolved with a turnover of Kshs 8.102 billion. This is a phenomenal increase compared to FY 2017/18 when 90 cases were resolved with a revenue of Ksh 3 billion. An analysis of the number of cases closed over the two fiscal years showed an increase of 147 cases, a growth of 263 percent. In addition to the number of cases, the resulting impact on revenue is equally large. The increase in revenue from Kshs 3 billion in FY 2017/2018 to Kshs 8.102 billion in FY 2018/2019 is certainly not small. Increased filing and resolution rates indicate that ADR is gaining increased acceptance, traction and public trust, making it the preferred way to resolve tax disputes (KRA, 2020). The number of cases received and resolved by KRA through ADR from July 2015 to date and the corresponding revenue generated (in billions) are as represented in the figures below:

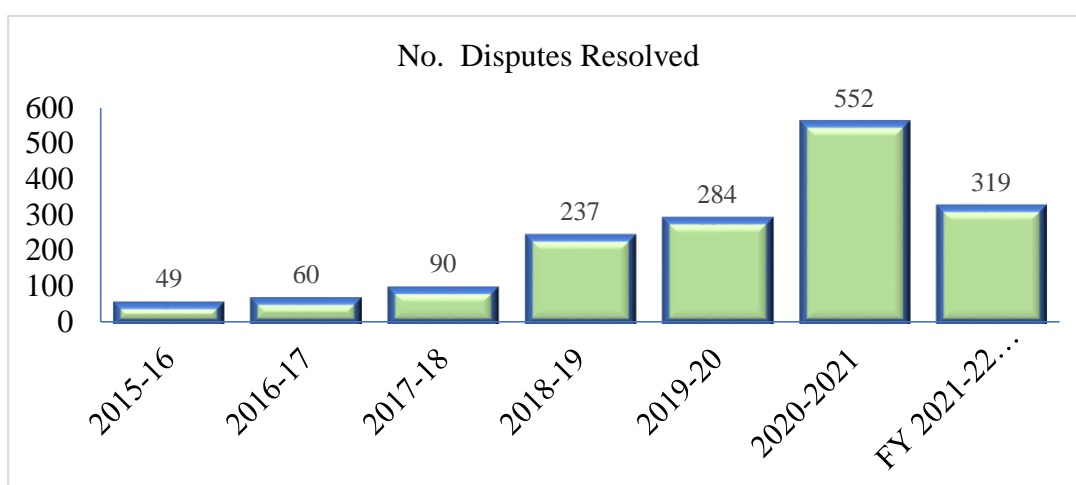


Figure 1.1: Number of Disputes Resolved

Source – KRA 2022

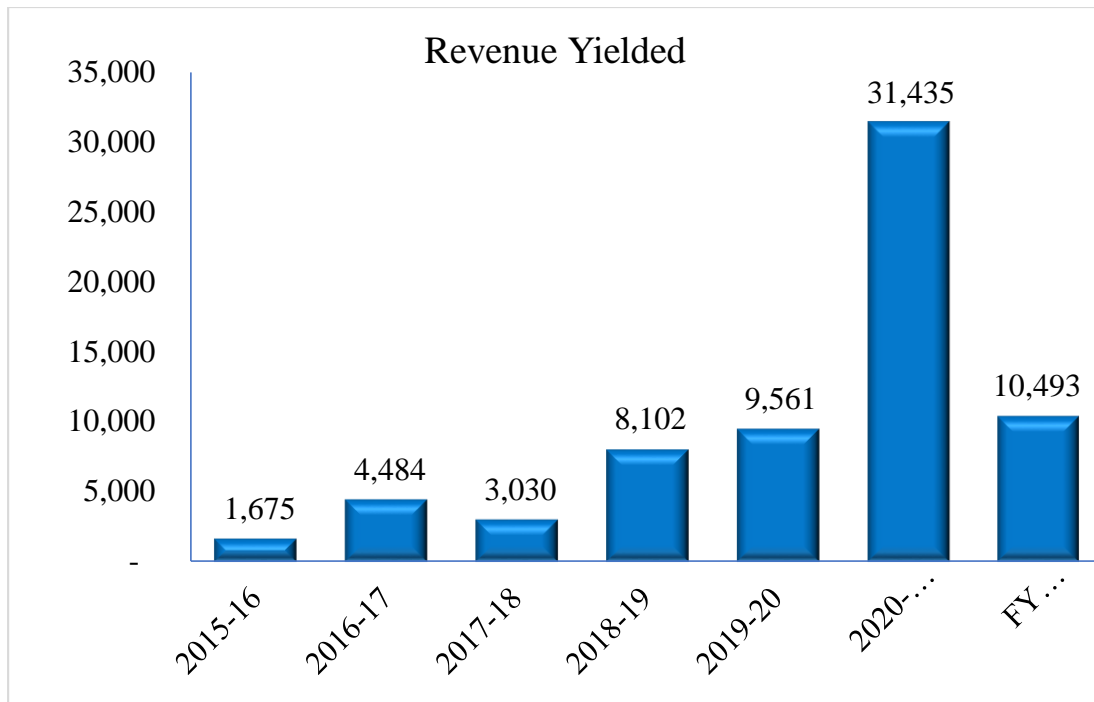


Figure 1.2: Revenue Yielded

Source – KRA 2022

1.1.4 Alternative Dispute Resolution (ADR)

Alternative Dispute Resolution (ADR), also known in some countries as External Dispute Resolution – Arbitration or Mediation), on the other hand, is a private process in which the parties cooperate with a neutral third party and reach a final and binding decision based on agreed rules that governs how the process works will expire.

Tran-Nam and Walpole (2006) argue that tax disputes are an integral part of the functioning of the modern tax system. ADR is based on 3 main processes: negotiation, mediation and arbitration (Faris, 1995). The three elements are consensual, ie. The disputants voluntarily agree to use certain procedures, and disputes are resolved by mutual agreement (Mnookin, 1998). However, there is a very clear difference between the three elements – negotiation is a bilateral relationship, whereas in the case of mediation and arbitration, the relationship is tripartite as a neutral third party is involved (Muigua, 2012).

Negotiation is any form of communication between two or more people with the aim of reaching a mutually acceptable solution. Here the parties themselves (disputees or negotiators) control the process and decisions (Mucheru, 2017). Mediation is a non-binding process in which an impartial third party, called a mediator, facilitates the negotiation process between the disputing parties (Mnookin, 1998). Since the mediator does not have decision-making authority, the disputing parties retain control over the substantive outcome of the mediation. However, the mediator controls the process with the help of the parties. By agreement of the parties to the dispute, the mediator establishes and enforces the ground rules for the mediation process.

Arbitration is a process in which a neutral third party makes a decision based on the merits of the case. The parties to the arbitration may retain some control over the conduct of the arbitration. Although the procedure is quite formal, the rules of evidence are more relaxed than in court (Mnookin, 1998). Arbitration awards can be advisory or binding. If it is not binding, the parties are free to take legal action if they are not satisfied with the decision. On the other hand, if the arbitral award is binding on the parties, it is difficult to overturn the binding arbitral award. Binding arbitration is usually agreed voluntarily by the parties before a dispute arises (Fiadjoe, 2004).

Kashindi (2017) notes that despite opposition to ADR from many popular parties and their supporters in recent years, ADR has been widely accepted both among the public and the legal profession. For example, the European Mediation Directive (2008) provides for mandatory mediation, which emphasizes mandatory attendance, not that agreement must be reached through mediation. M&A parties are increasingly turning to post-acquisition alternative dispute resolution. The growing popularity of the APC may also be due to: the increased workload of traditional courts; lower costs associated with alternative dispute resolution procedures compared to court procedures; preference

for privacy and the desire by some parties to have more control over the choice of the person or persons deciding their disputes. Some senior judges in certain jurisdictions around the world, such as England, Wales, United States and South Africa, now prefer ADR mediation to resolve disputes. He added that disputes often involve large sums of money.

Therefore, the outcome of such cases is of great importance to both tax authorities and taxpayers. It should be noted that the outcome of this dispute is not only significant for the disputing parties, but any decisions or judgments ultimately made may also set a precedent for the various parties involved in disputes of a similar nature in the future. Such precedence set help dispense with disputes arising from similar events in future. This study thus evaluated the efficiency and effectiveness of ADR in settling tax disputes by Kenya Revenue Authority and how it determines the level of tax revenue on a case-by-case basis.

1.1.5 Tax Revenue Performance

Taxes are the main source of income for the state. Tax revenue is revenue from taxes on income and profits, social security contributions, taxes on goods and services, taxes on wages, taxes on property and transfer of property, and other taxes.

Bustable (1917) defines tax as a mandatory levy on the property of a person or legal entity in serving the general public. Taxes are basically coercive. Adams (2006) states that the lack of agreement on taxation led to the Dutch War and the American Revolutionary War in the 16th century. Governments in both developed and developing countries collect taxes to fund public services. Article 209 of the Constitution gives the national government exclusive powers to levy income taxes, VAT, customs duties and other taxes or levies (Kenya Constitution, 2010; Gachai, 2018). Marina and Daniela

(2002) argue that taxation is the only known practical way to increase resources to fund public spending on goods and services consumed by every citizen.

Collecting taxes from citizens plays an important role for the government to build large dams, build transportation infrastructure, and provide quality social services to the community (Saxunova & Szarkova, 2018).

According to Barnett and Grown (2004), tax policy is at the centre of political debate about the level of public services that should be provided and who should pay for them, because taxes are the main source of recurring income under government control. In addition, taxes are used to redistribute wealth and income and to regulate economic activity. Therefore, tax policy decisions have different effects on different individuals, companies and the economy as a whole. The government must develop tax policies and tax systems that are guided by certain principles. Because taxation affects income and prices of goods and services, individuals and businesses respond differently to changes in income and relative prices that result from taxation. Tax revenue depends on ADR.

1.2 Statement of the Problem

Despite the various initiatives geared towards improving tax revenue performance, Kenya Revenue Authority (KRA) continues to miss its revenue collection targets. For Instance, in the fiscal year 2017/2018, KRA raised \$1.17 trillion against a target of \$1.4 trillion. In the fiscal year 2018/2019, KRA raised Sh 1.58 trillion against a target of Sh. 1,605 (KRA, 2019). Furthermore, in the fiscal year 2019/2020, KRA collected Sh. 1.607 trillion against a target of Sh. 1.8 trillion (KRA, 2020). This is a clear indication that there are hindrances to Tax revenue performance.

Due to successive failed revenue targets, the government has increased internal and external borrowing to finance development projects. In recent years, all major tax items,

PAYE, VAT, excise, income tax and import duties have grown, but KRA has consistently missed revenue targets (KRA, 2020). This situation raises concerns about the effectiveness, efficiency and integrity of the current KRA revenue management system.

To reverse the trend of missing out on its annual revenue targets, the Kenya Revenue Service has initiated many reforms not only in its system but also in terms of improving customer satisfaction, based among other things on better tax dispute resolution, as part of its plan to improve the efficiency and effectiveness of the revenue collection system.

In 2015 the Commissioner General of the Kenya Revenue Authority (KRA) launched a new dispute resolution framework, Alternative Dispute Resolution (ADR). This initiative provides for tax dispute resolution through an internal mechanism within KRA (KRA, 2015). By 2017, it was reported that the initiative had yielded KShs 6.6 billion in taxation revenues within its first two years, with 140 disputes that had been pending before the Tax Appeals Tribunal (TAT), having been resolved through the ADR framework, and others being resolved in favor of taxpayers with no revenue yield to the KRA (Omar, 2017).

Although significant progress has been made on ADR since its introduction by the KRA 2015, and despite significant progress in resolving ongoing tax disputes during this period, there has been little published research on ADR in the context of tax disputes in Kenya.

Mucheru (2017), studied the Adoption of Alternative Dispute Resolution in Kenya Tax Disputes. It evaluated Alternative Dispute Resolution (ADR) mechanisms in resolving tax disputes in Kenya and proposes strategies to improve the process. However, his study did not extend to looking at how tax revenue performance is affected by ADR

since its formal adoption by KRA in 2015. Kashindi (2017) reviewed the constitutional, legal and policy framework of ADR to assess its eligibility for inclusion in the ADR process. However, his study did not extend to looking at the tax revenue performance by ADR.

Ngetich (2017) sought to identify the reasons for the continued increase in cases brought to court despite the ADR mechanism enshrined in the 2010 Kenyan Constitution. Again she did not look at the tax revenue performance by ADR. Kimani (2016) evaluated the efficacy of Regulatory framework governing ADR in Resolution of Tax Disputes in Kenya. He also did not extend his studies to include the tax revenue implication in the adoption of ADR.

From the forgoing, there is clearly a gap because no research has investigated the tax revenue realized from employing ADR in dispute resolution since its formal adoption in July 2015. Therefore, this research addressed that gap by examining the revenue implication on the adoption of ADR. This study then drew lessons from comparative studies of alternative dispute resolution in other jurisdictions and made recommendations that are expected to increase the feasibility of including alternative dispute resolution in Kenya when resolving tax disputes.

1.3 Objectives of the Study

1.3.1 General objectives

The general objective of the study was to determine the influence of Alternative Dispute Resolution (ADR) on Tax Revenue Performance at KRA CBC Station. The impact of Alternative Dispute Resolution on Tax Revenue Performance was evaluated using three aspects namely: Arbitration, Mediation and Negotiation.

1.3.2 Specific Objective

- i. To determine the effects of Arbitration on Tax Revenue performance at KRA CBC Station.
- ii. To determine the effect of Mediation on Tax Revenue performance at KRA CBC Station.
- iii. To determine the effect of Negotiation on Tax Revenue performance at KRA CBC Station.

1.4 Study Hypotheses

The following are the hypotheses of the study:

H₀₁. Arbitration has no significant effect on Tax Revenue performance at KRA CBC Station

H₀₂. Mediation has no significant effect on Tax Revenue performance at KRA CBC Station

H₀₃. Negotiation has no significant effect on Tax Revenue performance at KRA CBC Station

1.5 Significance of the Study

ADR is a relatively new phenomenon in tax dispute resolution in Kenya. Overall, this study will provide useful suggestions that will help improve approaches in legislative and policy instruments that are useful in resolving tax disputes. Global best practice recommends that at least 80% of tax disputes be resolved through ADR. This study will provide sufficient roadmap towards meeting this recommendation by suggesting the best ways to improve ADR.

Diverse stakeholders are interested in evaluation of effective ADR process in the resolution of new and on-going tax disputes to enable them make decisions on the employment of either litigation or ADR (Kashindi, 2017).

The research will be beneficial to the following category of stakeholders in the manner described:

1.5.1 Tax Consultants and the Legal Profession

As tax dispute resolution has previously been litigious, large corporations have relied on the expertise of tax and legal professionals in dispute resolution. This study could change the fundamental structure of the tax advisory industry given that it targets a shift away from tax litigation in favor of a negotiated tax settlement. Accordingly, tax and legal professionals are keen to determine what impact this will have on their future business.

1.5.2 Policy Makers

The Kenyan Tax Agency is mandated by law by the Ministry of Finance to collect revenue on behalf of the Kenyan Government. KRA will benefit from research carried out on the ADR process as it seeks to enhance the process in meeting its tax collection targets. For instance, while releasing the revenue report for the financial year 2020/2021, KRA's Commissioner General attributed the achievement of that year's target to, among others, adoption of ADR in tax Dispute resolution.

The Government being, the recipient of tax revenue generated by the KRA-The Kenyan Government through the National Treasury takes a keen interest in the Authority's initiatives and monitors incremental tax revenue collected as a consequence of the ADR initiative. Conversely, the Government want assurance that the ADR process does not lead to the loss of revenue through settlements skewed to benefit taxpayers.

The Institute of Chartered Accountants of Kenya (“ICPAK”) is a mandatory professional accounting institute in Kenya with a membership of more than 18,000 accountants in Kenya and throughout East Africa (ICPAK, 2017).

This research will be of interest to ICPAK fraternity as feedback mechanism since they made significant inputs in the development of ADR framework for adoption by KRA (ICPAK, 2015).

Kenya Business Associations such as the Kenya Private Sector Alliance, the Kenya Association of Manufacturers, the Kenya Bankers Association, the Eastern Africa Association and the East African Business Council. Memberships of these associations include representatives from most of Kenya’s large taxpayers. The research findings will inform these teams on their engagement with the KRA on behalf of their individual members, regarding the development of an appropriate ADR framework.

1.5.3 Future Researchers

The problem statement notes that there has been limited research carried out on the ADR process in the context of tax disputes in Kenya. This study will be a source of reference for researchers and will serve as a useful starting for further research in the area.

Based on the research findings, the benefits and absorption of ADR is expected to increase the goodwill on the part of taxpayers keen to adopt the ADR process to resolve any on-going or future disputes. The taxpayers as consumers of the ADR process are interested and will be informed with the output of the research.

1.6 Scope of the Study

The study focused on the implications of alternative dispute settlement and Litigation on tax revenue in Kenya. Specific alternative dispute resolution consists of arbitration,

mediation and negotiation, while litigation takes the form of interim measures, submission and exchange of briefings, exchange of evidence, post-trial hearings and appeals and enforcement. This study focuses on the KRA as the tax administration body of Kenya and in particular on the Law Department's Alternative Dispute Resolution Unit, which houses a list of court cases and ADR cases.

The target population was the 186 Legal department staff and the data on cases (1271) concluded and the corresponding revenue yielded from 2015 to June 2021 both through ADR. Accordingly, the period of the study was from July 2015 to June 2021 reflecting the time the ADR was fully established to date.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter surveyed books, existing scholarly articles and other sources relevant to Litigation and ADR and review of existing theories conceptually attached to this subject. It contained the overall overview of ADR. It explored the literature related to the study. It discussed the theoretical literature (theories relevant to the study), the conceptual framework, empirical literature, summary of reviewed literature and concepts and the research gaps. Literature review is essential to the scholarly background for a subject in any research that is being undertaken (Kabiru & Njenga, 2009).

2.1 Review of Concepts

2.1.1 Tax Revenue Performance

According to the World Bank (2021), collecting taxes and fees is an important way for countries to generate public revenues that enable them to fund investments in human capital, infrastructure, and the provision of services to citizens and businesses. Preliminary analysis estimates the funding gap for achieving the Sustainable Development Goals for developing countries is around US\$2.5 trillion per year. Much of this funding gap needs to be filled through increased private sector investment in sustainability, which requires appropriate tax policies to provide the necessary price incentives. But developing countries with the greatest income needs, including fragile and conflict-affected countries (FCS), often face the greatest tax collection challenges.

Awitta, (2010) defines Revenue as the amount received by the company over a specific time period. The Institute of Chartered Accountants of Nigeria (2006) and the Chartered Institute of Taxation of Nigeria (2002) define taxation as the mandatory payment of

funds to the government under certain laws that are empowered. Without a valid law, no legal tax can be levied. Income tax is levied on income such as wages, corporate profits, interest, dividends, commissions, royalties and rent. It can also be imposed on capital gains and oil gains. Taxation brings significant revenue to the state. Therefore, it refers to the Gross Domestic Product (GDP)), which is a standard indicator to measure the economic prosperity of a country. The type and amount of tax varies depending on the economic policies of each government. Sanni (2007) advocates for the use of taxes as a social engineering tool to stimulate overall and/or sectoral economic growth.

Some businesses earn money from interest, dividends, or royalties paid to them by other businesses. Revenue can refer to the company's total income or the amount in monetary units received over a specific time period (Galinoma, 2019).

2.1.2 Negotiation

Negotiation is any form of communication between two or more people with the aim of reaching a mutually acceptable solution. Here, the parties themselves (disputants or a negotiating agents) to control the process and the solution (Mucheru, 2017). Ngetich (2017) argues that negotiation is a two-way discussion between two disputing parties, without having to involve a third party. This mechanism is an informal procedure that gives autonomy to two conflicting parties in the process. The disputing parties agree to meet to discuss the details of the matters giving rise to the dispute in order to find a mutually acceptable solution. Negotiations are a particular conflict resolution mechanism in that they focus primarily on the interests of the conflicting parties and not on their position or power (level of influence). Moreover, all of these mechanisms seek a win-win position for those involved so that they can restore their relationship.

2.1.3 Mediation

Article 159 of the Constitution stipulates the legal basis; the principles intended to guide the judiciary, so that the judiciary is guided by principles in exercising judicial power. According to Ngetich (2017), introducing alternative ways of resolving disputes, including negotiation, mediation, conciliation, traditional dispute resolution and arbitration. The current fix, which affects the judiciary's push to support mediation as a dispute resolution mechanism, is based on the amendments to the Civil Procedure Act, which also established the Mediation Accreditation Committee (MAC). According to Chap. 59A Civil Procedure Act (Chapter 21) Kenya Law. According to the Kenya Star, MAC members were announced on April 18, 2016 by retired Supreme Court Justice Willie Mutunga and elected by members of the judiciary and other legal interest groups such as the Chartered Institute of Arbitrators, the Kenya Bankers Association and the Central Union Organization.

2.1.4 Arbitration

The Nairobi Centre for International Arbitration (NCIA) was established in 2013 by an Act of Parliament, the Nairobi Centre for International Arbitration Act No. 26 of 2013, as a center for promoting international commercial arbitration and other alternative forms of dispute resolution. In addition, the NCIAA provides an alternative dispute resolution mechanism. The NCIAA established the International Arbitration Center in Nairobi to facilitate and encourage the conduct of international commercial arbitration and to administer domestic and international arbitration and alternative dispute resolution procedures. Arbitration is defined as arbitration under the Arbitration Act 1995-65, whether or not conducted by a recognized arbitration body. Arbitration is an adversarial process that in many ways mimics a court process (GoK, 2015).

Arbitration is a process in which a neutral third party renders a decision based on the merits of the case. The parties to the arbitration can maintain some control over the design of the arbitration process. Although the proceedings are fairly formal, the rules of evidence are more relaxed than court proceedings (Mnookin, 1998). The decisions of arbitration proceedings may be advisory or binding. If non-binding, the parties are at liberty to commence legal proceedings if they are not satisfied with the decision. On the other hand, if the decision is binding between the parties, it is difficult to overturn a binding arbitral award. A binding arbitration is usually agreed to voluntarily by the parties before the occurrence of the dispute (Fiadjoe, 2004).

2.2 Theoretical Literature Review

2.2.1 Ripeness Theory

Ripeness theory is William Zartman's theoretical approach to the study of conflict resolution. This theory is said to have been researched and debated for more than three decades. Coleman et al. (2008a, 4) states that Maturity theory is one of the most influential theories on motivation and conflict resolution today. William Zartman published several studies on this theory, for example in 1986, 1989, 1995, 2000 and 2001. According to him, two factors are important for finding a solution through negotiation or conflict mediation: the content of the proposal and the time of effort. It focuses on time or effort. This theory explains that there comes a time when parties to a dispute are ripe for settlement of a conflict or dispute and therefore exhibit a lot of alacrity to participate in a negotiation and mediation process.

Barridge and James (2003) note that the maturation moment is described in the dictionary as a point in a dispute when the parties are most likely (perhaps due to exhaustion) reach an agreement and therefore it is best to enter into negotiations or speed it up. over the existing one. Zartman reiterated that substantive proposals will not

come to fruition until the time is right for the parties. Maturity is a necessary condition for entering into bilateral negotiations or mediation. It must be confiscated by the parties or the mediator. Although this theory was borne to explain the settlement of international conflicts by way of mediation and or negotiation, it perfectly fits the present circumstances as it substantially aids in the understanding of ADR and how it should be structured if the primary objective is to be achieved.

While supporting Readiness Theory, Pruitt (2005), criticizes this theory by stating that Ripeness theory is insufficiently dynamic and flexible. He adds that ripeness theory lacks a political dimension, relying as it does on individual leader decision-making.

2.2.2 Conflict Resolution Theory

This theory was first introduced by Burton in 1962. The key proponents included: Kelman (1993), Schellenberg (1996) and Hansen (2008). This theory assumes that the most effective way to resolve conflict is to effectively solve problems together. It also compares conflict resolution to a competitive process in which warring parties compete to see who wins and who loses. Respect, accountability, honesty, empowerment, and loving behavior toward friends or other group members are all norms that apply to cooperative behavior (Deutsch, 2011).

Here, it is believed that effective cooperative relationships make it easier to manage inevitable disagreements constructively. Amslerv(2014) advises that even when there is disagreement, try to understand each other's point of view from their point of view and fully respect each other's ideas by acknowledging their value. That Instead of harboring anger or resentment, one must be willing to forgive and seek reconciliation when they are hurt. Be receptive to the legitimate needs of others.

Empower the other to be an active and effective participant in the cooperative problem-

solving process by requesting the other's thoughts, listening carefully, providing information, and aiding the other as needed (Hansen, 2008). Sandole (1993), connotes that conflict resolution requires problem-solving methodologies, direct involvement of conflicting parties in the design of joint solutions and support from third parties who are experienced in conflict resolution processes. He also mentioned that there are cultural and social gaps. In cultural conflict, the parties introduce significant value differences into their relationship, whereas structural conflict involves an imbalance of power between one or both parties in an organization, community, state or territory that prevents them from fulfilling their requirements.

Roger Fisher and William Ury outline four principles for effective negotiation. These four principles are: Separate people from their problems. Fisher and Ury argue that this principle helps the parties to get a clearer picture of the essential issue; Focus on interests, not positions; Generate different options before making a deal. Insist that the agreement is based on objective criteria. Roger Fisher and William Ury stated that the above principles should be followed at every stage of the negotiation process. Developing methods for reaching a good agreement is at the heart of this model.

Schellenberg (1996) criticizes this theory by saying that, conflict resolution can occasionally result in the victory of one party over the other. This indicates that one of the conflicting parties is dissatisfied with the outcome. The concept has also been critiqued for prioritizing change above social stability.

According to Roger Fisher and William Ury, the principle of "separating people from their problems" can make things worse when human needs are the problem. Furthermore, conflict between ethnic groups is essentially a conflict of needs, as a group feels neglected in its basic need for identity, security, recognition or equal participation, in which case the

human needs model may make more sense than the needs-based interests' model. This theory is consistent with the principle of ADR hence perfectly fits the study.

2.2.3 Readiness theory

The readiness theory is a revision and advancement of Zartman's theory of maturity. It differs from maturity theory in two ways: it uses variables rather than necessary states; focuses on one side rather than both sides of the conflict. The notion of preparedness is a feature of a country that reflects the mind-set of its leadership regarding conflict with other countries and can vary in various peaceful behaviours. Pruitt (2007) argues that readiness theory promotes forgiving behaviour. He argues that his perspective as an extension of maturity is more suitable for historical cases and is also more heuristic because it can include more elements of the outcome of conflict mediation (George & Bennett, 2005).

According to him, readiness theory has two components which work in tandem: Motivation and optimism. The motivation is to end the conflict whereas optimism is about the outcome of reconciliation and negotiation or mediation. This theory is relevant in our case because it employs the exact tenets central to the ADR concept such as mediation and negotiation. This theory gives in depth understanding of the adoption of ADR mechanism and provides tips to improve ADR.

Pruitt (2007) lambasts this theory on grounds of the following: It focuses on bilateral conflicts despite the increasing prevalence of conflicts involving multiple actors; It is more suitable for explaining past peace processes than predicting the timing or nature of future events.

2.3 Empirical Review

This chapter explores the existing studies, past and recent and evaluate their contribution to the study of Tax dispute resolution both via litigation and ADR. There are a number of studies directly or indirectly related to this study. These studies are both local and international.

Kashindi (2017) in his thesis for Master of Laws (LL.M) Degree of The University of Nairobi, sought to establish ‘The viability of Alternative Dispute Resolution Mechanisms in Tax Dispute Resolution in Kenya. He sought to evaluate alternatives for solving tax disputes in Kenya. It traces the historical development of post-independence tax dispute resolution approaches and examines their weaknesses in terms of timeliness, cost effectiveness and taxpayer satisfaction. In addition, he assesses the existing constitutional exceptions related to recent tax law reforms and analyzes the feasibility of incorporating Alternative Dispute Resolution (ADR) and their potential benefits from a tax perspective. He discussed the ADR framework proposed by the Kenya Tax Authority (KRA) and the challenges it presents; constitutional challenges, legal challenges, political challenges and administrative challenges. Kashindi then concludes that using ADR in resolving tax disputes is a viable proposition after learning from community courts that have experimented with ADR.

Mucheru (2017), in the Master of Business Administration project at the United States International University, studied the introduction of alternative dispute resolution in tax disputes in Kenya. His study evaluates Alternative Dispute Resolution (ADR) mechanisms for resolving tax disputes in Kenya and suggests strategies to improve the process. He reviewed the ADR process; determined the effectiveness and efficiency of the ADR process in resolving tax disputes; and suggest strategies for improving the ADR process in Kenya.

He also tries to assess the attitude of Kenyan taxpayers towards ADR. He concludes that taxpayers are neutral (i.e. neither agree nor disagree) on the effectiveness of the ADR process. However, taxpayers agree that using an outside intermediary unrelated to KRA will yield better results. He also noted that taxpayers are aware that the ADR procedure is enshrined in the Kenyan constitution and that the Tax Procedures Act is the primary law governing the settlement of tax disputes through ADR. He recommended that KRA invest in raising awareness of the ADR process among taxpayers and providing them with the necessary skills, motivation and resources to use the ADR process effectively and that KRA should consider allowing the use of unaffiliated third-party intermediaries, if parties consider it so. appropriate, do.

Walpole and Tran-Nam (1999), School of Tax and Business Law, University of New South Wales, in their publication *Access to Tax Justice; How Costs Affect Choice of Dispute Resolution* undertook a systematic study of the role of fees in accessing procedural justice in tax disputes in Australia. In particular, they sought to review available information about the tax dispute resolution process in Australia, to assess the overall costs of tax disputes from the taxpayer's perspective and to determine how costs hinder access to tax justice. His research therefore sought to determine how the costs of the different available tax dispute resolution methods affect the taxpayer's choice of method (examines how costs to taxpayers affect tax dispute channels in the Australian context). It focuses on processing individual taxpayer applications to the Administrative Court of Appeals (AAT) to review Australian Tax Office (ATO) decisions. They conclude that their findings support their initial claim that personal costs are a significant barrier to accessing tax justice (Mucheru, 2017).

The World Bank publication on out-of-court dispute resolution, *How Effective is Alternative Dispute Resolution?*, focuses on whether ADR saves money and time, and

whether it improves customer satisfaction. They are also trying to determine whether ADR has other indirect benefits, such as: increasing court efficiency by removing barriers, or whether it can increase confidence in the legal system, which could increase foreign investment. However, they conclude that there is sufficient evidence that there are increased costs and time savings from the ADR program for litigants. They also find that there is no empirical evidence of the effect of ADR on other important economic outcomes such as investment, employment, access to credit, bankruptcy and growth (Mucheru, 2017).

2.3.1 ADR and Tax Revenue Performance

Lloyd & Dennis, 2015 note that large businesses in dispute with the HMRC have been able to apply for ADR of tax disputes since 2011. By 2015, around 40 large or complex cases had been successfully resolved through ADR, on top of over 45 high risk corporates program cases, under which very large corporate groups and HMRC could jointly adopt an intensively project- managed approach to resolve a range of open tax disputes by settlement or moving forward to litigation.

In 2012, the average age of direct tax disputes for SME projects was 23 months, while VAT disputes were 8 months. Of the 366 facility requests, 151 have been implemented. 58% of cases were successfully resolved, another 8% were partially resolved. 34% of cases are unsolved. Of the cases resolved, 33% were resolved by providing the client/agent with the correct tax position and 24% were resolved as the agent obtained additional evidence. 23% was settled by advising the HMRC decision maker on the correct tax position, while 20% was settled by the arbitrator restoring communication between the two parties. Similarly, 50% of cases that were only partially resolved were partially resolved by educating the client/agent about the correct tax position, 40% were partially resolved because the intermediary obtained additional evidence and 10% were

partially resolved by enlightenment HMRC -The decision to resolve the issue of correct tax position (HMRC, 2013a).

Bentley (2006) argues that dispute resolution based on rights and powers favors the financial administration and collection authorities. The potential cost to taxpayers from tax disputes means that the tax authorities become an effective arbiter of the rights of both parties, as taxpayers have to step back. The power of the tax authorities to collect taxes, interest and penalties, or the threat of doing so, is an additional factor affecting the outcome of litigation.

Bentley (2007) shows that ADR improves taxpayer compliance by facilitating dispute resolution with tax authorities or by addressing issues. It also increases the effectiveness and efficiency of tax administration as ADR focuses on avoiding time-consuming and expensive litigation, which is in line with DSD's goal of reducing dispute resolution costs and producing more acceptable solutions.

According to Walton (2011), the initial phase of the UK SME pilot showed that of the 150 SME cases that should have been referred to internal review by HMRC – the advanced stage of the UK dispute resolution process – 97% of taxpayers accepted the offer to resolve the Dispute through mediation through the HMRC internal mediator with appointment. As of May 2011, 28 mediations had been completed, resolving some or all of the disputes in 64% of cases and lasting an average of 28 days. HMRC moderators have been trained to listen, consider and discuss key issues with both parties and help them reach an agreement as quickly as possible. The moderators work primarily by telephone contact, but occasionally also through moderated discussions, all taking place in open (tripartite) sessions, rather than private sessions with each party.

In 2015 the Commissioner General of the Kenya Revenue Authority (KRA) launched a new dispute resolution framework via Alternative Dispute Resolution (ADR). This initiative provides for the resolution of tax disputes through an internal mechanism within the KRA (KRA, 2015). By 2017, it was reported that the initiative had yielded KShs 6.6 billion in taxation revenues within its first two years, with 140 disputes that had been pending before the Tax Appeals Tribunal (TAT), having been resolved through the ADR framework, and others being resolved in favor of taxpayers with no revenue yield to the KRA (Omar, 2017).

The tax dispute process was overhauled in 2015 through the enactment of a Tax Procedures Act, 2015 (“TPA”), which introduced fundamental changes to the tax dispute resolution process (Caruso & DeBelle, 2016). These included the merging of the various tax appeals processes in disparate tax legislations, in particular, the Customs and Excise Act, the Income Tax Act and the Value Added Tax Act, and the creation of a uniform administrative process for lodging tax appeals (Gachai, 2018).

Mokaya (2017) notes that the stated intention is to provide taxpayers with tax disputes a second chance to seek an amicable settlement by creating an internal mechanism that allows taxpayers to request an off-field review of the tax dispute in which it was created. In order to strengthen the process, the KRA sought to create an effective transparent structure as well as giving the process independence from the departments where the disputes originally arise.

ADR is cost-effective, provides a way to resolve tax disputes more quickly, improve compliance, and maintain relationships between disputants.” ADR was introduced in June 2015 to complement litigation with the amicable and timely settlement of tax disputes (KRA, 2020).

Since its inception, ADR has seen improvements in effective and peaceful dispute resolution. The 2018/2019 financial year saw the strongest increase in ADR applications, with 502 applications accepted. Of the 502 applications received, 237 cases were successfully resolved with a turnover of Kshs 8.102 billion. This is a phenomenal increase compared to FY 2017/18 when 90 cases were resolved with a revenue of Ksh 3 billion. An analysis of the number of cases closed over the two fiscal years showed an increase of 147 cases, a growth of 263 percent. In addition to the number of cases, the resulting impact on revenue is equally large. The increase in revenue from Kshs 3 billion in FY 2017/2018 to Kshs 8.102 billion in FY 2018/2019 is certainly not small. Increased filing and resolution rates indicate that ADR is gaining increased acceptance, traction and public trust, making it the preferred way to resolve tax disputes (KRA, 2020).

The Kenyan Tax Authority highlighted in its 7th business plan that it can use ADR to resolve 38 per cent of all its disputes via ADR, with 62 per cent of ADR disputes resolved by the end of June 2018, raising a total of Kshs 8. billion (KRA, 2019).

For centuries, the way to settle civil disputes around the world was through the courts. In Kenya, billions of dollars are estimated to be tied up in lawsuits involving KRA and taxpayers (Kashindi, 2017). He added that the speed of tax dispute resolution is a concern for taxpayers and tax authorities. Both sides want the case to be resolved quickly to reach an agreement. Although the administration of justice is a complex matter, it is reasonable to expect that judgments will be delivered in a reasonable time by those entrusted with that responsibility. Ng'etich (2017) observes that while litigation of tax disputes through judicial review is instrumental in ensuring accountability in tax administration, taxpayers have utilized it as a dilatory tactic. Worsham, cautions that excessive litigation can lead to delays in the collection of taxes

and is costly for the taxpayer and the tax authority. According to Kashindi (2017), there was need for a swift action to come up with a means that would solve and conclude those cases expeditiously.

In 2015 the Commissioner General of the Kenya Revenue Authority (KRA) launched a new dispute resolution framework via Alternative Dispute Resolution (ADR). Prior to the establishment of ADR in 2015, the Authority estimated its outstanding taxes tied up in litigation cases at kshs. 35 billion (Kasindi, 2017)

This initiative provides for tax dispute resolution through an internal mechanism within KRA (KRA, 2015). By 2017, it was reported that the initiative had yielded KShs 6.6 billion in taxation revenues within its first two years, with 140 disputes that had been pending before the Tax Appeals Tribunal (TAT), having been resolved through the ADR framework, and others being resolved in favor of taxpayers with no revenue yield to the KRA (Omar, 2017). Prior to this, Tax Dispute Resolution had largely been handled through the conventional court process (Kashindi, 2017). There has been a significant uptake of the initiative by Kenyan Tax payers. According to the Deputy Commissioner of ADR (2020), ADR has seen improvements in effective and peaceful dispute resolution since its inception. The 2018/2019 financial year saw the strongest increase in ADR applications, with 502 applications accepted. Of the 502 applications received, 237 cases were successfully resolved with a turnover of Kshs 8.102 billion (KRA, 2020).

KRA encourages taxpayers with tax and customs disputes to consider using alternative dispute resolution as a way to resolve the dispute (KRA, 2020). Although significant progress has been made on ADR since its introduction by the KRA 2015, and despite

significant progress in resolving ongoing tax disputes during this period, there has been little published research on ADR in the context of tax disputes in Kenya.

Mucheru (2019) investigated the introduction of ADR in tax disputes in Kenya. It evaluated Alternative Dispute Resolution (ADR) mechanisms for resolving tax disputes in Kenya and proposed strategies to improve the process. In addition, a survey of taxpayers' satisfaction with the ADR mechanism was also conducted and asked for their opinion on the effectiveness of ADR in resolving tax disputes. However, his study did not extend to looking at the effect of ADR on Tax Revenue Performance.

Kashindi (2017) reviewed the constitutional, legal and policy framework for ADR to assess its eligibility for inclusion in the ADR process. However, his study does not take into account the the effect of ADR on Tax Revenue Performance. Ngetich (2017) examined the effectiveness of the Alternative Dispute Resolution (ADR) in dealing with the case backlog in the Kenyan judiciary, focusing on the Trade Division of the Milimani High Court. It sought to determine the reasons for the continued increase in cases brought to court despite the ADR mechanism enshrined in Kenya's 2010 constitution. Again, her study did not look at ADR influence on Tax Revenue Performance.

Kinyanjui (2016) evaluated the effectiveness of alternative tax dispute resolutions in Kenya, in particular the effectiveness of the regulatory framework for ADR in resolving tax disputes in Kenya. He also looked at the challenges tax payers and KRA face when resolving disputes through ADR mechanisms and the extent the current ADR channels are adequate in resolving ADR disputes. He also fell short of extending his studies to include the tax revenue implication in the adoption of ADR and in tax dispute resolution.

In comparison, there have been extensive studies carried out by tax authorities and independent researchers on more established ADR processes in more developed countries such as those carried out by the HMRC on the adoption of the ADR processes (HMRC, 2013a).

Parsley (2018) examines the Internal Revenue Service and Alternative Dispute Resolution: Moving from Infancy to Legitimacy,” noting that ADR has gained greater acceptance in the US and that federally sponsored ADR programs have increased in size, number, and importance. The Internal Revenue Service (IRS) is an excellent example of a public agency that has experimented with introducing various ADR mechanisms and has had quite successful results. In addition, it examines the types of ADR approaches used by the Internal Revenue Service (IRS) and focuses on how the IRS structures each program, striking a unique balance between pursuing efficient tax administration with the principles of mediation, negotiation, and arbitration. He noted that while mediation programs operated by the IRS are certainly flawed, they represent important advances in the development of mediation as a viable tool for resolving tax disputes.

Jaglowitz (1999) notes in his article Mediation in Federal Tax Disputes that the Canadian government has begun to use the ADR approach in many areas of employment. This includes dealing with labor complaints in the civil service, resolving economic and trade issues with other countries, and avoiding litigation in civil and other matters involving the federal government. This section also explores the useful role that mediation can play in this area and what hinders the effective conduct of mediation in tax disputes.

2.3.2 Negotiation and Tax Revenue Performance

Negotiation permits the parties to reach an agreement on a mutually beneficial conclusion. The actual details of the agreement must be determined by the parties and might be general or particular based on their interests (Barako, 2015). The first ADR statute in the United States, the Arbitration Act, was enacted in 1888 and provided for voluntary arbitration and ad hoc commissions to investigate the causes of certain railroad labor disputes (NADRAC, 1997). Between the 18th and 19th centuries there were repeated negotiations and compromises for a temporary solution to the slave problem. In 1865, Generals Lee and Grant negotiated terms for the surrender of the South, ending the United States Civil War. By the early 20th century, ADR was well established as a dispute resolution procedure. Teddy Roosevelt mediated a peace agreement ending the Russo-Japanese War in 1906 and was awarded the Nobel Peace Prize. ADR processes were used to resolve labor disputes and establish labor agreements to aid the war effort in World War I, with wartime agreements all ending with the peace in Europe (Barrett, 2004).

Kashindi (2017), believes that negotiation is a two-way conversation between two warring parties that takes place without the involvement of a neutral third party. This is an informal process in which the parties have complete control over the outcome. This comprises a meeting of the parties to discuss the problem and come up with a solution that is agreeable to both sides. He adds that negotiations are focused on the parties' similar interests rather than their power or position. The purpose of negotiation is for the parties to establish a "win-win" solution to the disagreement at the end of the process. Negotiations between taxpayers and the Commissioner are traditionally carried out before the matter is presented to court. According to Mohammed and Muturi (2018), the framework for negotiating income tax dispute resolution essentially revolves around

tax determination, imposition of sanctions, refusal of acceptance and withholding, assessment, interpretation of various legal provisions and conflicting decisions of the commissioner's administration according to law.

In the past, a taxpayer who disputed his judgment would dispute this in writing by notifying the commissioner. The notice must be sent within thirty days of the submission of the tax notification (KRA, 2015). According to Temitayo (2014), negotiations are rigorously used as an ADR technique in the management and resolution of current problems. He recommends using globally visible conflicts in negotiations to resolve disputes and conflicts, depending on whether they are negotiated conflicts or conflict resolution. Tabasuma (2020) empirically examined the importance of negotiation and conflict management. The outcome was that areas that typically accept negotiation and conflict management ensure smooth business, organization, personal relationships, and long- term relationships between people.

2.3.3 Arbitration and Tax Revenue Performance

In 1920 New York State passed the first modern arbitration law, and within 5 years, 15 other states followed suit. The American Arbitration Association, a public service not-for-profit organization, was created in 1926. ADR was used by the War Labor Board during World War II (NADRAC, 1997).

Dispute System Design (DSD) is not widely used in the context of tax dispute resolution. This is partly because tax disputes are not considered interest-based disputes because they are more focused on getting results, specifically how much to pay.

Bentley (2006) argues that dispute resolution based on rights and powers favors the financial administration and collection authorities. The potential cost to taxpayers from tax disputes means that the tax authorities become an effective arbiter of the rights of

both parties, as taxpayers have to step back. The power of the tax authorities to collect taxes, interest and penalties, or the threat of doing so, is an additional factor affecting the outcome of litigation. In addition, the revenue authority is much better resourced than the taxpayer and also has more experience handling tax disputes. Thus, unlike typical disputes, in a tax dispute there is a power imbalance between the taxpayer and the revenue authority which limits the application of an interests-oriented system.

Mucheru (2017) notes that since the 10th and 11th centuries, commercial arbitration was widespread in Europe under a practice known as “legitimate merchants”. This process is developed, solved, and managed by the marketer. The process was voluntary and participatory, with merchants who refused to accept the decision of an informal judge being ostracized by other merchants. The proceedings initially remained separate from the adept courts, sometimes being relatively specialized depending on the trade. However, Barrett (2004) notes that in the late Middle Ages state courts took over the work of merchants because the courts lacked the technical expertise of merchant judges who had practical knowledge of trade (Barrett, 2004).

According to Fiadjoe (2004), Ireland enacted the first arbitration law in 1698, which was in force for the next 250 years. The law introduces principles that are still relevant to arbitration today, allows the parties to choose their own arbitrator, arbitration awards in state courts are recorded, and courts can enforce arbitral awards. George Washington considered including an arbitration clause in his will in 1770, and between 1776 and 1785 Benjamin Franklin, John Adams, and Thomas Jefferson negotiated in Europe on behalf of the then-weak United States as they attempted to build on the young country's diplomatic history.

The Nairobi Center for International Arbitration (NCIA) was established in 2013 by an Act of Parliament, the Nairobi Center for International Arbitration Act No. 26 of 2013, as a center for promoting international commercial arbitration and other alternative forms of dispute resolution. In addition, the NCIAA provides an alternative dispute resolution mechanism. The NCIAA established the International Arbitration Center in Nairobi to encourage, facilitate and encourage the conduct of international commercial arbitration and the administration of domestic and international arbitration and alternative dispute resolution. Arbitration is defined in the Arbitration Act 1995-65 as any arbitration, whether conducted by a recognized arbitration body or not. Arbitration is an adversarial process that in many ways mimics a court process (GoK, 2015).

Arbitration is a process in which a neutral third party makes a decision based on the merits of the case. The parties to the arbitration may retain some control over the conduct of the arbitration. Although the procedure is quite formal, the rules of evidence are more relaxed than in court (Mnookin, 1998). Arbitration awards can be advisory or binding. If it is not binding, the parties are free to take legal action if they are not satisfied with the decision. On the other hand, if the arbitral award is binding on the parties, it is difficult to overturn the binding arbitral award. Binding arbitration is usually agreed voluntarily by the parties before a dispute arises (Fiadjoe, 2004).

2.3.4 Mediation and Tax Revenue Performance

Bentley (2007) shows that ADR improves taxpayer compliance by facilitating dispute resolution with tax authorities or by addressing issues. It also increases the effectiveness and efficiency of tax administration as ADR focuses on avoiding time-consuming and expensive litigation, which is in line with DSD's goal of reducing dispute handling costs and leading to more acceptable and durable agreements. It is therefore considered

appropriate to refer to DSD principles when assessing the design of a tax dispute resolution system.

Traditional and informal justice forums remain popular in Africa for three main reasons: First, the majority of Africans still live in rural areas where access to the formal justice system is limited. Second, justice offered by formal courts can be inappropriate because it can cause damage to individual social relations, which can lead to community conflict and affect the economic cooperation on which the community relies. Finally, the country's justice system operates with a very limited infrastructure that lacks the resources to handle minor disputes in cities or villages (Muigua, 2012; 2015). Similarly, Kpelle Liberia is using a quasi-court system to resolve family disputes, with neighbors and family members attending meetings, with the mediator being someone related to the participant or political rank (Mucheru, 2019).

Article 159 of the Constitution stipulates the legal basis, the principles intended to guide the judiciary, so that the judiciary is guided by principles in exercising judicial power. According to Ngetich (2017), introducing alternative ways of resolving disputes, including negotiation, mediation, conciliation, traditional dispute resolution and arbitration. The current fix, which affects the judiciary's push to support mediation as a dispute resolution mechanism, is based on the amendments to the Civil Procedure Act, which also established the Mediation Accreditation Committee (MAC). (Chap. 59A of the Civil Procedure Act, Chapter 21 Kenya Law). According to the Kenya Star, MAC members were announced on April 18, 2016 by retired Supreme Court Justice Willie Mutunga and elected by members of the judiciary and other legal interest groups such as the Chartered Institute of Arbitrators, the Kenya Bankers Association and the Central Union Organization.

Section 59A (4) of the Constitution authorizes the MAC to perform the following tasks; establish criteria for mediator certification; Appropriate application of the mediator's code of ethics; maintain a list of qualified mediators; and organize appropriate training programs for mediators.

Mediation is a non-binding process in which an impartial third party, known as a mediator, facilitates the negotiation process between the disputing parties (Mnookin, 1998). Since the mediator does not have decision-making authority, the disputing parties retain control over the substantive outcome of the mediation. However, the mediator controls the process with the help of the parties. By agreement of the parties to the dispute, the mediator establishes and enforces the ground rules for the mediation process.

Wang et al. (2014) found that mediation is a conflict resolution and prevention mechanism in which a third party with limited decision-making authority facilitates the process. The third party (mediator) does not make decisions like judges or prosecutors, but facilitates and guides the parties to reach an agreement. These mechanisms are useful in many areas of conflict resolution, including commercial disputes, family disputes, workplace disputes, and violence prevention. Mediation increases the autonomy of the conflicting parties regarding decisions and solutions. This procedure helps resolve disputes with maximum confidentiality. The mediator's position is only for guidance and advice. In Kenya, there exists Court Annexed Mediation signifying ground the method has gained in Conflict resolution in the country.

a) Court Annexed Mediation

This mediation mechanism is a mediation process carried out under the auspices of the judiciary and managed by a deputy minister known as the Deputy Minister of Mediation

(MDR). According to Ngetich (2017), a clerk or court official is involved as a mediator. All cases brought before the above court after April 4, 2016 will be reviewed which includes reviewing the details of each case and identifying those suitable for mediation. Judicial matters may also be referred to mediation at the request of the parties or the court. Once the matter in dispute is determined to be admissible by judicial arbitration, the MDR notifies the disputing parties that their case has been referred to arbitration.

MDR will then nominate 3 mediators from the list of accredited mediators and introduce them to the parties who will nominate their preferred mediator. The appointed mediator then advises the disputing parties on the date and time of the initial mediation. The process is expected to take no more than sixty days from the date of referral and date of decision. However, the length of mediation depends on the commitment of the parties to reach an agreement. The confidentiality of the information shared during the mediation process will be maintained and will not be admissible as evidence in court if the matter is referred to litigation. This provision allows the process to proceed in the best interests of the parties.

In United Kingdom, HMRC had in April 2012, approved a guide for resolving disputes through ADR including facilitative mediation, Evaluative mediation and non-binding neutral mediation.

i) Facilitative mediation

A trained and accredited mediator brings the parties together in an effort to reach settlement. The mediator does not comment on the merits of the arguments presented during the discussion. The moderator may or may not be a subject matter expert.

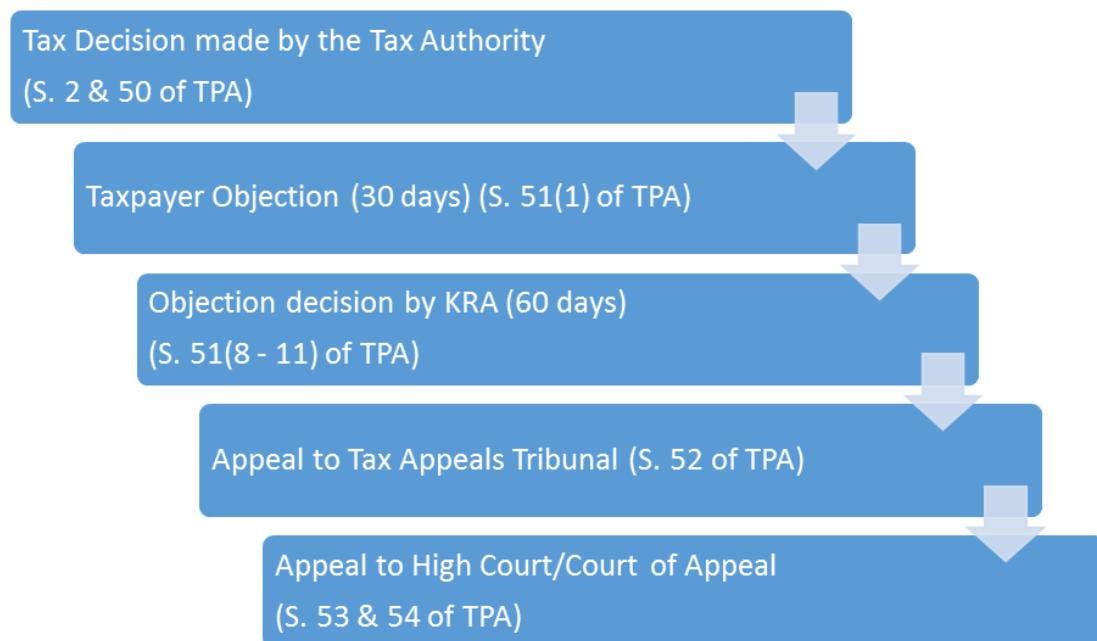
ii) **Evaluative mediation**

An accredited mediator brings the parties together and represents his point of view as an expert on the issue of the dispute. The mediator gives an opinion on the validity of the arguments presented during the discussion.

iii) **Non-binding neutral Evaluation**

Here, according to Ngetich (2017), a third party who is an expert provides a non-binding opinion. This method is applicable in cases that are not related to tax issues but determination of issues may have tax consequences.

Tax dispute process can be represented as follows:



Source: Mokaya, 2017

2.4 Critique of the Study

Article 159 of the Constitution defines ADR as a broad and comprehensive approach to settling various types of disputes. According to Mohammed & Muturi, (2018), the ADR framework follows the constitution's narrow conflict resolution approach. It

recognizes and approves facilitated mediation as the only alternative form of dispute resolution that can be utilized to settle tax issues between the KRA and taxpayers. This limited approach seems to contradict Article 159 of the Constitution, which regulates the use of alternative dispute resolution methods such as arbitration, negotiation and mediation.

According to Muigua (2015), Articles 159(2) and 189(4) regulate the emergence of ADR as a form of conflict resolution. Muigua (2018) adds that the APR applies to all disputes, broadens its scope, and therefore recommends the use of the APR to resolve various disputes. Kashindi (2017) rues that the ADR framework method lacks a clear understanding and assessment of ADR. Tax dispute resolution process is tedious and marred with corruption from the people entrusted with the responsibility by the government (KRA corporate report, 2018).

According to Ohaga, Kiche, and Muthee (2022), ADR does not have the legal backing to decide tax disputes in the following circumstances: When the settlement would be inconsistent with the Constitution, tax laws, or other applicable laws; the question borders on technical legal interpretation, juridical clarification of the question is in the public interest; uncontested decisions and orders are in place and either party does not wish to participate in the ADR Process.

In building a case for ADR adoption in Poland, leading accounting firm PWC point out that not all cases can be resolved through the ADR process. For example, disputes in which the interpretation of the applicable regulations rather than the interpretation of facts is the essence of the problem should ideally remain under the jurisdiction of administrative court (PWC, 2013). In the same vein, the HMRC ADR panel would reject an ADR application where the HMRC considers that the issue involves a policy or legislative 'red line' which can only be resolved before the Tribunal (HMRC, 2013a).

ICPAK (2015) issued Comments on the KRA ADR mechanism soon after the ADR Framework, and highlighted two main concerns with the ADR process. First, the ADR mechanism is internal and therefore offers limited headroom for the ADR as a whole. The second, closely related to the first, is that the framework does not reflect KRA's intention to approach tax dispute resolution on a level playing field. They suggest that similar to UK candidates for ADR purposes, intermediaries should complete an internal certification course at KRA which will train them and then tie them to a professional code of ethics to govern the performance of their mandate. In line with the South African model, they also suggested that KRA should include ADR procedures at the landfill; establishing criteria for identifying intermediaries and providing specialists such as accountants on the intermediary list; and treat agents as KRA employees for the purpose of confidentiality in the provisions of tax laws. They also suggested that the KRA ADR framework should include provisions requiring mutual agreement on whether or not to involve ADR facilitators, as well as issue a post-agreement assessment to add legitimacy to the tax administration process which is all included under South African ADR.

Ngetich, (2017), observes that taxpayers would opt for ADR instead of Litigation but often adopt litigation as a dilatory tactic hence time has always been wasted when taxpayers pursue Litigation route.

Bentley (2006) argues that dispute resolution based on rights and powers favors the financial administration and collection authorities. The potential cost to taxpayers from tax disputes means that the tax authorities become an effective arbiter of the rights of both parties, as taxpayers have to step back. The power of the tax authorities to impose or threaten to impose taxes, interest and penalties are additional factors that affect the outcome of litigation.

According to Mohammed and Muturi, (2018), the framework for negotiating income tax dispute resolution essentially revolves around tax determination, imposition of sanctions, refusal of acceptance and withholding, assessment, interpretation of various legal provisions and conflicting decisions of the commissioner's administration according to law. According Temitayo (2014), negotiations are rigorously used as an ADR technique in the management and resolution of current problems. He recommends using globally visible conflicts in negotiations to resolve disputes and conflicts, depending on whether they are negotiated conflicts or conflict resolution.

Mucheru, (2017) notes that since the 10th and 11th centuries, commercial arbitration was widespread in Europe under a practice known as “legitimate merchants”. This process is developed, solved, and managed by the marketer. The process was voluntary and participatory, with merchants who refused to accept the decision of an informal judge being ostracized by other merchants. The proceedings initially remained separate from the adept courts, sometimes being relatively specialized depending on the trade. However, Barrett (2004) notes that in the late Middle Ages state courts took over the work of merchants because the courts lacked the technical expertise of merchant judges who had practical knowledge of trade (Barrett, 2004).

According to Muigua, (2012), litigation is a traditional institutional method for resolving disputes within the judiciary, considering the mandate of the judiciary as one of the three arms of government and its mandate to interpret, implement and enforce social values enshrined in laws and laws. Worsham (2015) warns that excessive litigation can delay tax collection and harm taxpayers and tax authorities. He concludes that taxpayers who had indirectly had unfavorable experiences with the tax administrator were less likely to be compliant in future. Thuronyi and Espejo have made the following recommendations to deal with excessive and protracted tax disputes:

simplification of tax laws, organization of efficient appeals systems which incorporate ADR procedures, ensuring that tax administrations take a cooperative approach to taxpayers, specifying the law on administrative procedures, and taking administrative actions that lead to a greater culture of taxpayer compliance. According to Maigua (2018), mechanisms such as courts are not accessible to the poor due to formalities, complicated procedures, costs and delays. There is a shift towards informal dispute resolution mechanisms, including Alternative Dispute Resolution (ADR) and Traditional Dispute Resolution Mechanisms (TDRM). ADR and TDRM procedures contribute to improving access to justice for all and especially for the poor.

2.5 Summary of Literature and Gap

The purpose of this study was to determine the impact of ADR on tax revenues since the implementation of ADR in July 2015 until June 2021. The Tax revenue realized using the Mechanism would then form the basis of recommendation on how ADR has contributed to Tax Revenue Performance.

The theoretical review focused on three theories: Ripeness theory explains that there comes a time when parties to a dispute are ripe for settlement of a conflict or dispute and therefore exhibit a lot of alacrity to participate in a negotiation and mediation process. He reiterated that proposals are essentially fruitless until the time comes for the parties, and maturity is a necessary condition for entering into bilateral or mediated negotiations. It must be confiscated by the parties or the mediator. Although this theory was borne to explain the settlement of international conflicts by way of mediation and or negotiation, it perfectly fits the present circumstances as it substantially aids in the understanding of ADR and how it should be structured if the primary objective is to be achieved.

Conflict Resolution theory assumes that the most effective way to resolve conflict is to effectively solve problems together. It also compares conflict resolution to a competitive process in which warring parties compete to see who wins and who loses. It states that accountability, honesty, empowerment, and loving behavior toward friends or other group members are all norms that apply to cooperative behavior. It is believed that effective cooperative relationships make it easier to manage inevitable disagreements constructively. The theory states that even when there is disagreement, one should try to understand each other's point of view from their point of view and fully respect each other's ideas by acknowledging their value; that instead of harboring anger or resentment, one must be willing to forgive and seek reconciliation when they are hurt; that parties should empower each other to be an active and effective participant in the cooperative problem-solving process by requesting the other's thoughts, listening carefully, providing information, and aiding the other as needed.

Readiness theory differs from maturity theory in two ways: it uses variables rather than necessary circumstances; focuses on one side rather than both sides of the conflict. The notion of preparedness is a feature of a country that reflects the mindset of its leadership regarding conflict with other countries and can vary in various peaceful behaviors. This theory encourages forgiving behavior. This theory has two components that work together: motivation and optimism. The motivation is to end the conflict whereas optimism is about the outcome of reconciliation and negotiation or mediation. This theory is relevant in our case because it employs the exact tenets central to the ADR concept such as mediation and negotiation. This theory gives in depth understanding of the adoption of ADR mechanism and provides tips to improve ADR.

Empirical review was done based on studies that have already been done. A review of the empirical literature reveals some omissions. There are a number of Researches that

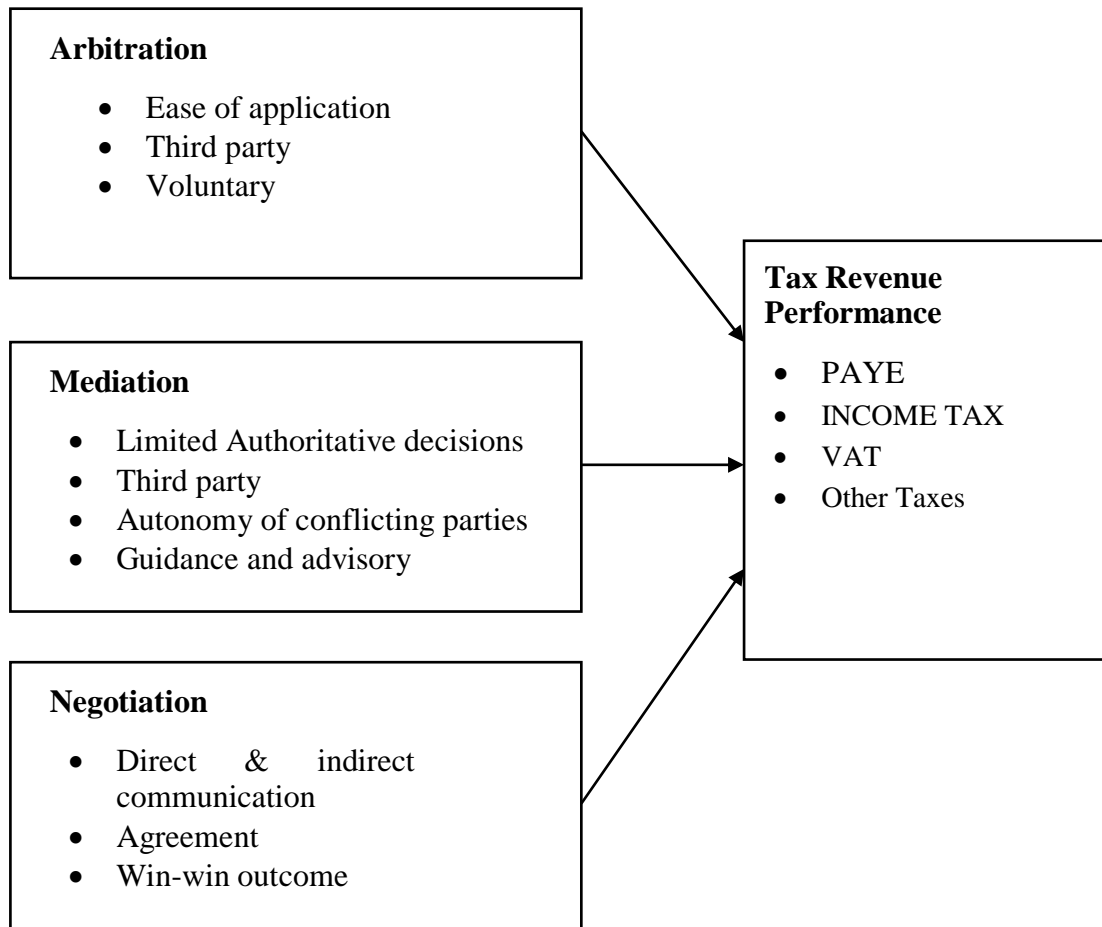
have been done by different individuals within and without Kenya concerning ADR and Litigation. While a number of these studies focused on the viability of ADR inclusion in tax dispute resolution. How cost affect the taxpayers' decision on which tax dispute resolution mechanism to use and the effectiveness of ADR in tax dispute resolution, none has sufficiently and satisfactorily analyzed how revenue accruing to Governments (Tax Authorities) is affected by ADR. The primary and principal reason of KRA introducing ADR was to find an alternative of promptly concluding the cases which for long were tied up in the litigation process in the courts. It is noteworthy that litigation is the conventional and traditional way of handling disputes arising from taxation.

This provides a study area for this research to exploit so as to demonstrate ways in which ADR contributes to revenue growth.

2.6 Conceptual Framework

The conceptual framework is a brief description of the concept being studied, the variables are presented using a diagram (Mugenda, 2008). Tax disputes arise from tax decisions on assessments and any other forms made by the commissioner against taxpayer' self-assessment or other forms of declarations. The disputes are resolved through different mechanism chief of which are ADR and ligations. These mechanisms will impact on tax revenue.

The independent variable is Alternative Dispute Resolution (ADR) while the dependent variable is Tax Revenue (Income Tax, PAYE, VAT & Others taxes). ADR was represented by Negotiation, Mediation and Arbitration. On the other hand, Tax Revenue was represented by Income Tax, PAYE, VAT and other taxes collected upon conclusion of the cases handled through ADR as presented in figure below:

Independent variable (ADR)**Dependent variable (Tax Revenue)****Figure 2.1: Conceptual Framework****Source: Author (2022)**

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the overall study methodology. The research design, study area, targeted population, sampling size and techniques, research tools, data collection tools and approaches to the Analysis of Data.

3.1 Research Design

Khan (2018) defines research design as a technique used to assess the relationship between predictor variables and outcomes. Research design is the process of collecting, analyzing, interpreting, and reporting data in scientific research (Creswell & Clark, 2007). It is an overall plan for linking conceptual research problems with relevant and feasible empirical research. In other words, the research design determines the process for the data needed, the methods that will be used to collect and analyze the data, and how these will answer the research question (Grey, 2014).

This study adopted an explanatory research design. To clarify the patterns of relationships between variables, explanatory research design focuses on an analysis of a situation or a particular issue. The design has been chosen because it will aid in determining the causal relationship between variables in this case.

According to the editorial team of Indeed (2021), explanatory research is a method for finding detail in areas with little information. Researchers use this type of research in the early stages of their descriptive research to create a general understanding of their topic. Questions for this type of research usually begin with "Why...?" Explanatory research describes the various components of research. This type of research is a way of collecting qualitative data or information that analyzes patterns.

The research design of this study also used a descriptive case study from KRA. Descriptive design is a description of the state of something as it exists today (Herve, 1998). Surveys are used to collect information using highly structured questionnaires or interview guides (Oso & Onen, 2011; Cooper & Schindler, 2011). Using this design allows the researcher to ask questions in a carefully crafted and sequential order. The aim of this study was to extract comparable data about the selected sample subjects to identify similarities and differences. Mugenda and Mugenda (2012) see the greatest strength of the survey approach in its flexibility in data collection.

3.2 Study Area

Dasgupta (1998) defines study area as a researcher's target segment. He opines that for an ideal research work, the target segment should be very well defined, otherwise the net outcome derivatives would not suit research objectives. A field of research study usually limits the areas of activity or interest that will be sampled or explored for research purposes (Simenson, 2019). Field of study is an interdisciplinary field of research and scholarship related to a specific geographic national area (Gunes & Atilgan, 2016).

The area of the study was the Legal and Board Services Department of Kenya Revenue Authority, CBC Station, Upperhill, Nairobi. The target population of this study comprise of 186 KRA officers in the legal department including ADR (30), litigation (32) and the rest shared by independent review of objections (IRO), Conveyance, Legal research, Board affairs and operations. These officers interact with the ADR and litigation cases on a daily basis, and are the custodians of data on ADR and litigation. The study involved tax dispute cases settled using the ADR mechanism from July 2016 to June 2021 to investigate ADR influence on such cases hence the tax revenue performance.

3.3 Target Population

Sekaran (2003) defines the target population as the entire collection of items whose conclusions are drawn and refer to all cases that may be of interest to research. This is the group of people to whom the results of the study apply. It is the sum of all individuals who exhibit certain traits and are of interest to the researcher (Kombo & Tromp, 2011; Kothari, 2011). A population is a universe consisting of a group of individuals, objects, or items that are sampled for measurement. Therefore, the research population is the people or individuals who fit the researcher's operational definition of the target population. According to Cooper and Schindler (2000), the research population consists of a group of things or people with the same characteristics from which conclusions can be drawn. Therefore, the research population includes individuals or individuals who fit the researcher's operational definition of the target population.

The target population of this study comprised of 186 KRA officers in the legal department including ADR, litigation, (IRO), Conveyance, Legal research, Board affairs and operations. These officers interact with the ADR and litigation cases on a daily basis, and are the custodians of data on ADR and litigation.

Table 3.1: Target Population

Category	Target population
KRA Officers	186
Total	186

Source: KRA (2022)

3.4 Sample Design

According to Soloff et al. (2005), the sample design is the structure or roadmap that serves as the foundation for choosing the survey sample. It contains a basic plan and

methodology for sampling. In this study, the sample design is divided into sample size and sampling method.

3.4.1 Sample Size

The sample is part of the population studied. It is truly representative of the entire population studied (Hyndma, 2008; Marczyk, DeMatteo & Festinger, 2005; O'Leary, 2001). According to Combo and Tromp (2009), the sample is part of the population that is intended to reflect or represent the characteristics of that population. Sampling must be unbiased. Sample size techniques are always formulated either by theory or empirical techniques.

Adèr, Mellenbergh, and Hand (2008) state that the main advantages of sampling are cost, speed, accuracy, and data quality. On the other hand, sampling is the process of selecting a subset of individuals from a population in order to gain knowledge about the entire population, specifically to make predictions based on statistical inference (Scott & Wild, 1986; Black & William, 2004). . A good sample must be truly representative of the population, subject to small sampling errors, be applicable, economical, and systematic, whose results can be applied to the universe with a reasonable level of confidence (Kothari, 2011).

The study adopted Yamane (1967) formula in computation of the sample size as follows:

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

Where:

‘n’ = sample size, ‘N’ = population

‘e’ = the confidence level

This study assumed the level of precision of 5%

The sample size is:

$$n = \frac{186}{1 + 186(0.05)^2}$$

The study sample size is 127.

Table 3.2 shows the study sample size.

Table 3.2: Sample Size

Category	Target population	Sample Size
Respondents	186	127
Total	186	127

Source: KRA (2022)

3.4.2 Sampling Technique

This study used a targeted sampling technique to select respondents. Targeted sampling, also known as assessment, selective or subjective sampling, is a sampling technique in which the researcher relies on his or her own judgment when selecting members of the population to participate in research (Palinkas, 2015). The study sampled 127 KRA officers who work at the legal department including Litigation and ADR sections, who provided data on the tax dispute cases successfully resolved and concluded using ADR and the revenue realized as a result.

3.5 Data Collection Instruments

Newing (2011) considers data collection as a procedure characterized by precision and involves methodical data collection. Mugenda and Mugenda (2012), on the other hand, define data collection instruments as tools and procedures for measuring variables in research. Data collection tools include the use of questionnaires, interviews, observation, schedules and focus groups.

This research uses primary data collection method. Questionnaires were distributed to respondents. Questionnaires reduce bias because the researcher's own ideas do not affect the answers. A questionnaire is a collection of questions or statements that assess attitudes, opinions, beliefs, biographical information, or other forms of information (Oso & Onen, 2011; Cooper & Schindler, 2011; Burns & Burns, 2012; McMillan & Schumacher, 2001).

According to researchers (Cooper & Schindler, 2011; Burns & Burns, 2012; McMillan & Schumacher, 2001), questionnaires are preferred for primary data collection because they are cheaper, especially when the population is large and geographically dispersed. They guarantee anonymity, allow the use of standardized questions and ensure uniform procedures. They also ensure that hard-to-reach respondents are easily accessible. In fact, Cooper and Schindler (2006) note that self-administered questionnaires are particularly appropriate when respondents need sufficient time to rationally consider their answers. Therefore, questionnaires are used as an important primary data collection tool because of the many positive traits discussed above.

3.6 Data Collection Procedures

The data gathering procedure is critical to data collection and acquiring meaningful data for analysis (Groves, 2009). After receiving a research approval from my supervisor, Moi University), the researcher sought permission and clearance from the KRA's Research Department and came up with a data collection schedule. A visit was made to the KRA CBC station, the host of the legal and ADR departments, to get consent to administer the questionnaires. This enabled the researcher to familiarize with the respondents.

Structured questionnaires were administered to the respondents on 17th May 2022. The respondents were assured of strict confidentiality in their responses. Authorization was sought from the supervisor to collect data. The participants were given two days to fill the questionnaires which were later picked on 20th May 2022. This gave them sufficient time to participate in research through the questionnaires. The run-and-select method was then used to conduct the questionnaire. Control was carried out to guarantee that all questionnaires distributed to respondents are received by keeping a list of the questionnaires distributed and received.

3.7 Pilot Testing

The purpose of the trial is to determine the accuracy and adequacy of the research design and instrumentation (Saunders, Lewis & Thornhill, 2007). Mugenda and Mugenda (2013) stated that a trial is conducted to ensure that the items in the questionnaire have clear words and have the same meaning for all participants. The trials were tested for the usability and acceptability of the collected data. Sekaran (2008) emphasizes that a trial is needed to test the reliability of the instrument and the validity of the study. Pilot testing (Punch, 2006; White, 2000) helps assess the feasibility of a study, design a study protocol, and assess whether it is realistic and workable. It also determines whether the sampling framework and techniques are effective, identifies logistical problems that may arise from the methodological design, determines the resources required to conduct the research, and evaluates data analysis techniques to uncover potential problems.

Pilot testing ensures that all items in the questionnaire are clear and have the same meaning for all participants in the exercise. It also helps to identify whether the questionnaire has errors or other weaknesses so that the researcher can correct and correct them before starting data collection (Creswell & Creswell, 2017).

Researcher conducted trials to determine the accuracy and adequacy of the research design, tools and procedures applied during the study. According to Cooper and Schindler (2006), the trial should be between 1% and 10% depending on the sample size. The researcher conducted a trial with six respondents who worked in the operation of the KRA Legal Department to test the reliability of the questionnaire.

3.7.1 Validity of the Research Instruments

Validity refers to the extent to which a measure adequately represents the underlying construct it is intended to measure (Bhattacharjee, 2012). Validity can be assessed using a theoretical or empirical approach and ideally should be measured using both approaches. Many other researchers argue that there are several forms of validity, including content validity, false validity, criterion-related validity, and convergent validity. The two most commonly used forms of validity in social science research are content validity and facial validity (Bhattacharje, 2012).

According to Mugenda and Mugenda (2012), content validity is a measure of the extent to which data collected with certain instruments represents a certain range of indicators or the content of certain concepts. As stated in Keraro (2014) and Isoe (2014), false validity is the extent to which the instrument is judged to be able to obtain accurate and meaningful data about the variable of interest. To ensure that the research tools in this study collect the necessary data, various measures of both content and apparent validity are taken. To determine the validity of the research instrument used content validity and facial validity. Validity was checked for clarity, relevance, question interpretation, and the time required to gradually improve the survey. The researcher asked the opinion of experts in the field of study, especially supervisors and study lecturers.

To check the content's validity, the researcher administered the same questionnaire to all the respondents. The questionnaire was divided into four portions based on the survey factors to ensure design validity. Validity testing is done by using the similarity score in factor analysis. The accepted criterion is that the score above 48% is neutral indicating that the items measuring the variable are valid. Extraction Procedure: Principal components analysis was used to tabulate the results of the validity tests for the variables as tabulated below.

Table 3.3: Validity Test

Constructs	Initial	Extraction
Arbitration	1.000	0.721
Mediation	1.000	0.800
Negotiation	1.000	0.744
Tax Revenue Performance	1.000	0.481

Extraction Method: Principal Component Analysis.

Source: Research data (2022)

The findings in Table 3.3 indicate that all variables had scores above 48%. Therefore, the questionnaire was valid.

3.7.2 Reliability of Research Instrument

Reliability is the extent to which a data collection tool produces the same results each time it is measured under consistent conditions (Saunders et al., 2009). It addresses the extent to which construct sizes are consistent or reliable. Sekaran (2012) believes that research results are reliable when different observers get identical results at different times and when the results are transparent with respect to the raw data. Many researchers argue that reliability only implies consistency but not accuracy, so instrument reliability is measured to determine internal consistency to achieve the expected results. A reliability coefficient of 0.7 or more indicates high data reliability (Mugenda, 2011). For example, the reliability coefficient of Cronbach's alpha, like

other coefficients, ranges from 0 to 1. A reliability coefficient of 0 means no internal reliability, while 1 indicates perfect internal reliability. Cronbach's alpha coefficient was used to test the reliability.

3.8 Measurement of Variables

The dependent variable in this study was tax revenue Performance. The constructs of this variable include PAYE, Income Tax, VAT and Others (Kashindi, 2017). The independent variables are Alternative dispute resolution. ADR measurements involve Arbitration, Mediation and Negotiation. (Kashindi, 2017; Ndegwa Mucheru, 2017; Mohammed & Muturi, 2018). The table below gives an outline of the dependent and independent variables and how they were measured and reviewed.

Table 3.4: Measurement of variables

Variable	Indicators	Measurement scale	Analytical tool used
Dependent	<ul style="list-style-type: none"> • PAYE. • Income Tax 	5-Likert	Multiple regression,
Tax Revenue	<ul style="list-style-type: none"> • Vat. • Others 	Scale	correlation,
Independent	<ul style="list-style-type: none"> • Ease of application • Third party 	5-Likert	Multiple regression,
Arbitration	<ul style="list-style-type: none"> • Voluntary 	Scale Scale	correlation,
Independent	<ul style="list-style-type: none"> • Limited authoritative Decisions • Third party • Autonomy of 	5-Likert	Multiple regression,
Mediation	<ul style="list-style-type: none"> • conflicting parties and • Guidance and Advisory 	Scale	correlation,
Independent	<ul style="list-style-type: none"> • Direct and Indirect Communication 	5-Likert	Multiple regression,
Negotiation	<ul style="list-style-type: none"> • Agreement • Win-win outcome 	Scale	correlation,

Source: Author (2022)

3.9 Data Processing and Analysis

According to Cooper and Schindler (2006), data analysis consists of manipulating and reducing data to a manageable size, making generalizations, obtaining data patterns, and applying appropriate statistical techniques. The data collected was prepared, cleaned and coded for completeness. Primary data was collected in this study. The questionnaires were reviewed and cleaned to ensure the completeness and accuracy of the information received after it was collected from the respondents. Data was encrypted before entering the computer. The data was analysed using descriptive statistics using the Statistical Package for the Social Sciences (SPSS). The mean, standard deviation and variance were determined and applied. The results were then presented in tabular form. The relationship between ADR and tax revenue was examined by multiple regression analysis. Regression analysis is used to objectively analyze the degree of association between the independent variable and the dependent variable in predicting the dependent variable. The multiple regression analysis model used was specified as follows:

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

Where:

Y = Tax Revenue Performance

β_0 = Constant

X_1 = Arbitration

X_2 = Mediation

X_3 = Negotiation

β_1, β_2 and β_3 = Regression

Coefficients

ε = Error term

3.9.1 Regression Assumptions

Regression assumptions were made to determine the suitability of the variables for inferential statistical analysis. The data was tested for normality, linearity, multi-collinearity, and homogeneity.

Normality test was conducted to determine the normality of the data. The null hypothesis is rejected if the p-value is less than 0.05, indicating that the data are not normally distributed (Saphiro & Wilk, 1965). On the other hand, the null hypothesis is accepted if the p-value is greater than 0.05, indicating that the data is normally distributed.

The linearity test measures the strength or degree of linear relationship between correlated variables represented by straight lines. A scatter plot showing the linear relationship between the predictor and response variables was used to confirm that the linearity assumption was not violated.

Multi-collinearity occurs when the independent variables are correlated. This violates Ordinary Least Square (OLS) assumption. The Variance Inflation Factor was used to perform a multi-collinearity test (VIF). A VIF number less than 10 indicates that there is no multi-collinearity, whereas a VIF value greater than 10 indicates that there is multi-collinearity.

When the variance of the error element is not constant, heteroscedasticity occurs. This deviates from the Ordinary Least Square postulate of homoscedasticity. Leven's test was used to assess heteroscedasticity. The null hypothesis states that the variance of the error element is constant. A probability value greater than 0.05 supports the null hypothesis, which indicates that the error term has a constant variance.

3.10 Ethical Consideration

Bennett et al. (2018) define ethics as moral rules and guidelines that guide people's behaviour in social matters. The researcher obtained supervisor approval and received a letter of consent before starting data collection, assuring respondents that their responses would be kept confidential. The questionnaires were designed in such a way that the respondents' names were not to be written on them. Generally, the study team undertook to adhere to the general norms and best practices when conducting this research and collecting data.

CHAPTER FOUR

DATA NANALYSIS, PRESENTATION AND INTERPRETATIONS

4.0 Introduction

This chapter evaluates the empirical results of the research data analysis, the findings of the study and the corresponding interpretations. The response rate is presented in the first section of this chapter followed by demographic data, which in essence, describes the characteristics of the individual respondents. Factor analysis results together with scale reliabilities are addressed in the third section. The fourth section presents the descriptive statistics of the respondents in consonance with the measuring tool, and finally the results of the hypothesis testing presented in the fifth section.

4.1 Response Rate

The researcher administered 127 questionnaires to the respondents. The respondents were KRA officers in the Legal Department including ADR, Litigation, Independent Review of Objections (IRO), Conveyance, Legal Research, Board Affairs and Operations. Of the 127 questionnaires, 21 were spoilt while 106 were filled by the respondents. The response rate was therefore 83.5% of the respondents. According to Kothari (2007), a response rate of 50% is appropriate to evaluate and publish, 60% is good, 70% is very good and above 80% is an outstanding response rate. Cooper and Schindler (2003) also argued that response rates exceeding 30% of the total sample size provides enough data that can be used to generalize the characteristics of a study problem as expressed by the opinions of few respondents in the target population. The response rate is presented in Table 4.1.

Table 4.1: Response rate

Response	Frequency	Percentage
Good	106	83.50%
Spoilt	21	16.50%
Returned	127	100%

Source: Research Data, 2022

4.2 Reliability Test Results

Reliability tests involve Tax revenue, Arbitration, Mediation, Negotiation and the overall.

Table 4.2 Reliability Test Results

Variable	No. of items	Cronbach's Alpha
Tax Revenue Performance	5	0.699
Arbitration	5	0.429
Mediation	5	0.600
Negotiation	5	0.466
Overall	20	0.684

Source: Research Data (2022)

Table 4.2 shows the reliability test of the study. Tax revenue has Cronbach's alpha of 0.699 indicating relatively high reliability. Cronbach's score on arbitration (0.429) satisfactory reliability, mediation (0.600) moderate reliability and negotiation (0.455) satisfactory reliability. Overall (0.684). Alpha 0.6 – 0.7 indicates an acceptable level of reliability (Hulin, Netemeyer & Cudeck, 2001).

4.3 The Demographic Information

The general information here includes gender, ADR requests for tax disputes and ADR mechanisms.

4.3.1 Gender

The gender of the study included male and female.

Table 4.3: Gender

Gender	Frequency	Percentage
Male	39	36.8
Female	67	63.2
Total	106	100

Source: Research Data 2022

Table 4.3 shows that 36.8% of the respondents were male, while 63.2% were female. This confirms that both male and female are represented by the study. Majority of the respondents are female.

4.4 Descriptive Statistics

This section presents the descriptive statistics. The study sought to determine the influence of Alternative Dispute Resolution (ADR) on Tax Revenue Performance at KRA CBC Station. The impact of Alternative Dispute Resolution on Tax Revenue Performance was evaluated using three aspects namely: Arbitration, Mediation and Negotiation.

The findings were captured in a Likert scale of 1 to 5 ranging from 1 – Strongly Agree and 5 –Strongly disagree. The mean of each response was obtained, and interpretations made based on the means.

4.4.1 Arbitration

The first objective of the study was to determine the effects of Arbitration on Tax Revenue performance at KRA CBC Station. The findings of the descriptive statistics are as illustrated below:

Table 4.4: Descriptive Statistics on Arbitration

	N	Mean	Std. Dev
Arbitration is easy to apply in most tax disputes in the country, promoting tax simplification which boosts tax compliance	105	3.69	0.824
Proper utilization of arbitration as tax dispute resolution methods is cost effective	105	1.52	0.972
Arbitration involves disputes being determined by a private tribunal selected by the parties to the dispute hence promotes confidentiality	105	1.58	0.832
Arbitration involves a voluntary, informal, consensual, strictly confidential and non-binding dispute resolution process. This promotes customer satisfaction hence timely tax payments	105	1.61	0.882
Arbitration involves a neutral third-party helping parties to arrive at a negotiated settlement.	105	1.55	0.588

Source: Research Data, 2022.

The study results in table 4.4 above revealed that majority of the respondents were in agreement that Arbitration Affects Tax Revenue performance at KRA CBC Station indicated by the mean score of 1.99 and a standard deviation of 0.8196. Specifically, Arbitration is easy to apply in most tax disputes in the country, promoting tax simplification which boosts tax compliance ($\bar{x} = 3.69$); majority of the respondents agreed that proper utilization of arbitration as tax dispute resolution methods is cost effective. ($\bar{x} = 1.52$); majority of the respondents agreed that Arbitration involves disputes being determined by a private tribunal selected by the parties to the dispute hence promotes confidentiality ($\bar{x} = 1.58$); majority of the respondents agreed that Arbitration involves a voluntary, informal, consensual, strictly confidential and non-binding dispute resolution process. This promotes customer satisfaction hence timely tax payments ($\bar{x} = 1.61$); Arbitration involves a neutral third-party helping parties to arrive at a negotiated settlement ($\bar{x} = 1.55$).

4.4.2 Mediation

The second objective of the study was to determine the effects of Mediation on Tax Revenue performance at KRA CBC Station. The findings of the descriptive statistics are as illustrated below:

Table 4.5: Descriptive Statistics on Mediation

	N	Mean	Std. Deviation
In mediation, parties have Limited Authoritative Decisions. This ensures TPs' concerns are addressed improving tax compliance	105	1.44	0.694
In Mediation, there is autonomy of conflicting parties, as such outcomes are acceptable to all hence timely payment of taxes.	105	1.6	0.616
Mediation involves disputes being determined by a third party and he offers guidance and advisory. This ensures the settlement is time bound hence guaranteed timely revenue mobilization	105	1.42	0.782
Mediation involves a voluntary, informal, consensual, strictly confidential and non- binding dispute resolution process.	105	1.6	0.629
Mediation involve a neutral third-party helping party to arrive at a negotiated settlement hence parties control substantive outcome promoting timely settlement of outstanding taxes.	105	1.38	0.561

Source: Research Data, 2022.

The study results in Table 4.5 above revealed that majority of the respondents were in agreement that Mediation Affects Tax Revenue performance at KRA CBC Station indicated by the mean score of 1.488 and a standard deviation of 0.654. Specifically, in mediation, parties have Limited Authoritative Decisions. This ensures TPs' concerns are addressed improving tax compliance ($\bar{x}=1.44$); majority of the respondents agreed that in Mediation, there is autonomy of conflicting parties, as such outcomes are acceptable to all hence timely payment of taxes. ($\bar{x}=1.60$); majority of the respondents agreed that Mediation involves disputes being determined by a third party and he offers guidance and advisory. This ensures the settlement is time bound hence guaranteed

timely revenue mobilization ($\bar{x} = 1.42$); majority of the respondents agreed that Mediation involves a voluntary, informal, consensual, strictly confidential and non-binding dispute resolution process ($\bar{x} = 1.60$); Mediation involves a neutral third-party helping party to arrive at a negotiated settlement hence parties control substantive outcome promoting timely settlement of outstanding taxes ($\bar{x} = 1.38$).

4.4.3 Negotiation

The second objective of the study was to determine the effects of Negotiation on Tax Revenue performance at KRA CBC Station. The findings of the descriptive statistics are as illustrated below:

Table 4.6: Descriptive Statistics on Negotiation

	N	Mean	Std. Dev
The Commissioner may negotiate with the taxpayer at the review of an objection before confirmation hence prompt tax payment	105	1.18	0.551
Negotiation between parties includes both direct and indirect communication hence addresses taxpayers' concerns, improving compliance	105	1.48	0.576
Negotiation allows the parties to agree to an outcome which is mutually satisfactory hence enhances cordial relationship between KRA and TP promoting voluntary compliance.	105	1.44	1.168
A negotiated settlement can be recorded in the form of an agreement and this promotes confidentiality unlike court process	105	1.44	0.553
Negotiation ensures that the parties arrive at a win – win solution to the dispute at hand. This forestalls acrimonious fall out hence secures Revenue.	105	1.34	0.497

Source: Research Data (2022)

The study results in table 4.6 above revealed that majority of the respondents were in agreement that Negotiation affects Tax Revenue performance at KRA CBC Station indicated by the mean score of 1.376 and a standard deviation of 0.669. Specifically, the Commissioner may negotiate with the taxpayer at the review of an objection before confirmation hence prompt tax payment ($\bar{x} = 1.18$); majority of the respondents agreed

that Negotiation between parties includes both direct and indirect communication hence addresses taxpayers' concerns, improving compliance. ($\bar{x} = 1.48$); majority of the respondents agreed that Negotiation allows the parties to agree to an outcome which is mutually satisfactory hence enhances cordial relationship between KRA and TP promoting voluntary compliance ($\bar{x} = 1.44$); majority of the respondents agreed that A negotiated settlement can be recorded in the form of an agreement and this promotes confidentiality unlike court process ($\bar{x} = 1.44$); Negotiation ensures that the parties arrive at a win – win solution to the dispute at hand. This forestalls acrimonious fall out hence secures Revenue ($\bar{x} = 1.34$).

4.4.4 Tax Revenue Performance

The Tax Revenue Performance formed the dependent variable of the study.

The study results are as shown in Table 4.7 below:

Table 4.7: Descriptive Statistics on Tax Revenue Performance

	N	Mean	Std. Dev
There has been an increase in PAYE collection due to use of ADR.	105	1.37	0.725
There has been an increase in Corporation Tax collection as a result of the application of ADR	105	1.59	0.663
There has been an increase in collection of VAT as a result of the application of ADR	105	1.5	0.67
There has been an increase in collection of other taxes, a part from above as a result of the application of ADR.	105	1.52	0.638
There has been a reduction in the overall cost of unlocking tax revenue that is subject to dispute	105	1.54	0.606

Source: Research Data (2022)

The study results in table 4.7 above revealed that majority of the participants were in agreement that ADR has increased tax revenue performance at KRA CBC Station as denoted by the mean score of 1.504; Majority of the respondents were in agreement that There has been an increase in PAYE collection due to use of ADR ($\bar{x} = 1.37$); majority of the respondents agreed that There has been an increase in Corporation Tax

collection as a result of the application of ADR. (\bar{x} =1.59); majority of the respondents agreed that There has been an increase in collection of VAT as a result of the application of ADR (\bar{x} =1.50); majority of the respondents agreed that There has been an increase in collection of other taxes, a part from above as a result of the application of ADR (\bar{x} =1.52); There has been a reduction in the overall cost of unlocking tax revenue that is subject to dispute (\bar{x} =1.54).

4.4.5 Summary Descriptive statistics of Arbitration, Mediation and Negotiation on Tax Revenue

The application of Arbitration, Mediation, Negotiation and tax revenue were measured using descriptive statistics of the mean, standard deviation and skewness.

Table 4.8: Mean, Standard Deviation and Skewness Measurements

Variables	N	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Statistic	Std. Error
Arbitration	105	9.93	2.292	2.226	0.236
Mediation	105	7.41	2.069	1.89	0.236
Negotiation	105	6.84	2.029	2.956	0.236
Tax Revenue	105	5.95	2.087	2.188	0.237

Source: Research Data (2022)

Table 4.8 shows the descriptive statistics of arbitration, mediation, negotiation and tax revenue. The study reveals mean score for arbitration (9.93), mediation (7.41), negotiation (6.84) and tax revenue (5.95). The study shows that arbitration perform better followed by mediation and negotiation.

The study reveals standard deviation for arbitration (2.292), mediation (2.069), negotiation (2.029) and tax revenue (2.188). The study shows that arbitration amount of spread within scores is higher followed by mediation and negotiation.

However, the skewness shows arbitration (2.226), mediation (1.890), negotiation (2.956) and tax revenue (2.188). The study shows that negotiation has the lowest random probability distribution from the normal distribution.

4.5 Multi-regression Model Assumption

Multi-regression model assumption involves Normality, linearity test, Multicollinearity Test and Heteroscedasticity Test.

4.5.1 Normality Test

Normality Test was performed using Kolmogorov-Smirnov test to establish if residuals follow normal probability distribution. Saunders and Thornhill, (2012) argued that if the probability is greater than 0.05, then the data is normally distributed.

Table 4.9: Kolmogorov-Smirnov test

Variable	Kolmogorov-Smirnov ^a		
	Statistic	df	Sig.
Arbitration	0.333	102	0.081
Mediation	0.310	102	0.105
Negotiation	0.275	102	0.057
Tax Revenue			
Performance	0.259	102	0.103

a. Lilliefors Significance Correction

Source: Research Data (2022)

From the findings on table 4.9, the study revealed that the assumption of Normality was not violated since the probability value was greater than 0.05.

4.5.2 Linearity Test

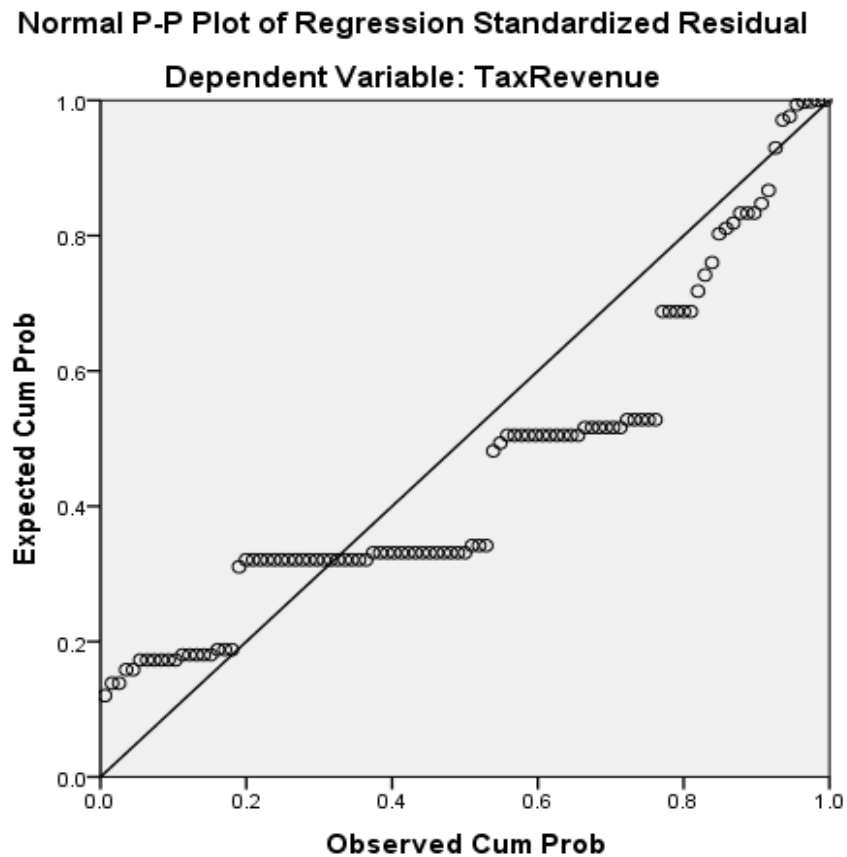


Figure 4.1: The Effect of Arbitration on Tax revenue

Source: Research Data (2022)

Figure 4.1 illustrates the effect of arbitration on tax revenue. The study reveals an ascending pattern as the curve moves from left to right, this indicates a positive relationship between arbitration and tax revenue. As the arbitration is applied, the tax revenue growth is evident. Therefore, arbitration and tax revenue have positive correlation.

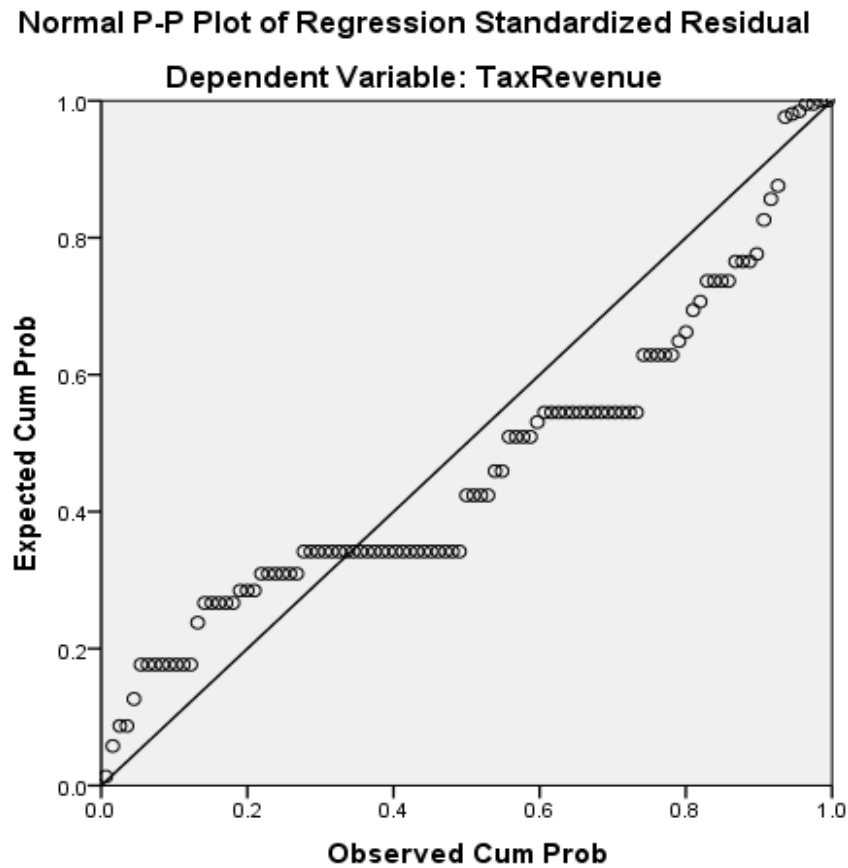


Figure 4.2: The Effect of Mediation on Tax Revenue

Source: Research Data (2022)

Figure 4.2 illustrates the effect of mediation on tax revenue. The study reveals an ascending pattern as the curve moves from left to right, this indicates a positive relationship between mediation and tax revenue. As the mediation is applied, the tax revenue growth manifest. Therefore, mediation and tax revenue have positive correlation.

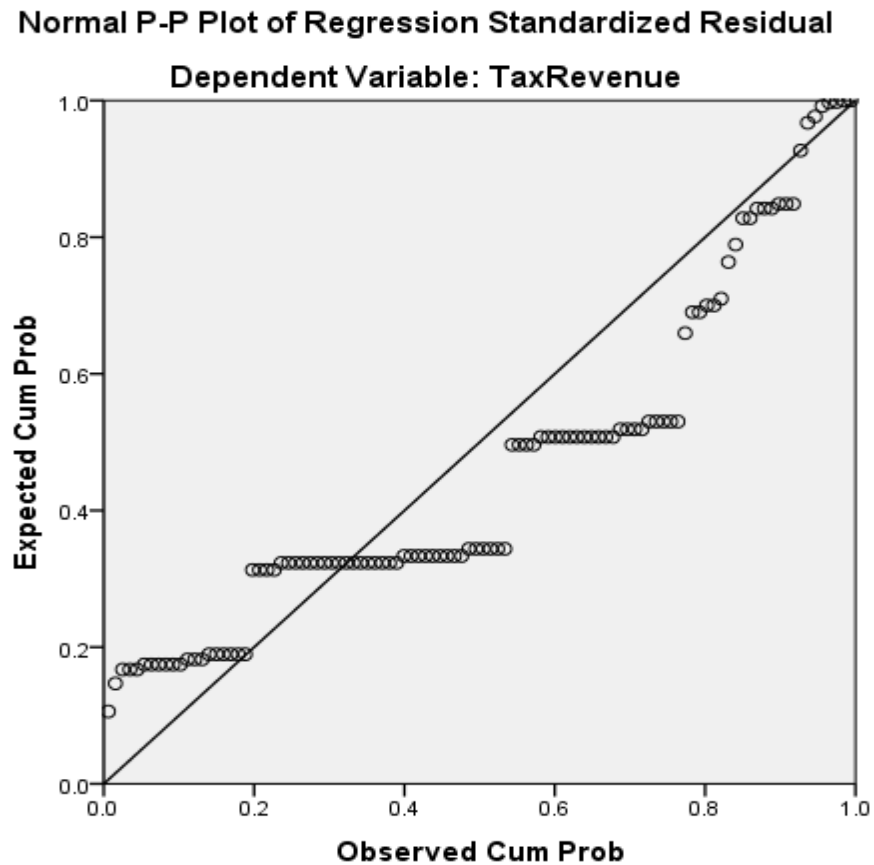


Figure 4.3: The Effect of Negotiation on Tax Revenue

Source: Research Data (2022)

Figure 4.3 illustrates the effect of negotiation on tax revenue. The study reveals an ascending pattern as the curve moves from left to right, this indicates a positive relationship between negotiation and tax revenue. As the negotiation is applied, the tax revenue growth becomes obvious. Therefore, negotiation and tax revenue have positive correlation.

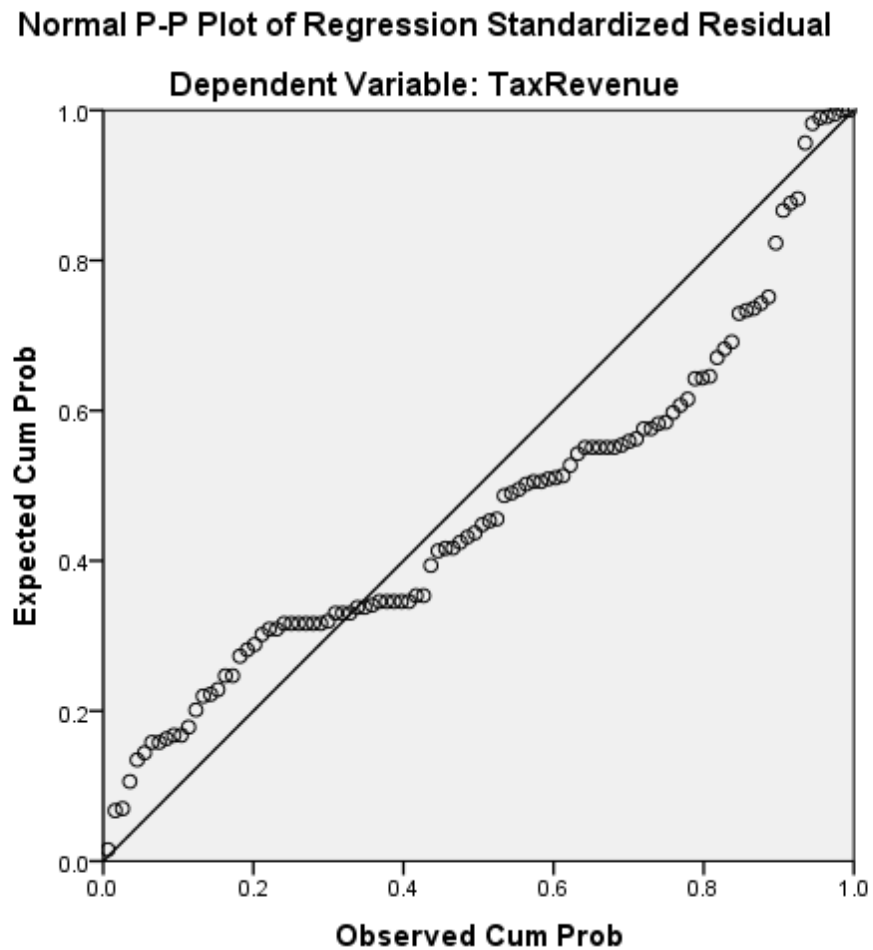


Figure 4.4: The Joint Effect of Arbitration, Mediation and Negotiation on Tax Revenue

Source: Research Data (2022)

Figure 4.4 illustrates the joint effect of arbitration, mediation and negotiation on tax revenue. The study reveals an ascending pattern as the curve moves from left to right, this indicates a positive relationship between negotiation and tax revenue. As the arbitration, mediation and negotiation are applied concurrently, the tax revenue growth becomes obvious. Therefore, the joint effect of arbitration, mediation, negotiation and tax revenue have positive correlation.

4.5.3 Multi-collinearity Test

If the variance Inflation Factor is above 4.000 then there is a problem of multi-collinearity. If collinearity diagnostic condition index > 15 then there is possible problem with multi-collinearity. Table 4.13 reveal the collinearity statistics for arbitration and tax revenue. It shows that the tolerance is 1.000 and the VIF is 1.000. The arbitration and tax revenue condition index is 8.784. Table 4.14 reveal that the collinearity statistics for mediation and tax revenue. It shows that the tolerance is 1.000 and the VIF is 1.000. The mediation and tax revenue condition index is 7.266. Table 4.15 reveal the collinearity statistics for negotiation and tax revenue. It shows that the tolerance is 1.000 and the VIF is 1.000. The negotiation and tax revenue condition index is 6.928. In this study, arbitration, mediation, negotiation and tax revenue has no problem of multi-collinearity.

4.5.4 Heteroscedasticity Test

Table 4.10: Heteroscedasticity Test of the Study

ADR Mechanisms		Sum of Squares	df	Mean Square	F	Sig.
Arbitration	Between Groups	126.791	10	12.679	2.78	0.00
	Within Groups	414.856	91	4.559	1	5
	Total	541.647	10			
	Total	541.647	1			
Mediation	Between Groups	228.277	10	22.828	9.70	0.00
	Within Groups	214.037	91	2.352	5	0
	Total	442.314	10			
	Total	442.314	1			
Negotiation	Between Groups	38.21	10	3.821	0.89	0.53
	Within Groups	386.584	91	4.248	9	7
	Total	424.794	10			
	Total	424.794	1			

Source: Research Data (2022)

Table 4.10 shows the heteroscedasticity test of the study. The appropriate statistics is the one-way ANOVA. The Null hypothesis is that the group we are comparing all have equal populations. The Alternative hypothesis is that the group we are comparing all have no equal populations. The assumption is that the test variable is quantitative, that is, not nominal or ordinal.

Levine's test results reveal arbitration ($F(10,91) = 2.781, p = 0.005$), meditation ($F(10,91) = 9.705, p = 0.000$) and negotiation ($F(10,91) = 0.899, p = 0.537$). The decision rule for Levine's test show that the variances of tax revenue in arbitration were not equal and the variances of tax revenue in meditation were not equal, and that they are are significantly different. The variances of tax revenue in negotiation were equal and are not significantly different. Reject the Null hypothesis.

4.6 Inferential Statistics

The study adopted Correlation and multiple regression Analysis to find out the effect of independent variables; Arbitration, Mediation and Negotiation and the dependent variable, Tax Revenue Performance.

4.6.1 Correlation Analysis

Correlation describes the strength of an association between two variables. A strong correlation denotes that variables have a strong or high relationship with each other while a weak correlation indicates that variables are lowly related. Correlation coefficients can range from -1.00 to +1.00. According to Orodho (2003), -1.00 represent a perfect negative correlation while +1.00 represents a perfect positive correlation. On the other hand, a value of 0.00 indicates that there is no relationship between the variable being tested. To determine the degree of association between variables under

consideration, Pearson correlation Analysis was employed. The Correlation Analysis findings were presented in Table 4.11.

Table 4.11: Correlation Analysis

		Arbitration	Mediation	Negotiation	Tax Revenue
Arbitration	Pearson				
	Correlation	1			
	Sig. (2-tailed)				
	N	105			
Mediation	Pearson				
	Correlation	.461**	1		
	Sig. (2-tailed)	0			
	N	104	105		
Negotiation	Pearson				
	Correlation	-0.067	0.169	1	
	Sig. (2-tailed)	0.5	0.086		
	N	104	104	105	
Tax Revenue	Pearson				
	Correlation	0.067	.412**	0.058	1
	Sig. (2-tailed)	0.502	0	0.559	
	N	103	103	104	104

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

From the correlation Analysis above, it is clear that there is a very weak relationship between Arbitration and tax revenue. Arbitration has a very weak correlation with tax revenue, $R = 0.067$, $p > 0.05$. The study shows that $p > 0.05$, therefore there is no relationship between arbitration and tax revenue.

From the correlation Analysis above, there is a moderate correlation between Mediation and tax revenue. Mediation has a positive correlation with tax revenue, $R = 0.412$, $p < 0.05$. The study shows that $p < 0.05$, therefore there is a relationship between mediation and tax revenue.

From the correlation Analysis above, it is clear that there is a very weak correlation between Negotiation and tax revenue. Negotiation has a very weak correlation with tax

revenue, $R = 0.058$, $p > 0.05$. The study shows that $p > 0.05$, therefore there is no relationship between Negotiation and tax revenue.

From the Correlation analysis, it can also be concluded that the correlation among the independent variables was relatively low based on the strength of their correlation Coefficients.

This can be represented as tabulated below:

Table 4.12: The Effect of Arbitration on Tax Revenue Performance

Model	R	R Square	Change Statistics				Durbin-Watson			
			F Change	df1	df2	Sig. F Change				
1	.067a	.004	.454	1	101	.502	1.242			
ANOVA ^a										
Model		Sum of Squares	df	Mean Square	F	Sig.				
1	Regression	1.989	1	1.989	.454	.502 ^b				
	Residual	442.923	101	4.385						
	Total	444.913	102							
a. Dependent Variable: Tax Revenue										
b. Predictors: (Constant), Arbitration										
Coefficients ^a										
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	5.368	.918		5.848	.000	3.547	7.190		
	Arbitration	.061	.090	.067	.674	.502	-.118	.239	1.000	1.000
a. Dependent Variable: Tax Revenue										
Collinearity Diagnostics ^a										
Model	Dimension	Eigenvalue	Condition Index	Variance Proportions						
				(Constant)	Arbitration					
1	1	1.974	1.000	.01	.01					
	2	.026	8.784	.99	.99					
a. Dependent Variable: Tax Revenue										
Residuals Statistics ^a										
		Minimum	Maximum	Mean	Std. Deviation	N				
Predicted Value		5.67	6.64	5.97	.140	103				
Residual		-2.459	9.783	.000	2.084	103				
Std. Predicted Value		-2.144	4.799	.000	1.000	103				
Std. Residual		-1.174	4.672	.000	.995	103				
a. Dependent Variable: Tax Revenue										

Source: Research Data (2022)

Table 4.12 illustrates the effect of arbitration on tax revenue. Arbitration has a very weak correlation with tax revenue, $R = 0.067$, $R^2 = 0.4\%$ of the variations explained by arbitration, 99.6% of the variations are unexplained and are taken care of by the error.

From the table, $F = 0.454$ and $p > 0.05$. If the p-value associated with the F-statistics is > 0.05 ; then there is no relationship between the variable. The study shows that $p > 0.05$, therefore there is no relationship between arbitration and tax revenue.

From the table, the significance effect of arbitration on tax revenue reveals a relatively low positive impact on arbitration ($\beta = 0.067$). Statistically, there is no significant described result for the independent effect of arbitration ($t = 0.674$, $p > 0.05$) on tax revenue.

From the table, the collinearity statistics show that the tolerance is 1.000 and the VIF is 1.000. If the variance Inflation Factor is above 4.000 then there is a problem of multi-collinearity. If collinearity diagnostic condition index > 15 then there is possible problem with multi-collinearity. The arbitration and tax revenue condition index is 8.784. In this study, arbitration and tax revenue has no problem of multi-collinearity.

From the table the residual is 0. A residual is a measure of how well a line fits an individual data point. The closer a data point's residual is to 0, the better the fit. The standard residual standard deviation (0.995) is smaller compared to the sample (2.084) standard deviation. The study shows that arbitration and tax revenue have a better fit and the model predicts perfectly.

Table 4.13: The Effect of Mediation on Tax Revenue Performance

Model	R	R Square	Change Statistics				Durbin-Watson			
			F Change	df1	df2	Sig. F Change				
1	.412 ^a	.170	20.636	1	101	.000	1.402			
ANOVA ^a										
Model		Sum of Squares	df	Mean Square	F	Sig.				
1	Regression	76.135	1	76.135	20.636	.000 ^b				
	Residual	372.623	101	3.689						
	Total	448.757	102							
a. Dependent Variable: Tax Revenue										
b. Predictors: (Constant), Mediation										
Coefficients ^a										
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	2.887	.701		4.120	.000	1.497	4.277		
	Mediation	.414	.091	.412	4.543	.000	.233	.594	1.000	1.000
a. Dependent Variable: Tax Revenue										
Collinearity Diagnostics ^a										
Model	Dimension	Eigenvalue	Condition Index	Variance Proportions						
				(Constant)			Mediation			
1	1	1.963	1.000	.02			.02			
	2	.037	7.266	.98			.98			
a. Dependent Variable: Tax Revenue										
Residuals Statistics ^a										
		Minimum	Maximum	Mean	Std. Deviation		N			
Predicted Value		4.54	9.09	5.95	.864		103			
Residual		-4.265	8.976	.000	1.911		103			
Std. Predicted Value		-1.632	3.635	.000	1.000		103			
Std. Residual		-2.220	4.673	.000	.995		103			
a. Dependent Variable: Tax Revenue										

Source: Research Data (2022)

Table 4.13 illustrates the effect of mediation on tax revenue. Mediation has a moderate correlation with tax revenue, $R = 0.412$, $R^2 = 17\%$ of the variations explained by mediation, 83% of the variations are unexplained and are taken care of by the error.

From the table, $F = 20.636$ and $p < 0.05$. If the p-value associated with the F-statistics is > 0.05 ; then there is no relationship between the variable. The study shows that $p < 0.05$, therefore there is a relationship between mediation and tax revenue.

From the table, the significance effect of mediation on tax revenue reveals a relatively high positive impact on moderation ($\beta = 0.412$). Statistically, there is significant

described result for the independent effect of moderation ($t = 4.543$, $p < 0.05$) on tax revenue.

From the table, the collinearity statistics show that the tolerance is 1.000 and the VIF is 1.000. If the variance Inflation Factor is above 4.000 then there is a problem of multi-collinearity. If collinearity diagnostic condition index > 15 then there is possible problem with multi-collinearity. The mediation and tax revenue condition index is 7.266. In this study, mediation and tax revenue has no problem of multi-collinearity.

From the table the residual is 0. A residual is a measure of how well a line fits an individual data point. The closer a data point's residual is to 0, the better the fit. The standard residual standard deviation (0.995) is smaller compared to the sample (1.911) standard deviation. The study shows that moderation and tax revenue have a better fit and the model predicts perfectly.

Table 4.14: The Effect of Negotiation on Tax Revenue Performance

Model	R	R Square	Change Statistics				Durbin-Watson			
			F Change	df1	df2	Sig. F Change				
1	.058 ^a	.003	.343	1	102	.559	1.234			
ANOVA ^a										
Model		Sum of Squares		df	Mean Square		F		Sig.	
1	Regression	1.504		1	1.504		.343		.559 ^b	
	Residual	447.255		102	4.385					
	Total	448.760		103						
a. Dependent Variable: Tax Revenue										
b. Predictors: (Constant), Negotiation										
Coefficients ^a										
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	5.544	.726		7.635	.000	4.104	6.984		
	Negotiation	.060	.102	.058	.586	.559	-.142	.261	1.000	1.000
a. Dependent Variable: Tax Revenue										
Collinearity Diagnostics ^a										
Model	Dimension	Eigenvalue	Condition Index	Variance Proportions						
				(Constant)	Negotiation					
1	1	1.959	1.000	.02						
	2	.041	6.928	.98						
a. Dependent Variable: Tax Revenue										
Residuals Statistics ^a										
		Minimum	Maximum	Mean	Std. Deviation		N			
Predicted Value		5.84	6.62	5.95	.121		104			
Residual		-2.615	10.158	.000	2.084		104			
Std. Predicted Value		-.914	5.487	.000	1.000		104			
Std. Residual		-1.249	4.851	.000	.995		104			
a. Dependent Variable: Tax Revenue										

Source: Research Data (2022)

Table 4.14 illustrates the effect of negotiation on tax revenue. Negotiation has a very weak correlation with tax revenue, $R = 0.058$, $R^2 = 0.3\%$ of the variations explained by negotiation, 97.7% of the variations are unexplained and are taken care of by the error.

From the table, $F = 0.343$ and $p > 0.05$. If the p-value associated with the F-statistics is > 0.05 ; then there is no relationship between the variable. The study shows that $p > 0.05$, therefore there is no relationship between negotiation and tax revenue.

From the table, the significance effect of negotiation on tax revenue reveals a relatively low positive impact on negotiation ($\beta = 0.058$). Statistically, there is significant described result for the independent effect of negotiation ($t = 0.586$, $p > 0.05$) on tax revenue.

From the table, the collinearity statistics show that the tolerance is 1.000 and the VIF is 1.000. If the variance Inflation Factor is above 4.000 then there is a problem of multi-collinearity. If collinearity diagnostic condition index > 15 then there is possible problem with multi-collinearity. The negotiation and tax revenue condition index is 6.928. In this study, negotiation and tax revenue has no problem of multi-collinearity.

From the table the residual is 0. A residual is a measure of how well a line fits an individual data point. The closer a data point's residual is to 0, the better the fit. The standard residual standard deviation (0.995) is smaller compared to the sample (2.084) standard deviation. The study shows that negotiation and tax revenue have a better fit and the model predicts perfectly.

Table 4.15: The Joint Effect of Arbitration, Mediation and Negotiation on Tax Revenue

Model	R	R Square	Change Statistics					Durbin-Watson
			R Square Change	F Change	df1	df2	Sig. F Change	
1	.272 ^a	.074	.074	8.171	1	102	.005	1.340

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.281	1	33.281	8.171	.005 ^b
	Residual	415.478	102	4.073		
	Total	448.760	103			

a. Dependent Variable: Tax Revenue

b. Predictors: (Constant), ADR

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.889	1.090		2.651	.009		
	ADR	.127	.045	.272	2.858	.005	1.000	1.000

a. Dependent Variable: Tax Revenue

Collinearity Diagnostics^a

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions	
				(Constant)	ADR
1	1	1.983	1.000	.01	.01
	2	.017	10.921	.99	.99

a. Dependent Variable: Tax Revenue

Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	4.93	8.24	5.95	.568	104
Residual	-3.094	9.416	.000	2.008	104
Std. Predicted Value	-1.802	4.026	.000	1.000	104
Std. Residual	-1.533	4.665	.000	.995	104

a. Dependent Variable: Tax Revenue

Source: Research Data (2022)

Table 4.15 illustrates the joint effect of arbitration, mediation and negotiation on tax revenue. The joint effect of arbitration, mediation and negotiation has a weak positive correlation with tax revenue, $R = 0.272$, $R^2 = 7.4\%$ of the variations explained by the joint effect of arbitration, mediation and negotiation, 92.6% of the variations are unexplained and are taken care of by the error.

From the table, $F = 8.170$ and $p < 0.05$. If the p-value associated with the F-statistics is < 0.05 ; then there is no relationship between the variable. The study shows that $p <$

0.05, therefore there is a relationship between the joint effect of arbitration, mediation and negotiation and tax revenue.

From the table, the significance effect of the joint effect of arbitration, mediation and negotiation on tax revenue reveals a relatively positive impact on ADR ($\beta = 0.272$). Statistically, there is significant described result for the joint effect of arbitration, mediation and negotiation ($t = 2,858$, $p > 0.05$) on tax revenue.

From the table, the collinearity statistics show that the tolerance is 1.000 and the VIF is 1.000. If the variance Inflation Factor is above 4.000 then there is a problem of multi-collinearity. If collinearity diagnostic condition index > 15 then there is possible problem with multi-collinearity. The negotiation and tax revenue condition index is 10.921. In this study, the joint effect of arbitration, mediation and negotiation and tax revenue has no problem of multi-collinearity.

From the table the residual is 0. An individual data point's residual is a measurement of how well a line fits it. The better the fit, the nearer to zero a data point's residual is. The standard residual standard deviation (0.995) is smaller compared to the sample (2.008) standard deviation. The study shows that arbitration, mediation, negotiation and tax revenue have a better fit and the model predicts perfectly.

4.6.2 Regression Analysis

The Regression Analysis was conducted to investigate the effect of Arbitration, Mediation and Negotiation on Tax revenue performance.

Table 4.16: Regression Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.014	1.102		3.642	0.000
	Arbitration	-0.153	0.094	-0.169	-1.637	0.105
	Mediation	0.508	0.105	0.506	4.844	0.000
	Negotiation	-0.04	0.095	-0.039	-0.419	0.676

a. Dependent Variable: Tax Revenue

Source: Research Data (2022)

The Constant ($\beta_0 = .4.014$, $p=0.000<0.05$), was interpreted to mean that Tax Revenue Performance at KRA CBC Station is at 4.014 currency units when other independent variables are not considered in the study.

The Regression coefficients table 4.12 results denote that Arbitration negatively and insignificantly influenced Tax revenue performance ($\beta_1 = -0.169$, $p=0.105$ $p > 0.05$). This meant that holding all other predictor variables of the study constant, a unit change in Arbitration does not lead to currency unit increase in Tax Revenue performance.

The results show that Mediation positively and significantly influenced Tax Revenue Performance ($\beta_2=0.506$, $p=0.000 < 0.05$). This was denoted to imply that holding all other predictor variables of the study constant, a unit change in Mediation will lead to a 0.506 currency unit increase in Tax Revenue Performance.

The results also indicate that Negotiation negatively and insignificantly influenced Tax Revenue Performance ($\beta_3 = -0.039$, $p=0.676$ $p > 0.05$). This was interpreted to mean that holding all other predictor variables of the study constant, a unit change in Negotiation will not lead to a currency unit increase in Tax Revenue Performance.

Thus, the multiple regression was as follows:

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

$$Y = 4.014 - 0.169X_1 + 0.506X_2 - 0.039X_3 \dots\dots\dots \text{Equation 4.1}$$

Where:

Y = Tax Revenue

β_0 = Constant

(4.014)

X_1 = Arbitration

X_2 = Mediation

X_3 = Negotiation

β_1 = -0.169

β_2 = 0.56

β_3 = -0.039

ε = Error term

4.7 Hypotheses Test

The first objective of the study was to determine the effects of Arbitration on Tax Revenue performance at KRA CBC Station. This informed the first null hypothesis of the study. **H₀₁**. Arbitration has no significant effect on Tax Revenue performance at KRA CBC Station.

The study reveals that Arbitration (β_1 = -0.169, $p=0.105 > 0.05$, $t=-1.637$) has no significant effect on tax revenue performance. Therefore, accept the null hypothesis.

This research supports Bentley (2006)'s contention that the revenue authority's ability

to apply tax, interest, and penalties—or the fear of doing so—becomes another factor that affects the dispute's resolution.

The second objective of the study was to determine the effect of Mediation on Tax Revenue performance at KRA CBC Station. This informed the second null hypothesis of the study. **H₀₂**. Mediation has no significant effect on Tax Revenue performance at KRA CBC Station. The study reveals that mediation ($\beta_2 = 0.506$, $p = 0.000 < 0.05$, $t = 4.844$) has significant effect on tax revenue performance. Therefore, reject the null hypothesis. According to Yilei Wang et al. (2014), mediation promotes the autonomy of disputing parties over decisions and dispute resolution techniques. This study is analogous to and supports their theory. This process aids in resolving conflicts in the strictest confidence.

The third objective of the study was to determine the effect of Negotiation on Tax Revenue performance at KRA CBC Station. This informed the third null hypothesis of the study.

H₀₃. Negotiation has no significant effect on Tax Revenue performance at KRA CBC Station. The study further reveals that negotiation ($\beta_3 = -0.039$, $p = 0.676 > 0.05$, $t = -1.637$) has no significant effect on tax revenue performance. Therefore, accept the null hypothesis. According to Mohammed & Muturi (2018), the framework for negotiating income tax dispute resolution essentially revolves around tax determination, imposition of sanctions, refusal of acceptance and withholding, assessment, interpretation of various legal provisions and conflicting decisions of the commissioner's administration according to law. This study is comparable with but does not support Mohammed and Muturi (2018).

Table 4.17: Summary of Hypotheses Tests

Hypothesis	t-value	p-value	Verdict
H₀₁. Arbitration has no significant effect on Tax Revenue performance at KRA CBC Station	-1.637	0.105	Accept
H₀₂. Mediation has no significant effect on Tax Revenue performance at KRA CBC Station	4.844	0.000	Reject
H₀₃. Negotiation has no significant effect on Tax Revenue performance at KRA CBC Station	-0.419	0.676	Accept

Source: Research Data, 2022

4.8 Results and Discussions

4.8.1 Arbitration and Tax Revenue Performance

Pearson Correlation results showed that Arbitration and Tax Revenue Performance had a weak positive relationship. The study reveals that Arbitration ($R = 0.067$, $R^2 = 0.4\%$, $F = 0.454$ and $p > 0.05$) has no significant effect on tax revenue performance. The regression results show that Arbitration and Tax Revenue Performance have no significant relationship ($\beta_1 = -0.169$, $p = 0.105$, $p > 0.05$). Therefore, accept the null hypothesis. This research supports Bentley (2006)'s contention that the revenue authority's ability to apply tax, interest, and penalties—or the fear of doing so—becomes another factor that affects the dispute's resolution.

4.8.2 Mediation and Tax Revenue Performance

Pearson Correlation results revealed that mediation ($R = 0.412$, $R^2 = 17\%$, $F = 20.636$ and $p < 0.05$) has significant effect on tax revenue performance. The regression results also show that Mediation and Tax Revenue Performance have a positive significant relationship ($\beta_2 = 0.506$, $p = 0.000$, $p < 0.05$). Therefore, reject the null hypothesis. According to Yilei Wang et al. (2014), mediation promotes the autonomy of disputing parties over decisions and dispute resolution techniques. This study is analogous to and supports their theory. This process aids in resolving conflicts in the strictest confidence.

The outcome also buttresses Kashindi(2017) argument that mediation is the preferred ADR method for resolving tax issues and the preferred approach to resolve disputes in other jurisdictions such as the United Kingdom and South Africa when revenue collection grows.

4.8.3 Negotiation and Tax Revenue Performance

Pearson Correlation results showed that Arbitration and Tax Revenue Performance had a weak positive relationship. The study reveals that negotiation ($R = 0.058$, $R^2 = 0.3\%$, $F = 0.343$ and $p > 0.05$) has no significant effect on tax revenue performance. The regression results show that Negotiation and Tax Revenue Performance have no significant relationship ($\beta_3 = -0.039$, $p = 0.676$, $p > 0.05$). Therefore, accept the null hypothesis. According to Mohammed & Muturi (2018), the framework for negotiating income tax dispute resolution essentially revolves around tax determination, imposition of sanctions, refusal of acceptance and withholding, assessment, interpretation of various legal provisions and conflicting decisions of the commissioner's administration according to law. This study is comparable with but does not support Mohammed and Muturi (2018).

The study reveals that the joint effect of arbitration, moderation and negotiation has a positive significant effect on tax revenue ($R = 0.272$, $R^2 = 7.4\%$, $F = 8.170$, $p < 0.05$). This study is consistent and supports Kanyi(2017) who found that majority of tax issues were handled through less confrontational approaches for instance negotiated settlement.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This chapter provides a summary of the study, conclusion and recommendations. The aim of the study was to determine the effects of Alternative Dispute Resolution (ADR) on tax revenue performance in Kenya, a case study of KRA.

5.1 Summary

In summary, this research consists of five chapters. The introductory chapter covers the background of the research, the definition of key terms, the research problem and research objectives, and the benefits of the research. In the research literature, most of the information is discussed for a better understanding of the research concept.

It captured review of concepts of arbitration, mediation, negotiation and tax revenue Performance; theoretical literature review on ripeness theory, conflict resolution theory, readiness theory. The research methodology includes details of research design, research area, target audience, sample design, data collection, trials, variable measurement, data processing and analysis; and ethical considerations. The fourth chapter contains the initial findings, results and discussion of the research. The last chapter contains a summary, conclusions and recommendations.

The study's main objective was to determine the effects of alternative dispute resolution (ADR) on tax revenue performance in Kenya, a case study of KRA. The specific objective determined the effect of arbitration on tax revenue performance at KRA CBC station, the effect of mediation on tax revenue performance at KRA CBC station and the effect of negotiation on tax revenue performance at KRA CBC station. Primary data covered general information, arbitration, mediation, negotiation and tax revenue

Performance concepts. Regression analysis was used to find out whether arbitration, mediation and negotiation had considerable effects on tax revenue Performance. Data was interpreted using SPSS version 20. Data was analyzed using descriptive statistics of the mean, standard deviation, skewness; while inferential statistics were analyzed through R, R^2 , F-Ratio, collinearity and residual statistics and the significance level. The study revealed that mediation has significant effect on tax revenue; while arbitration and negotiation have no significant effect on tax revenue.

5.1.1 Arbitration and Tax Revenue Performance

The initial objective was to evaluate the impact of arbitration on Tax revenue in KRA's CBC station. According to the findings, very few respondents believe that arbitration is simple to use in most tax issues in the country. In contrast, results showed that proper utilization of arbitration as tax dispute resolution method was cost effective. In addition, the results show that the arbitration process is a dispute that is resolved by a private court chosen by the disputing parties. In addition, the results show that arbitration involves a neutral third party who helps reach a negotiated agreement. The correlation results showed that arbitration and Tax revenue have a positive and significant relationship. The regression results show that there is no significant effect between arbitration and Tax revenue.

5.1.2 Mediation and Tax Revenue Performance

The second objective was to assess the effect of Mediation on Tax revenue in KRA's, CBC station. According to the findings, most respondents believe that mediation is simple to use in most tax disputes in the country. In addition, results showed that proper utilization of mediation as tax dispute resolution method was cost effective. Further results indicate that mediation is a voluntary, informal, consensual, highly confidential and non-binding dispute resolution process. Moreover, the results show that mediation

involves a neutral third party helping to reach a negotiated solution. Correlation results show that mediation and tax revenue are positively and significantly related. The regression results show that there is a positive and significant relationship between mediation and tax revenue.

5.1.3 Negotiation and Tax Revenue Performance

The third objective was to determine the effect of negotiation on Tax revenue in KRA's CBC station. Results showed that many respondents believe that negotiation is commonly used a dispute resolution mechanism between taxpayers and KRA officials. The results further show that many respondents believe that the negotiation between the parties involves direct and indirect communication. In addition, the results show that many respondents agreed that negotiation allows the parties to agree on mutually satisfactory results. Further results show that many respondents believe that the negotiated agreement could be stated in the form of an agreement. Furthermore, the findings suggest that the majority of respondents believed that negotiations ensured that the parties controlled the substantive outcome of the dispute.

The correlation results show that negotiation and Tax revenue show a positive correlation. The regression results show that there is no significant relationship between negotiation and Tax revenue.

5.2 Conclusion

In summary, the study was undertaken to find out whether ADR improve tax revenue. The study findings demonstrate that mediation improved tax revenue at KRA. Mediation has significant effects on tax revenue; while arbitration and negotiation have no significant effect on tax revenue.

The study also concluded that arbitration is not easy to apply while mediation is easy to apply in most tax disputes in the country. In addition, arbitration entails disputes being resolved by private courts chosen by the disputing parties while Mediation is a non-binding, voluntary, informal, consensual, and absolutely secret dispute resolution mechanism. The study also found that both arbitration and mediation involve a neutral third party contributing to an agreement through negotiation.

The study also concluded that Mediation was commonly used as dispute resolution mechanism between taxpayers and KRA officials. Negotiation was also seen to involve both direct and indirect communication. In addition, negotiation allows the parties to agree to an outcome which is mutually satisfactory.

The study is in agreement with Conflict resolution theory which is based on the arguments of Kelman (1993), Schellenberg (1996) and Hansen (2008), who stated that that the most effective way to resolve conflict is to effectively solve problems together. The theory argues that effective cooperative relationships make it easier to manage inevitable disagreements constructively and that conflicting parties must fully respect each other's ideas by acknowledging their value.

5.3 Recommendations

5.3.1 Tax Consultants and the legal profession

ADR process as currently designed is more pro KRA and there is need to make the process look impartial by contracting external facilitators. KRA should therefore consider permitting the use of external mediators, unconnected to the KRA so as to address concerns regarding the independence of mediators under the KRA led ADR process. Additionally, Legal practitioners and tax experts should be updated on current trends of mediation process, its effectiveness and transparency.

5.3.2 Policy Makers

From the studies, KRA predominantly employs facilitated Mediation hence should consider the use of Arbitration and Negotiation in cases where Mediation fails. Section 55 of the TPA is very narrow and should be expanded to conform to the constitution. While the Constitution under article 159(2) provides for settlement of disputes out of courts including Arbitration, Negotiation, Mediation, conciliation et cetera, section 55 of the TPA and section 28 of the TATA only provide for Facilitated mediation. There is therefore the need to expand the same to incorporate all the ADR elements alluded to in the constitution.

5.3.3 Theory

The study established that Mediation has a significant relationship with Tax revenue. This finding builds on the theoretical foundation that predicted a relationship between the two variables. Other scholars have the Opportunity to strengthen their theoretical and empirical review in the process of developing their scholarly work.

5.3.4 Future Researchers

The current study concentrated on the KRA. It is thus essential for other studies to be carried out on other regional revenue authorities to facilitate the comparison of ADR on tax revenue of different countries.

This study suggests that mediation improve tax revenue at KRA. Other studies should be conducted on other regional tax authorities to find out if the results are similar across the region.

The present study focused on ADR mechanisms; it is therefore vital to conduct studies using litigation mechanisms. Use of ADR mechanisms alone may not be enough for assessment of legal department at KRA.

Many other additional parameters can be considered in the measurement of dispute resolution. Since the R squared was not 100%, it implies that other additional dispute resolution practices could enhance the model for tax revenue performance in Kenya. Future studies can therefore focus on other dispute resolution mechanisms.

The present study collected data from KRA staff in the legal department. Future studies can collect data from taxpayers. The present study adopted primary data, future researchers can use secondary data of actual tax revenue and ADR cases actually concluded.

5.4 Limitation of the Study

This study used only primary data which was not easy to access and analyze. A lot of time was spent on accessing the relevant data from the KRA legal department.

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APPENDICES

Appendix I: Introduction Letter

JOSEPH ODHIAMBO

MOI UNIVERSITY

9th May 2022

Dear Respondents

RE: DATA COLLECTION

My name is Joseph Odhiambo, a Masters student at Moi University.

In partial fulfilment of the requirement for the award of degree of Master of Tax and Customs Administration, I am conducting an academic Research on **Effects of Alternative Dispute Resolution (ADR) on Tax Revenue Performance in Kenya, A case study of Kenya Revenue Authority (KRA).**

This letter is to humbly request you to respond to the questions in the attached Questionnaires to enable me carry out this research. This is an academic exercise and you are guaranteed anonymity and confidentiality.

Thank you for your willingness to generously contribute to this research.

Yours faithfully,



Joseph Odhiambo

Appendix II: Questionnaire

Dear Respondent,

This questionnaire is meant to assist the researcher in collecting data on the topic **“EFFECTS OF ALTERNATIVE DISPUTE RESOLUTION (ADR) ON TAX REVENUE PERFORMANCE IN KENYA, A CASE STUDY OF KRA”** Kindly assist in the research by answering all questions below as honestly and as accurately as possible. Please note that the information you provide here will be for academic purposes only and all the responses will be treated with utmost confidentiality. **Do not include your name anywhere in the questionnaire. Note that there are no wrong or right answers.**

SECTION A: Background Information

1. What is your gender?

Male ()

Female ()

2. How many times have you received request to use ADR to settle tax disputes?

Once ()

Twice ()

Several times ()

SECTION B: ARBITRATION

Please indicate the extent to which you agree with each statement relating to arbitration. Given a scale of 1-5 where 1=strongly agree, 2= agree, 3= neutral, 4= Disagree, 5= strongly disagree.

	Statement	1	2	3	4	5
(a)	Arbitration is easy to apply in most tax disputes in the country, promoting tax simplification which boosts tax compliance					
(b)	Proper utilization of arbitration as tax dispute resolution methods is cost effective.					
(c)	Arbitration involves disputes being determined by a private tribunal selected by the parties to the dispute hence promotes confidentiality					
(d)	Arbitration involves a voluntary, informal, consensual, strictly confidential and non-binding dispute resolution process. This promotes customer satisfaction hence timely tax payments					
(e)	Arbitration involves a neutral third-party helping parties to arrive at a negotiated settlement.					

SECTION C: MEDIATION

Please indicate the extent to which you agree with each statement relating to Mediation Given a scale of 1-5 where 1=strongly agree, 2= agree, 3= neutral,4= Disagree, 5= strongly disagree.

	Statement	1	2	3	4	5
(a)	In mediation, parties have Limited Authoritative Decisions. This ensures TPs' concerns are addressed improving tax compliance					
(b)	In Mediation, there is autonomy of conflicting parties, as such outcomes are acceptable to all hence timely payment of taxes.					
(c)	Mediation involves disputes being determined by a third party and he offers guidance and advisory. This ensures the settlement is time bound hence guaranteed timely revenue mobilization.					
(d)	Mediation involves a voluntary, informal, consensual, strictly confidential and non-binding dispute resolution process.					
(e)	Mediation involve a neutral third-party helping party to arrive at a negotiated settlement hence parties control substantive outcome promoting timely settlement of outstanding taxes.					

SECTION D: NEGOTIATION

Please indicate the extent to which you agree with each statement relating to Negotiation Given a scale of 1-5 where 1=strongly agree, 2= agree, 3= neutral, 4= Disagree, 5= strongly disagree.

	Statement	1	2	3	4	5
(a)	The Commissioner may negotiate with the taxpayer at the review of an objection before confirmation hence prompt tax payment					
(b)	Negotiation between parties includes both direct and indirect communication hence addresses taxpayers' concerns, improving compliance.					
(c)	Negotiation allows the parties to agree to an outcome which is mutually satisfactory hence enhances cordial relationship between KRA and TP promoting voluntary compliance.					
(d)	A negotiated settlement can be recorded in the form of an agreement and this promotes confidentiality unlike court process.					
(e)	Negotiation ensures that the parties arrive at a win – win solution to the dispute at hand. This forestalls acrimonious fall out hence secures Revenue.					

SECTION F: TAX REVENUE PERFORMANCE

Please indicate the extent to which you agree with each statement relating to Tax Revenue. Given a scale of 1-5 where 1=strongly agree, 2= agree, 3= neutral,4= Disagree, 5= strongly disagree.

	Statement	1	2	3	4	5
(a)	There has been an increase in PAYE Performance due to use of ADR.					
(b)	There has been an increase in Corporation Tax performance as a result of the application of ADR					
(c)	There has been an increase in the performance of VAT as a result of the application of ADR					
(d)	There has been an increase in the performance of other taxes, a part from above as a result of the application of ADR.					
(e)	There has been a reduction in the overall cost of unlocking tax revenue that is subject to dispute					

Appendix III: Authorization Letter from Moi University



REF: KESRA/NBI/036

9th May 2022

TO WHOM IT MAY CONCERN

RE: REQUEST FOR RESEARCH PERMIT

STUDENT NAME: JOSEPH ODHIAMBO

REGISTRATION NO: MU/KESRA105/0070/2018

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

The named student is undertaking Research on topic: ***"EFFECTS OF ALTERNATIVE DISPUTE RESOLUTION (ADR) ON TAX REVENUE IN KENYA: A CASE STUDY OF KRA."***

The purpose of this letter is to request your good office to assist the above student with the information to enable him work on his project.

Your support to KESRA in this regard will be highly appreciated.

Thank you.

**Dr. Marion Nekesa PHD,
Head Academic Research
KESRA**



Appendix IV: Research Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: **845589**

RESEARCH LICENSE

License No: NACOSTI/P/22/28137

Applicant Identification Number: 845589

Director General

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

This is to Certify that Mr. JOSEPH ODHIAMBO of Moi University, has been licensed to conduct research in Nairobi on the topic: EFFECTS OF ALTERNATIVE DISPUTE RESOLUTION ON TAX REVENUE PERFORMANCE IN KENYA, A CASE STUDY OF KENYA REVENUE AUTHORITY, for the period ending: 05/October/2023.

Date of Issue: 05/October/2022

Appendix V: Plagiarism Report

EFFECTS OF ALTERNATIVE DISPUTE RESOLUTION ON TAX REVENUE PERFORMANCE IN KENYA, A CASE STUDY OF KENYA REVENUE AUTHORITY.

ORIGINALITY REPORT			
19%	18%	3%	9%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS
PRIMARY SOURCES			
1	erepository.uonbi.ac.ke Internet Source	4%	
2	ir.jkuat.ac.ke Internet Source	2%	
3	ir.mu.ac.ke:8080 Internet Source	1%	
4	www.scribd.com Internet Source	1%	
5	Submitted to Kenyatta University Student Paper	1%	
6	www.coursehero.com Internet Source	1%	
7	usilacs.org Internet Source	1%	
8	mural.maynoothuniversity.ie Internet Source	<1%	