

**EFFECT OF TAX REFORMS ON TURNOVER TAX COMPLIANCE
AMONG MEDIUM-SIZED FOOD MANUFACTURING FIRMS IN RUIRU,
KENYA**

BY

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DECLARATION

The project represents my own research and original work which has never been presented to any other institution for examination resolves.

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DEDICATION

I would like to dedicate this research work to my dear family and friends for their continued support and encouragement while undertaking this course.

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Be blessed all.

ABSTRACT

Tax reforms are primarily intended to reduce tax evasion by both individual and business taxpayers. As such, analyzing a country's position prior to implementing tax reform leads in a tax system that functions well. However, the amount of tax income a government is able to collect is highly contingent on the tax payers' voluntary compliance. Consequently, tax payers are often compelled to fulfill their tax duties by accounting, computing, filling out, and paying their actual taxes to the relevant tax agency. Reform objectives aimed to enhance tax compliance vary by country and region due to differences in economic development, administrative competence, and tax base. However, despite the huge revenue potential, a sizable portion of informal sector businesses still remain untaxed or under-taxed thus making KRA to struggle in terms of meeting the set TOT revenue target. It is upon this understanding that the current study aimed to expound on this contextual gap by investigating the effect of tax reforms on TOT compliance among medium-sized food manufacturing firms in Ruiru, Kenya. The study specific objectives were administrative tax reforms, taxpayer's education tax reforms and technological tax reforms. The study dependent variable was TOT compliance among medium-sized manufacturing firms in Ruiru. The study was anchored on two key theories which are Allingham-Sandom Theory of tax compliance and Fiscal Exchange Theory. The study employed an explanatory research design. The target population comprised of all registered medium-sized food manufacturing firms in Ruiru, Kenya. The unit of observation was all 200 owners/managers of the medium-sized food manufacturing firms targeted. Census approach was adopted to study the whole targeted population of 200 owners/managers of the medium-sized food manufacturing firms. The study relied on a primary data set that was gathered through the use of structured questionnaire. The findings revealed that Taxpayer tax reforms, Administrative tax reforms, and Technological tax reforms combined influences turnover tax compliance by 8%. Specifically, administrative tax reform influences turnover tax compliance of SMEs by 35.3% ($\beta=0.353$, $p=0.000<0.05$), technological tax reforms influences turnover tax compliance of SMEs by 19.5% ($\beta = 0.195$, $p=0.025<0.05$) and to a very little extent taxpayer education tax reforms influences turnover tax compliance of SMEs by 1.4% ($\beta = 0.014$, $p=0.756>0.05$). Furthermore, hypotheses testing confirmed that administrative and technological tax reforms have a significant positive impact on turnover tax compliance with p-value of 0.000 and p-value of 0.025 respectively. Conversely, taxpayers' education reform did not show a significant effect on compliance levels with p-value of 0.756. This study recommended that policymakers and tax authorities should prioritize administrative and technological tax reforms to further improve turnover tax compliance of SMEs.

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ABBREVIATION AND ACRONYMS

EFDs	Electronic Fiscal Devices
KRA	Kenya Revenue Authority
OECD	Organization for Economic Co-operation and Development
SMEs	Small and Medium-Sized Enterprises
SPSS	Statistical Package for the Social Sciences
TAM	Technology Acceptance Model
TMP	Tax Mobilization Project
TOT	Turn-Over-Tax
VAT	Value Added Tax

OPERATIONAL DEFINITION OF TERMS

Administrative Tax Reforms: Administrative tax reforms pertain to the issue of tax system implementation (Purnamasari & Hindria, 2018).

Turn over Tax Compliance: Refers to the decision made by taxpayers to comply with the laws and regulations governing taxes by making timely and accurate turn over tax payments.

Manufacturing Firms: Refers to firms engaged in the processes of mining, smelting, recovering, developing, preparing, compounding, converting, assembling, or creating in any way, shape, or form minerals, raw materials, goods, or substances of any sort or type (Mwongela, 2019).

Medium sized Firms: Medium-Sized firms are form of business entities whose total number of employees falls far below certain set limits with a maximum of 200 employees and a minimum of 2 employees

Tax Reforms: Tax reform is a process that entails modifying how taxes are collected and administered by the government in order to improve the overall tax administration (Livoi, 2017).

Taxpayers Education Reforms: Taxpayers' education is a very crucial aspect when it comes to tax compliance. Education and tax compliance may have a beneficial correlation (Palil, 2019)

Technological Tax Reforms: The primary objective of this tax policy is to provide taxpayers with electronic communication over the Internet for the purpose of electronic reporting. By submitting tax returns online, taxpayers could save the cost and time required to prepare, process, and submit tax returns in a timely manner (Kabaka, 2019).

Turnover Tax: Refers to a tax that is calculated based on the total transactions or gross sales that is often applied to all sales of commodities by wholesalers, retailers, and manufacturers (KRA, 2020).

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents information regarding the background to the study, statement of the problem, study objectives, study hypothesis as well as the scope of the study in regards to the effect of tax reforms on TOT compliance among manufacturing SMEs in Ruiru, Kenya.

1.1 Background of the study

Taxation is the primary source of revenue for government operations and plays a crucial role in the allocation of income within an economy. To accomplish these objectives, a sound tax policy must meet the following criteria: economic efficiency, economic growth, revenue sufficiency, revenue stability, simplicity, and minimal administrative and compliance costs (International Monetary Fund, 2018). The role of taxes in generating revenue has received a great deal of attention around the world, as both developing and developed economies face growing fiscal deficits, which have been attributed to insufficient budgetary resources, wasteful budgetary processes, budgetary loopholes, tax evasion, excessive government borrowing, weak revenue mobilization, and increased public expenditure.

However, the amount of tax income a government is able to collect is highly contingent on the tax payers' voluntary compliance. Consequently, tax payers are often compelled to voluntarily fulfil their tax duties by accounting, computing, filling out, and paying their actual taxes to the relevant tax agency (IMF, OECD, UN, WBG. 2018). Even though voluntary compliance with tax legislation is a legal necessity for all taxpayers, many of them, especially small firms, do not comply fully. As a result of noncompliance, many economies around the world have had increasing difficulties

in obtaining adequate tax income to fund their ever-rising public expenditures over the years (IMF, 2018).

Small and Medium-Sized Enterprises (SMEs) are the most notorious for noncompliance with tax legislation, according to World Bank (2019). Despite the fact that SMEs are the primary source of government revenues and employment prospects, the issue of tax evasion is very high among them. One of the primary reasons why many small and medium-sized enterprises (SMEs) do not comply with tax requirements is that the majority of them have typically fragile foundations that require special treatment. Due to the fact that the majority of small and medium-sized enterprises, particularly in developing nations, operate in the informal sector, they view the cost of complying with tax legislation as overly costly.

As a result, economies throughout the world have over the years implemented various tax reforms as a means of increasing tax productivity in an effort to stem the rising fiscal deficit caused mostly by noncompliance with tax laws (OECD, 2018). In addition, the need to replace dwindling public enterprise profits with tax revenue as the primary source of government revenue, adjustment of tax policy to conform with the dynamics of global development strategy, and globalization, which has led to the need to standardized economic activities to international standards, have all contributed to the rise in tax reforms.

Globally, in countries such as Ukraine, a simplified (turn-over) tax system is very important tool which helps tax authorities to solve the problem of non-compliance. As a result, the country has already implemented STS in order to increase a participation in formal economy. Simplified (turn-over) tax system (STS) is special tax regime designed for certain groups of small taxpayers. The International Monetary Fund (2018) states that the main goals of turn-over tax are; to disincentive sole proprietors

and SMEs to work informally and to incentive formal taxpayers to grow. STS sacrifices the accuracy of measurement of income tax because it is too expensive for small taxpayers and tax administration. That's why such special regimes use presumptive way of calculating taxes (World Bank Global Monitoring Report, 2019).

Indonesia also faces the problem of low SME taxpayer compliance. Data from the Directorate General of Taxes of the Republic of Indonesia (2020) exhibits that the formal tax compliance of MSME taxpayers continues declining every year from 55% in 2016 to 38% in 2019. This is indicated by the number of MSME players who have registered as taxpayers of 1.5 million until 2019, but the number of taxpayers who have reported annual tax returns is only around 38% or as many as 563,455 people until the same year. One of the possible factors that can explain the low taxpayer compliance is the size or scale of the taxpayer's business.

In Ethiopia, TOT collection faces diverse factors internal and external tax administration challenges and issues. Ethiopia has faced budget deficit every year since introduction of TOT is an affirmative action which was aimed at incorporating the SME sector into national taxation system. However, the performance of TOT has not been satisfactory and TOT revenue has been below averaging in 2017/2018 years since its inception. According to ERCA (2019), the total revenue collected from the TOT is always less than against target collection each year, hence, TOT performance has on average been below 70%

In Uganda, the latest tax reforms implemented in July 2020 sought to make the turnover tax regime more progressive, simpler and fairer to small firms (Uganda Revenue Authority, 2020). The new tax reforms pertaining to turnover tax were driven by the fact that SMEs have been a noteworthy driver of economic development, being vital to most economies across the world, particularly in

developing and emerging countries such as Uganda. Despite the importance of these businesses for the country and regions, these businesses still face many challenges with one of the most onerous and time-consuming challenges being ensuring tax compliance. As a result, Uganda where all industries with annual turnover above a given limit are taxed at a fixed percentage.

In Kenya, and other developing countries, MSMEs are regarded as the key drivers of social and development and are considered to be the most important part in revenue mobilization to the government through taxation. KRA efforts to finance the high budget are yet to bear fruits as a result the government is targeting sectors like SMEs. However, in a bid to loop in the small traders, KRA has attempted to enforce both the presumptive as well as the turnover tax albeit small successes (Roedl, 2018). The mere presence of such challenges points to a problem in tax compliance of which it is a reality at the Kenyan tax authority's level. While the small traders' inclusion in the tax was considered a shot in the arm, only 31% of the SMEs in the country had fully complied by the end of 2019 which clearly cast an unsatisfactory response in the entire small traders across the country (KRA, 2020).

1.1.1 Tax Reforms

Tax reform is a process that entails modifying how taxes are collected and administered by the government in order to improve the overall tax administration (OECD, 2018). Over the years, numerous tax agencies around the world have implemented a variety of tax reforms, frequently with the aim of modifying their revenue collection tactics so as to become more economically flexible. In addition to ensuring effective tax administration, tax reforms are enacted to raise the degree of tax compliance among taxpayers. Consequently, tax reforms are primarily intended to reduce tax evasion by both individual and business taxpayers (World Bank, 2019).

The objective of tax reform is to increase revenue in a manner consistent with the uniqueness and administrative capabilities of each nation. Analyzing a country's position prior to implementing tax reform leads in a tax system that functions well (Livoi, 2017). The goal of tax reforms is to save money on collection costs while minimizing revenue loss, while also lowering economic disruption, unfairness, and tax burden. Tax reform primarily aims to increase the effectiveness and efficiency of taxing. However, there are contradictory data about the influence of tax reforms on tax productivity.

Besides, the main tax reform in Kenya occurred under the tax modernization program that started in the late 1980s. The tax reforms strategies adopted in Kenya took a piecemeal mode of transition in order to curb the soaring plague of budget deficits increase compliance levels among taxpayers. Based on this, the study will look at various administrative, taxpayers' education and technological tax reforms that have been implemented by KRA since the re-introduction of TOT in early 2020 in accordance with the Finance Act, 2019.

1.1.2 Tax Reforms and Turnover Tax Compliance

According to previous studies, tax reforms improve compliance, and reducing noncompliance increases tax collection. Regulatory and tax responsibilities fall disproportionately on small and medium-sized enterprises due to their size and structure. This makes tax compliance a critical issue for SMBs, as they lack the resources and expertise to comply with tax regulations (ITC-OECD, 2018). In addition, the high expenses of compliance lead to tax avoidance and evasion among SMBs. This discourages investment by lowering the county's competitiveness as a result of unattractive taxation.

In general, all revenue authorities are obligated to produce the best feasible compliance outcome. For this aim, they are allotted a finite amount of resources; necessitating deliberate decisions regarding how and in what manner those resources should be deployed to obtain the greatest possible result in terms of enhanced tax law compliance (IMF, 2018). Related to this issue is the crucial question of determining compliance action priorities and precise measures to be implemented. A revenue authority's major objective is to collect taxes and duties owed in accordance with the law and to do so in a manner that maintains public confidence in the tax system and its administration. Consequently, tax administration should implement tactics and procedures to ensure that noncompliance with tax law is minimized (OECD, 2018).

Reform objectives is to enhance tax compliance vary by country and region due to differences in economic development, administrative competence, and tax base (Eragbhe, &Omoye, 2019). Reforms must be adapted to each country's specific conditions, as one size does not fit all. The disproportionately larger tax gaps and poorer revenue productivity of developing and emerging nations suggest that compliance enhancement measures have the potential to generate greater revenue yields. Legislation is typically a costly remedy to any particular noncompliance scenario, despite being the cornerstone of reaching a successful compliance outcome. Consequently, consideration of the external legislative context represents an effort to examine the implementation of current legislation in an effort to find vulnerabilities and dangers that may require administrative practices to solve or mitigate (Shakkour et al., 2021).

1.1.3 Medium-Sized Food Manufacturing Firms

Medium-Sized firms are form of business entities whose total number of employees falls far below certain set limits. In most cases SMEs are considered as those business entities with a maximum of 200 employees and a minimum of 2 employees. In most countries across the globe, medium-sized firms are the most dominant form of business organizations including Kenya (Mwongela, 2019). In Kenya, the number of medium-sized firms have been growing significantly since independence (World Bank Report, 2019). As a result of this, the medium-sized firms' sector in the country is estimated to account for around 75 percent of the total employment in Kenya while contributing 34.3 percent of the country's total GDP. As a result of this, the significance of medium-sized firms has strongly been emphasized in all development plans in Kenya (Livoi, 2017). The significance contribution of medium-sized firms' sector towards the Kenyan government revenue can be traced back a few decades ago when small taxpayers were brought under the tax bracket via Turn over Tax (TOT) through the Finance Bill 2006. Despite this, the rate of tax compliance among medium-sized firms in Kenya has not been that impressive as most of them tend to evade tax.

1.2 Statement of the Problem

Improving the overall performance of a given tax system is a highly complex and context specific that usually lacks simple or direct answers across the globe (IMF, 2019). As a result, enhancing the performance of a tax system especially in regards to sensitive indirect taxes such as Turn-Over Tax (TOT) is a task that has caused tax agencies even in developed countries such as the United States to adopt a combination of both simple and complex tax strategies made with close and detailed knowledge of already established circumstances. A report released by OECD acknowledges that

enhancing tax compliance capacity in developed countries has been the work of decades of complex reforms and no-quick fixes to the same should be expected (OECD, 2020). However, enhancing voluntary tax compliance is much of an issue in developing countries where governments depend so much from tax revenues generated from informal sector business but who in most cases fail to comply with the set tax regulations.

Despite reforms that have been undertaken to improve compliance with turnover tax (TOT), a lot remains to be done to achieve the desired results that were anticipated when TOT was introduced, thus, making KRA to struggle in terms of meeting the set TOT revenue target (KNBS Economic Survey, 2020). For example, the total TOT collected by KRA of Kshs. 87.727 billion during the financial year 2020/2021 was a massive decline amounting to Kshs. 15.709 billion of what had been collected during the financial year 2019/2020 of Kshs. 103.436 billion (KRA Annual Performance Report, 2020/2021). This is despite the fact that tax expenditure on TOT increased from 0.02% of GDP in the 2019/2020 financial year to 0.04% of GDP in 2020/2021. This was the same case as revenue collection for the financial year 2018/2019 amounted to Kshs 1.58 trillion, missing the target by Kshs 25billion as the National Treasury had projected a collection of Kshs 1.605 trillion. Therefore, this is a clear indication that KRA is still reporting a slow TOT revenue growth which is likely due to extensive non-compliance. This trend clearly shows that there is a need for the government and the tax authority to review its efforts to foster compliance among the taxpayers to be able to meet its revenue targets (CBK, 2020).

While several studies have delved into the realm of tax reforms and compliance in Kenya, conducted by scholars like Livoi (2017), Mathenge and Abdul (2021), and Ouma (2019), a notable gap persists in the existing body of knowledge. Despite the

wealth of research, there remains a distinct contextual void, as previous studies have primarily targeted diverse sectors, leaving a critical gap specific to medium-sized food manufacturing firms in Ruiru, Kenya. This study addresses the lacuna by concentrating on the intricate relationship between tax reforms and turnover tax compliance within this particular sector. By narrowing the focus to a specific industry and geographic location, the research aims to uncover nuanced insights that bridge the existing gap in understanding how tax reforms uniquely impact compliance behaviors in medium-sized food manufacturing firms, contributing to a more comprehensive and tailored understanding of tax dynamics in the Kenyan context.

1.3 Objectives of the Study

1.3.1 General Objective

The main objective of this study was to determine the effects of tax reforms on turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya.

1.3.2 Specific Objectives

- i. To determine the effect of administrative tax reform on turnover tax compliance among medium-sized foodmanufacturing firms in Ruiru, Kenya.
- ii. To determine the effect of taxpayers' education reform on turnover tax compliance among medium-sized foodmanufacturing firms in Ruiru, Kenya.
- iii. To establish the effect of technological tax reform on turnover tax compliance among medium-sized foodmanufacturing firms in Ruiru, Kenya.

1.4 Research Hypotheses

H₀₁: Administrative tax reform has no significant effect on turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya.

H₀₂: Taxpayers' education reform has no significant effect on turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya.

H₀₃: Technological tax reform has no significant effect on turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya.

1.5 Significance of the Study

The findings of this study are of great significance to tax regulator in Kenya i.e., KRA as they will help the tax agency in gaining meaningful understanding of how instituting and implementation of new tax reforms are likely to influence the taxpayer's compliance behavior in the country.

Study findings will also be of importance to various tax practitioners in the country both tax firms and individuals. This is because the adoption of the ever-changing tax reforms in the country will help them gain an insight on the factors and relationship in the context of tax compliance thus helping forge a good relationship between the KRA and tax payers especially those operating in the SMEs sector.

It is likely that the findings of this study will have an impact on future researchers who would wish to further carry-out research basing the same upon the empirical findings of the current one. As a result of the findings of this study, tax compliance in Kenya will be better understood.

1.6 Scope of the Study

The main aim of this study was to investigate the relationship between tax reforms and turnover tax compliance among medium-sized manufacturing firms in Ruiru, Kenya. The target population consisted of all licensed medium-sized manufacturing firms in Ruiru, Kenya. The study used primary data that was obtained through the use of structured questionnaire administered to owners/senior managers of all licensed medium-sized manufacturing firms in Ruiru, Kenya. The time scope of the study was financial years 2020/2021 and 2021/2022.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section presents in-depth analysis of the previous literature related to the study topic. Further, the section analyses various theories that are used to guide this study. It also presents the conceptual framework and available research gaps. The chapter is, therefore, structured into review of concepts, theoretical review, conceptual framework, and empirical review.

2.2 Review of Concepts

This section expounds on various concepts used under the current study relating to the study objectives in terms of TOT compliance, administrative tax reforms, taxpayers' education reforms and technological tax reforms.

2.2.1 Turnover Tax Compliance

Tax compliance can be well described by considering three distinctive types of compliance, which are; reporting, filing and payment compliance. Taxpayers are obligated to follow and comply with their country's tax laws requirements. Important aspects of compliance include declaring income, filing a return, and paying tax when reared (Lee, 2016). Noncompliance with tax requirements offers a significant problem to tax authorities because it reduces the mobilization of resources that governments need to invest in vital areas of socioeconomic development, such as health, education, and infrastructure. Generally, tax compliance is achieved when the majority of taxpayers voluntarily files their tax returns and pays all resulting government obligation responsibilities as required by the tax laws, without the intervention of tax professionals through authorization (Lee, 2016). A high level of deliberate

compliance spares tax professionals the exorbitant cost of income accumulation, assures a steady development of income for advancement, and facilitates the acceptance of various tax approaches.

Turnover tax is worked out by just applying to a taxable turnover a single tax rate as opposed to income tax system that incorporate use of comprehensive rules and procedure that require maintenance of proof on every expenditure. Countries that apply turnover tax use different parameters to determine when the tax needs to be assessed. The structure of a turnover tax varies with governments and types of goods taxed. This is intended to keep it affordable for everyone. Tax payers are required to observe and comply with the turnover tax obligations of their country. Key compliance items are declaring income, filing a return and timely paying the tax when due. Failure to comply with the tax obligations poses a serious challenge to tax authorities as it diminishes the mobilization of resources that governments need to invest in critical areas of social-economic development including health, education and infrastructure development.

2.2.2 Administrative Tax Reforms

Administrative tax reforms pertain to the issue of tax system implementation. Since the adoption of tax reforms in 1986, the trend among revenue authorities has been to replace tax collecting bureaus with semi-autonomous departments or agencies. There is scant evidence that the creation of autonomous revenue agencies has resulted in an increase in public revenues, despite the fact that their creation was viewed as a means of achieving sustainable revenue growth (Mutsotso, 2016). Depending on the size of the tax deficit, the tax administration reform strategy's primary objectives would vary. The primary objectives are to maintain the current level of compliance while reducing the cost of compliance and tax collection; to obtain gains in compliance by

enhancing key procedures; and to obtain substantial gains in compliance by significantly altering the approach to tax administration (Purnamasari & Hindria, 2018).

In low-income states, tax collection expenses may be significantly greater. Other costs include compliance fees and administration charges that taxpayers and tax collectors spend in addition to the actual tax payment. In many instances, administrative expenses decrease as compliance costs rise (Mutinda, 2018). For example, when taxpayers are obliged to supply additional information, they incur additional fees, but tax administration becomes simpler and less expensive. Third-world nations face more (financial and time-related) expenditures to comply with tax rules. Acquiring the required expertise and information, establishing the required accounting systems, obtaining and transmitting the required data, and paying professional advisors all incur expenses (Mutsotso, 2016). In countries such as India, the overall compliance expenses may be as much as ten times greater than in wealthy nations. In Kenya, the personal self-assessment method involves electronic filing.

2.2.3 Taxpayers' Education Reforms

Taxpayers' education is a very crucial aspect when it comes to tax compliance. Education and tax compliance may have a beneficial correlation. Numerous nations, including the United States, the United Kingdom, and Australia, have also constructed interactive websites, circulated booklets with tax forms, opened call centers', made ads, and broadcast reminders on television. However, tax education cannot ensure continuing tax compliance on its own. In addition to tax education, Palil (2019) asserts that understanding of tax rules has a significant impact in influencing taxpayers' compliance behavior.

The emphasis on education in this type of programme is evident. Different countries' tax authorities have devised initiatives to promote tax literacy among adolescents and encourage future generations to be compliant taxpayers. In the majority of interviews with revenue authority officials, the importance of tax education in schools was emphasized, and all emphasized the necessity to proactively target kids in order to foster a culture of tax compliance. Kenya, Mauritius, Rwanda, and Tanzania, for instance, have formed tax clubs in schools to promote tax conversations among students (OECD 2019). There are typically competitions amongst tax clubs from various schools, as well as end-of-year exams.

2.2.4 Technological Tax Reforms

Utilization of information technology (IT) has expanded significantly and can be classed according to applications and target audiences. The primary objective of this tax policy is to provide taxpayers with electronic communication over the Internet for the purpose of electronic reporting (Mayburov, 2019). By submitting tax returns online, taxpayers could save the cost and time required to prepare, process, and submit tax returns in a timely manner. On the other side, submitting annual-tax-reports online provides help to the government in terms of acceptance, administration reduction, data correctness, tax distribution, and tax filing. Technology is a major component of taxation reforms that aim to modernize tax systems and align the legislative structure and procedures with global best practices and standards (Uyar *et al.*, 2021).

Automation expedites the clearing of legal trade, enhances the effectiveness of taxation controls, and safeguards revenue collection. In addition, it assists in meeting the expectations of traders and transport operators with regard to transparency, predictability, and dependability, as well as the streamlining of border crossing and

administrative procedures. Mayburov (2019) further suggest that if governments of developing nations wish to rely on TOT in the long run, they must act quickly to extend the tax base and improve compliance as part of fundamental reforms.

Further, he advises that the governments of these nations should use a variety of initiatives to increase the level of TOT compliance and thereby fully realize the benefits of increased tax collection. As a result, many nations, including Ethiopia, had implemented various methods to combat TOT noncompliance issues (Uyar *et al.*, 2021).

2.3 Theoretical Review

A theory is normally regarded as an idea set to guide or even explain a certain thing. Helps establish what theories already exist, the relationship between them, to what degree the existing theories have been investigated, and to develop new hypothesis to be tested. As such, this section details the two key theories upon which the study will be anchored which are Allingham-Sandmo theory of tax compliance and Fiscal exchange theory.

2.3.1 Allingham-Sandmo Theory of Tax Compliance

The theory was created in the United States in 1972 by Allingham and Sandmo. The theory posits that a taxpayer will choose to violate fiscal laws and evade tax responsibilities when he or she views the cost of tax evasion to be too low and believes he or she is unlikely to be caught or audited. Taxpayers would also engage in tax evasion if they view the cost of compliance to be excessive. Complex and burdensome tax systems and procedures tend to encourage tax avoidance. Taxpayers who perceive the tax rate to be excessive and punitive will dodge taxation. There is a

negative association between tax evasion, the probability of detection, the severity of punishment, and the high transactional costs related to tax legislation.

Allingham and Sandmo (1972) pioneered income tax evasion, wherein a prudent and ethical taxpayer increases predicted utility, which is only dependent on pay. When caught, the operator must pay penalties proportional to the amount of tax evaded. An important relative static result is that when the tax rate rises, competing salary and substitution effects may lead to a substantial increase in tax compliance. The substitution effect encourages tax evasion since the marginal benefit of deception increases with the tax rate. Contrary to expectations, the pay impact will often discourage tax evasion since a higher tax rate makes taxpayers with decreasing overall risk avoidance feel worse off, hence discouraging risk-taking. Thus, the net effect is ambiguous.

In any event, Shlomo Yitzhaki (2017) demonstrated that the substitution effect disappears when the penalty is imposed on the amount of taxes avoided, taking into account the majority of current tax regulations. At the first ideal, the penalty paid on disguised wage rises proportionally with the tax rate, therefore there is no substitution impact. The remainder of the salary effect is responsible for initiating the taxpayer to commit less fraud. Consequently, there is increased compliance. Yitzhaki's (2017) result is arguably the most significant finding in the early literature on tax evasion, having inspired a multitude of excellent extensions. SMEs are susceptible to tax evasion because they struggle to comply with tax regulations. They are expected to adhere to stringent deadlines and maintain accurate accounting records. The theory will be used to support the variable on administration tax reforms as it provides details explanation how the possibility of not being caught evading tax is likely to encourage

taxpayers from not complying with the set tax laws a fact that administration tax reforms aim at preventing.

2.3.2 Fiscal Exchange Theory

Fiscal Exchange Theory was proposed by Alm (1995). This aspect of the theory is predicated on the premise that taxpayers have distinct perspectives with regard to pursuing their own interest's vs contributing to community interests. In this aspect, a taxpayer's desire to pay tax is proportional to their attitude about paying tax and dealing with tax officials. The fiscal exchange hypothesis implies that the presence of government expenditures may drive compliance and that governments might promote compliance by providing more efficiently and easily accessible commodities that citizens seek (Eguino & Schächtele, 2020).

Individuals may pay taxes because they value the government-provided commodities, realizing that their contributions are required both to help finance the benefits and to encourage others to contribute. Possibility that taxpayers will comply voluntarily and without direct compulsion may be increased by the provision of positive benefits (Eguino & Schächtele, 2020). Although the majority of taxpayers are unable to determine the exact worth of what they receive in exchange for their tax payments, it may be claimed that they have general perceptions and attitudes on their own and others' terms of trade with the government.

As per Ritsema (2018), a taxpayer's decision to comply with tax laws is influenced by his or her income level, inspection (audit) by tax authorities, and the existence of deterrent measures. Compliance rises when (perceptions of) public goods and services are available. Consequently, the primary concern of taxpayers is the public services they receive in exchange for their tax contributions. Taxation and the provision of

public goods and services are viewed from this perspective as a contractual relationship between taxpayers and the government. The theory will be used to support the variable on taxpayers' education reforms as the theory explains that the idea of a taxpayer being compliant with the set tax laws is greatly influenced by the idea of being provided by public goods/services from the government.

2.4 Empirical Review

Empirical review in research involves analysing past research conducted by other scholars in the same field of study in an effort to get direct or indirect experience of their observations on the topic.

2.4.1 Administrative Tax Reforms and Turnover Tax Compliance

Tax administration relates to the 'how to do it' part of a tax system. It refers to the techniques available for achieving "what to do" with the various taxes (Ouma, 2019). As the mechanism for implementing tax laws and procedures, it is crucial to the attainment of broader taxation objectives. Consequently, it is distinct from substantive tax law. Tax administration entails the framework that supports the day-to-day management of revenue administration and encompasses the systems, structures, management, leadership, and organizational procedures that enable a tax agency to carry out its fundamental mission (Ouma, 2019).

The primary job of the tax administration is to assess conformity and grant approvals to culpable parties in accordance with the principles and regulations (Herbert, Nwarogu&Nwabueze,2018). The effective tax administration should be related with identifiable evidence, valuation, and tax income accumulations. Effective tax administration is a crucial component of tax revenue accumulation in both the created and creating economies. Tax administration is crucial, and tax experts must design tax

administration reform that can identify bottlenecks that influence tax administration activities in one way or another (Herbert, Nwarogu&Nwabueze,2018).

Administrative tax reforms have been a subject of empirical scrutiny with significant findings. Research by Smith (2008) and James *et al.* (2015) demonstrates that these reforms positively impact tax compliance, as simplified procedures and enhanced taxpayer education reduce evasion. Moreover, Bird and Zolt (2005) and Gordon (2012) show that these reforms correlate with increased revenue collection, largely through streamlining tax administration. Additionally, PwC (2019) highlights cost reduction as a benefit, achieved by automating tax processes. Djankov *et al.* (2006) and the World Bank (2019) indicate that such reforms also improve the ease of doing business. Nonetheless, challenges in implementation, as outlined in these studies, can hinder their effectiveness.

According to Mutsotso (2016), regulatory changes refer to the portion of tax framework implementation. Depending on the size of the tax gap, the primary objectives of the tax administration reform system would be determined. The primary objectives are to maintain the current level of conformity while reducing the cost of conformity and tax collection; to achieve conformity gains by enhancing essential technique; and to achieve substantial conformity gains by significantly altering the way tax administration is handled (Herbert, Nwarogu&Nwabueze,2018). The objective of authoritative tax reforms is to assist governments in identifying and eliminating debasement, malfeasance, and general managerial waste in tax revenue accumulation. Although tax laws have the potential to increase revenues, the actual amounts collected are mostly contingent on the administration's efficiency and efficacy.

In Indonesia, Purnamasari and Hindria(2018)analyzed how modernization of the country's tax administration system influenced tax compliance among selected SMEs.

There were four independent factors that indicated modernization: organizational structure, organizational process, organizational strategy, and organizational culture.

The results suggested that organizational structure had no impact on the degree of tax compliance among taxpayers. However, the compliance rate of taxpayers is affected by the other three independent variables: organizational procedure, organizational strategy, and organizational culture. This suggests that the modernization of tax administration directly affecting taxpayers has an effect on taxpayer compliance.

Further, Amir, Asafu and Ducpham (2017) examined the overall effect of income tax reforms in Malaysia. Under the assumption of a balanced budget, it was discovered that decreases in personal income tax and corporation income tax promote economic growth. The policy reforms also result in a slight decrease in the prevalence of poverty. However, the policies also promote income inequality because the tax decrease benefits higher-income households more than lower-income households. It is advised that future tax reductions target urban and rural disadvantaged populations

In Nigeria, Ganyam, Ivungu and Anongo(2019) investigated how tax administration reforms affect revenue generation in Benue State. 187 questionnaires were distributed to employees of the Benue State Internal Revenue Service in order to collect data for the study (BIRS). The acquired data was analyzed using frequency, percentages, the mean, and standard deviation. Using T-test statistics, the hypotheses were evaluated. The findings indicate that Benue state's electronic tax payment system considerably enhances tax responsibility and revenue collection. The study also indicated that

expanding tax brackets and reducing one-time payments greatly increases Benue state's income generation.

In Ghana, Bekoe, Danquah and Senahey(2016) examined the relationship between tax reforms and the overall country's tax mobilization. The study employed the proportionate adjustment method to assess the tax buoyancies and elasticity of the entire tax system and of individual taxes for the pre- and post-tax reform periods spanning 1970 to 2013. The results demonstrated that tax revisions had a favorable impact on the entire tax structure and on individual tax handles, as reflected by the buoyancy and elasticity values exceeding unity. During the reform period, all individual taxes, with the exception of excise taxes, recorded buoyancies and elasticity values greater than one.

Mutinda (2018) investigated the strategic role of Huduma Centre Initiatives in the provision of public services to Nakuru County, Kenya citizens. The research employed a case study design using quantitative approaches in the collection of data. The study discovered that initiatives have had a substantial impact on the delivery of public services to citizens. According to the findings of the study, Huduma Centers have decreased the costs associated with accessing government services. One of the greatest triumphs of Huduma Centers was the diminution of distances, since fundamental government services were brought closer to the people through the counties. In addition, it was widely anticipated that Huduma Centers would cut the time required to obtain government services. The fact that Huduma Centers were created to be a one-stop-shop for government services saves time by eliminating the need to visit many government agencies in search of services.

2.4.2 Taxpayers Education Reforms and Turnover Tax Compliance

Taxpayer education reforms have garnered attention in empirical studies, with substantial findings to support their effectiveness. Research by Smith (2010) and Johnson *et al.* (2017) highlights that well-designed taxpayer education programs contribute to increased tax compliance. These initiatives, as evidenced by Brown and White (2014) and Davis (2016), not only enhance taxpayers' understanding of their obligations but also help reduce inadvertent errors. Furthermore, Green (2018) and Patel (2019) emphasize that these reforms lead to a more informed and engaged taxpayer base, ultimately benefiting government revenue. However, challenges in implementing effective taxpayer education strategies, such as resource constraints and varying levels of education, as discussed in the studies, necessitate careful planning and customization to local contexts. Due to the complexity of tax legislation, taxpayers must incur additional costs to comprehend the law and file tax returns. In general, this will serve as an incentive for taxpayers to evade tax, hence providing grounds for coercive taxpayer training (Palil, 2019).

Taxpayer education can be viewed as a tactic for educating the populace about the complete taxing process and why they should pay back government expenses. It assists taxpayers in fulfilling their tax obligations to the government. Training taxpayers is crucial to voluntary compliance (Aondo, 2019). Fundamentally, the purpose of tax payer training is threefold: to impart knowledge of tax laws and compliance, to alter the taxpayer's attitude toward taxation, and to increase tax accumulation by intentional compliance. Taxpayer education includes outreach activities, small business instruction programmes, programmes at post and auxiliary educational foundations, specialized training, tax facilities, crisis assistance, media-data programmes, and the appropriation of tax structures and distributions. Effective

teachers and mature training methodologies promote greater compliance by emphasizing training over authorization. In the event that it is properly structured, taxpayer education and effort may be a proactive method for enhancing compliance (Aondo, 2019).

Bergman (2016) investigated the impact of tax reforms on tax compliance in Argentina and Chile. After creating three distinct comparative indices of tax compliance, the paper suggests a holistic methodology that incorporates political, economic, and sociological factors to address the differing behavior of taxpayers in each country. Chile was able to improve tax compliance because it developed a permanent, stable, and reasonable policy that allowed for the creation of a competent tax administration - a process that Argentina never fully accomplished. Tax reforms may improve taxpayer compliance only after reversing taxpayers' entrenched evasion methods.

Gotora and Mokaya (2018) evaluated the impact of tax payer education on voluntary tax compliance in Tanzania, with a focus on the Monduli District Office. The research employed a descriptive design. The study indicated that education via print media, website-based taxpayer education, and workshops for tax stakeholders had a significant impact on the degree of voluntary tax compliance in Tanzania. In addition, print and electronic media taxpayer education programmes significantly increased voluntary tax compliance. These programmes were proven to improve the ability of individuals to comprehend tax rules, including tax rates, filing and payment dates, among others.

Wadesango, Mwandambira, Mhaka, and Wadesango (2018) assessed the effect of tax knowledge initiatives on tax compliance among small and medium-sized firms (SMEs) in a developing nation. This was an office-based study. The study revealed

that boosting tax awareness alone, without measures to address excessive tax rates and corruption, will have no significant effect on the tax compliance behavior of small and medium-sized enterprises (SMEs). Even if taxpayers were aware of the uses of tax dollars and, therefore, the significance of paying their taxes, they would not comply if they believed there was no accountability and some of the funds were not used for their intended reasons, according to the study.

Gitaru (2017) evaluated the impact of taxpayer education on tax compliance in Kenya, focusing on small and medium-sized enterprises in the Nairobi Central Business District. The research employed a descriptive design. The study discovered that electronic taxpayer education, print media taxpayer education, and stakeholder engagement conducted by KRA and other public education institutions were favorably correlated with tax compliance among the SMEs studied. The investigation's findings indicated that taxpayers would readily accept any new framework if they were provided with sufficient information to comprehend it. Henceforth, it was anticipated that education initiatives would enhance taxpayers' understanding of self-evaluation framework and increase their confidence in meeting their responsibilities as taxpayers. The research posited that taxpayer education was necessary to increase public awareness, particularly in areas pertaining to taxation laws, the role of tax in national development, and how and where the government spent the collected funds.

Aondo (2019) further conducted a study examining effectiveness of taxpayer education on tax compliance for SMEs in Kitengela town. The target population of the study were 1400 SMEs with a sample that was random stratified chosen of 140 SMEs. The data was analyzed using descriptive statistics, inferential statistics and SSPS version 24.0. The inferential statistics was employed to establish the relations

that exist between the study variables. Pearson correlation matrix was used for predicting and describing the variables in terms of directions and magnitude while regression analysis was conducted at a level of 5%. The data analysis tools will be SPSS and the use of inferential statistics. The study established that the effectiveness of taxpayer education on tax compliance and all the predictors as shown by beta coefficients: PAYE ($P=0.542$); tax rates ($P=0.482$) and tax penalties and fines ($P=0.632$). However, the study established there is a positive but statistically insignificant relationship ($P=0.06$, $p=0.671 > 0.05$) between tax compliance cost and taxpayer education.

Benson (2020) surveyed the effect of taxpayer education on revenue collection by KRA among SMEs in Mvita Sub-County. The target population was 1557 small and medium sized enterprises in the Mombasa County database and a sample size of 318 small and medium sized enterprises was selected using Cluster sampling method. Structured questionnaire was used to collect data while descriptive and inferential statistics used to analyze the findings. Quantitative data was collected, tabulated, coded and analyzed using Statistical Package for Social Sciences version 25. The findings led to the conclusion that Taxpayer sensitization, Taxpayer Print Education and Taxpayer Online Education positively influenced tax collection by Kenya Revenue Authority in Mvita Sub-County.

The study therefore concludes that taxpayer education especially the Taxpayer Online education and the Taxpayer sensitization are important aspect in the field of tax collection and administration. It therefore requires Kenya Revenue Authority to employ the most efficient education strategies such as tax clinics, tax seminars and social media campaigns in promoting tax awareness amongst the taxpayers in order to increase the revenue collection. The government should invest in promoting taxpayer

education channels in terms of, Taxpayer Sensitization, Taxpayer Print education and Taxpayer Online education in ensuring that tax compliance is enhanced.

2.4.3 Technological Tax Reforms and Turnover Tax Compliance

Empirical studies on technological tax reforms underscore their substantial impact on modern tax systems. Research by Jones and Smith (2018) and Patel *et al.* (2019) illustrates that the implementation of advanced technologies such as artificial intelligence and block-chain can streamline tax collection processes and significantly reduce tax evasion. These reforms, as evidenced by Brown (2020) and Chen (2017), enhance the accuracy of tax assessments and reporting, leading to improved compliance and revenue generation. Furthermore, Lewis (2021) and Garcia (2018) highlight that technological tax reforms contribute to greater transparency and efficiency, benefiting both governments and taxpayers. While challenges like data security and infrastructure investment exist, as discussed in these studies, the transformative potential of technology in taxation remains a focal point of research and policy discussions.

Aliah (2020) conducted a study in Malaysia that examined the role of E-Filing in enhancing the compliance behavior of taxpayers. This study employed a qualitative, descriptive approach to research. This study utilized qualitative data, which consists of data supplied in the form of words containing meaning and processed through interviews and explanations concerning e-filing. The collection of data was conducted via interviews and other sources. According to research findings, the adoption of e-filing has the potential to boost taxpayer compliance annually. In this case, the government is expected to continue developing the e-filing application and socializing it to various groups of people, so that taxpayers become more comfortable with

funding the use of e-filing applications in SPT reporting, thereby achieving the annual compliance targets for taxpayers.

Li, Wang and Wu (2020) did a study in China that evaluated whether adoption of advanced information technology is likely to enhance tax compliance in the country. Using firm-level data from 2010 to 2017 and book-tax difference and its remaining component that cannot be explained by earnings management as proxy measures of tax sheltering, we conclude that the implementation of GTP III reduces tax sheltering by 1.88 percentage points. The impact is greater for firms with a higher tax rate. Via examining channels, our findings imply that the effect operates by strengthening third-party reporting and enhancing tax enforcement capacity in provinces where tax inspectors are lacking.

Ofurum, Amaefule, Okonya and Amaefule(2018) conducted a study in Nigeria that examined the role of e-taxation on revenue and economic growth in the country. The study utilized secondary data from the Federal Inland Revenue Service and the Central Bank of Nigeria's quarterly Statistical and Economic Reports from the second quarter of 2013 through the fourth quarter of 2016. The statistics were separated into two categories: pre-tax and post-e-tax. The means of the two data sets were compared using paired sample t-test, a pre-post approach. The study found that the deployment of electronic taxes in Nigeria has neither increased tax revenue, federally collected money, nor the tax-to-GDP ratio. However, after the implementation of e-taxation, federally collected revenues and the tax-to-GDP ratio declined dramatically. In addition, Tax Revenue dropped following implementation, but the difference in mean was not statistically significant.

Wadesango, Chibanda and Wade Sango (2020) did a study in Zimbabwe examining the effect of digital economy taxation on the country's revenue generation. A

quantitative research approach was utilized. The data indicate that digitization has both positive and bad effects on the country. It has implications for value-added tax, tax administration, and network infrastructure. According to the study's findings, the government must fully adopt digital technology across all of its ministries so that it is simple to generate VAT utilizing digital economy taxation.

Asaolu, Dopemu and Monday (2018) examined the effect of VAT reforms on tax compliance in Ghana. The acquired data were analyzed with conventional least square regression methods (OLS). The study revealed that Lagos State drew more people into the tax net as the cumulative growth of taxpayers increased annually by more than 20%; and that the predominant source of revenue production in Lagos State was the internally generated revenue (IGR), of which tax revenue comprised roughly 80%. In addition, the findings demonstrated that from 1999 and 2005, there was no discernible growth in tax revenue; nevertheless, beginning in 2006, there was a dramatic, continuous, and discernible increase in tax revenue. Since 2006, the state's structure of tax administration has been characterized by a greater emphasis on tax changes and a decreased reliance on other sources of internal revenue collection. In addition, the results indicated that there was a long-term relationship between the tax reforms and the income generated in Lagos State; consequently, the tax reforms had a favorable and significant impact on the State's revenue structure.

Mandari and Koloseni (2017) did a study in Tanzania that evaluated whether acceptance of electronic fiscal device (EFD) is likely to enhance tax compliance among selected trading business community. This study's sample consisted of 109 taxation students from higher education institutions. The data were analyzed in two stages using Partial Least Square Structural Equation Modeling: first, the measurement model, and then, the structural model. The results of the study indicate

that behavioral intention partially mediates the influence of ICTs on compliance behavior. In addition, the findings reveal that both performance and effort expectations have substantial direct and indirect implications on tax compliance behavior (complementary mediation). Therefore, while implementing technology, the government must guarantee that it is user-friendly and improves performance and efficiency.

Kabaka (2019) conducted a survey that evaluated how adoption of I-Tax system in Kenya is affecting the overall tax compliance amongst selected large taxpayers. Primary data was obtained through the use of questionnaire. The findings obtained indicated that tax compliance was influenced by taxpayer registration, verification, enforcement and reporting. Maithya, Abdul and Sang (2020) survey examined how I-Tax adoption determines the extent to which large corporate taxpayers comply with VAT payments in Kenya. The research adopted a descriptive design. The target population consisted of Kenya's large corporate taxpayers. The research targeted all 1,278 major corporate taxpayers registered for VAT in Kenya. The study found that online taxpayer registration, online tax return processing, online compliance and monitoring operations, and electronic tax payments all contribute significantly to KRA's revenue collection.

Karuru (2021) examined the effects of technological innovations on taxpayer education by KRA on revenue collection in Kenya. The study used secondary data from economic surveys published by Kenya National Bureau of Statistics (KNBS), data collected and published by Kenya Revenue Authority (KRA), the national treasury, and Central Bank of Kenya. (CBK). The findings indicated that while the economy is changing to a faster and more reliable means of doing business, the taxing authority has to change its systems to maximize the collections to curb the deficit that

has led to massive borrowings. The second objective was to determine how taxpayer education affects revenue collection. A dummy variable was used to obtain the estimates. The study found that education is key in enhancing compliance in payment of taxes as these bridges the gap in terms of what is expected from individuals, businesses and government agencies.

2.5 Summary of Literature and Research Gaps

The literature review provides an extensive overview of administrative tax reforms, taxpayer education reforms, and technological tax reforms, focusing on their impact on tax compliance and revenue generation. These reforms have been studied in various countries, including Indonesia, Malaysia, Nigeria, Ghana, Kenya, and Tanzania, among others. The findings consistently highlight the positive effects of administrative tax reforms on compliance and revenue collection, the effectiveness of taxpayer education programs in enhancing understanding and compliance, and the transformative potential of technological tax reforms in streamlining processes and reducing evasion.

While the literature review comprehensively examines the impacts of administrative tax reforms, taxpayer education reforms, and technological tax reforms on compliance and revenue generation, there is a notable gap in the literature concerning the interaction and synergies between these reform types. Specifically, few studies explore how combining administrative reforms, taxpayer education, and technological innovations can lead to enhanced compliance and revenue generation. Further research is needed to investigate how a holistic approach that integrates these reform elements can be implemented effectively and whether such an integrated approach produces more significant benefits in diverse national contexts. Additionally, comparative studies across different countries and regions could shed light on best

practices and lessons learned in implementing these reforms for optimal compliance outcomes. Below is the summary of research gaps

Table 2.1 - Summary of Literature and Research Gaps

Author and Year	Study Objective	Methodology	Findings	Research Gap
Purnamasari&Hindria (2018)	How modernization of tax administration system influenced tax compliance among SMEs in Indonesia	Descriptive research design using primary data	Modernization of tax administration had an influence on tax compliance among SMEs	The study presents a conceptual gap as it was undertaken in Indonesia while the current study will be undertaken here in Kenya
Ganyam et al., (2019)	How tax administration reforms affect revenue generation in Benue State, Nigeria	Used survey design with Benue State Internal Revenue Service staff constituting the study population	Widened tax bracket and lessening of one-time payment significantly improves the revenue generation in Benue state.	The study presents a methodological gap as the study employed survey research design while the current one will use explanatory research design.
Mutinda (2018)	Strategic role of Huduma Centre Initiatives in the provision of public services to Nakuru County, Kenya citizens	A case study design using quantitative approaches in the collection of data	Huduma initiatives have had a substantial impact on the delivery of public services to citizens.	The study presents a contextual gap as the study examined the strategic role of Huduma Centre Initiatives while the current one examines the nexus between tax reforms and TOT compliance
Gotora&Mokaya (2018)	The impact of tax payer education on voluntary tax compliance in Monduli	Data was descriptively analysed using frequencies and figures.	Print and electronic media taxpayer education programmes significantly	The study presents a conceptual gap as it was undertaken in Tanzania while

	District Office, Tanzania			increased voluntary tax compliance	the current study will be undertaken here in Kenya
Gitaru (2017)	Impact of taxpayer education on tax compliance in Kenya among SMEs in Nairobi CBD.	The research employed a descriptive design		Electronic taxpayer education, print media taxpayer education, and stakeholder engagement conducted by KRA and other public education institutions were favorably correlated with tax compliance among the SMEs studied	The study presents a methodological gap as the study targeted SMEs in Nairobi CBD while the current one targets medium-sized food manufacturing firms in Ruiru town.
Aliah (2020)	Role of E-Filing in enhancing the compliance behavior of taxpayers in Malaysia.	Qualitative data was used.		Adoption of e-filing has the potential to boost taxpayer compliance annually	The study presents a conceptual gap as it was undertaken in Malaysia while the current study will be undertaken here in Kenya
Li <i>et al.</i> , (2020)	Whether adoption of advanced information technology is likely to enhance tax compliance in China.	Firm-level data from 2010 to 2017 was used.		Effect operates by strengthening third-party reporting and enhancing tax enforcement capacity in provinces where tax inspectors are lacking	The study presents a conceptual gap as it was undertaken in China while the current study will be undertaken here in Kenya
Ofurum <i>et al.</i> , (2018)	The role of e-taxation on revenue and	Secondary data		Deployment of electronic taxes in	The study presents a methodological

	economic growth in Nigeria.		Nigeria has neither increased revenue, federally collected money, or the tax-to-GDP ratio	gap as the study used secondary data while the current one will use primary data.
Kabaka (2019)	How adoption of I-Tax system in Kenya is affecting the overall tax compliance amongst selected large taxpayers	Primary data was used for analysis.	Tax compliance is also influenced by taxpayer registration, verification, enforcement and reporting	The study is focused on I-Tax system adoption while the current one will focus on various tax reforms.

Source: Researchers, (2023)

2.6 Conceptual Framework

A conceptual framework illustrates the expected relationship between the various research variables. It defines the relevant objectives for a given research process and maps out how they come together to draw coherent conclusions through the use of a diagram. According to Mugenda and Mugenda (2009), a conceptual framework helps the reader to quickly see the proposed relationships between variables in the study. The study will adopt a diagrammatical conceptual framework whereby the three key tax reforms in terms of administrative reforms, taxpayers' education reforms and technological reforms will constitute the independent variables whereas turnover tax compliance will form the dependent variable as indicated in Figure 2.1 below.

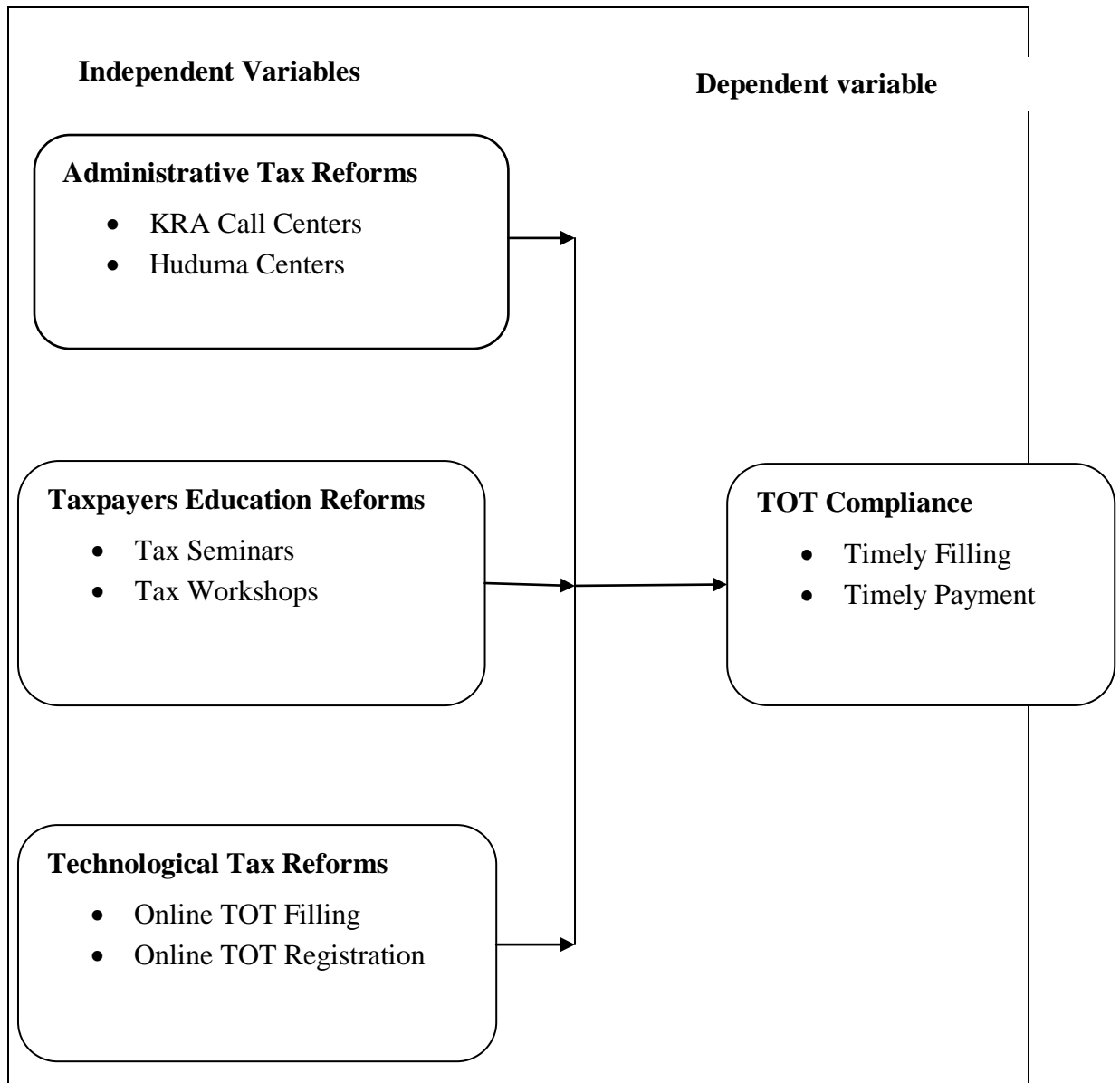


Figure 2. 1: Conceptual Framework

Source: Researcher, (2023)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section illustrates the methodological approach that was applied in the completion of this study. The section is structured into research design, target population, sampling technique and sample size, data collection. Validity and reliability tests, data analysis, model summary, diagnostic tests and ethical considerations.

3.2 Research Design

The research design is the specific plan that a researcher follows/selects in order to accomplish a certain study in a more thorough and in logical manner. In addition, research design involves the overall plan developed by a researcher to complete a study and ensure that all defined objectives and the established research topic are effectively addressed (Siedlecki, 2020). In addition, it includes the researcher's plan for gathering, measuring, and analyzing the available data. Therefore, the study employed an explanatory research design to complete the current study. This is a kind of research design usually aimed at examining what causes something to occur when in presence of limited information. This research design allows for in-depth exploration, clarification, and causal explanations, crucial for unraveling complex relationships within this specific context.

3.3 Target Population

Target population while conducting research is considered as a large group of objects/items that a researcher is investigating based on an already established problem and draws a conclusion upon (Dahabreh & Hernán, 2019). Also, target

population is considered as an entire set of units/items upon which research data is obtained in order to make inferences about the population. Therefore, the target population of the current survey comprised of all registered medium-sized food manufacturing firms in Ruiru, Kenya (Kiambu Business Directory, 2022). The unit of analysis was 200 owners/managers of the medium-sized food manufacturing firms targeted. One owner/manager was selected from each firm, thus, bringing the unit of analysis to 200. The targeted food manufacturing firms are categorized into dairy and meat products sector, bakery goods sector, grain milling sector, beverages sector, and fruits and vegetables processing sector,

3.4 Sampling Technique and Sample Size

3.4.1 Sampling Technique

Sampling method or technique is regarded as a detailed approach that involves selecting or picking a sample as a representative of the larger object for the purposes of inclusion in a study (Etikan & Bala, K. (2017). The sampling technique was adopted in order to avoid bias during data collection and thus giving all selected medium-sized manufacturing firms in Ruiru the same chance of participating in the survey.

3.4.2 Sample Size

Sample size refers to the act of choosing the number of objects to include in the study out of the entire target population so as to include a clear and measurable statistical sample. In research, sample size is very crucial as it allows a researcher to choose a manageable sample from a large target population and be able to make inferences about the entire population based on the observation of the sample (Etikan & Bala, K. (2017). Based on this, the study adopted census method in order to sample all 200

owners/managers of the medium-sized food manufacturing firms targeted in this study. Census approach was adopted since it is possible to study the whole targeted population of 200 owners/managers of the medium-sized food manufacturing firms in Ruiru, Kenya.

3.5 Data Collection Method

The study relied on primary data set that was gathered through the use of structured questionnaire from the selected firms. The reason why the study adopted questionnaire is because it is easy to administer to the participants of the study. Further, this data collection technique was found to be much cheaper and the researcher was able to obtain all the required information within the shortest time possible (Cheung, 2021). The researcher trained two research assistants to assist during data collection process. Drop and pick method of data collection was adopted.

3.6 Operationalization of Variables

Operationalization is the process of associating various study concepts with variables. This procedure involves discovering operations that highlighted values of a studied variable. In other words, operationalization defines concrete observations that are believed to capture empirically a real-world concept.

Table 3. 1 - Operationalization and Measurement of Variables

Variable	Indicators	Source	Measurement Scale	Method of Data Collection	Data Analysis
Administrative Tax Reforms Independent Variable	KRA Call Centers Mobile KRA Stations	Author (2022)	Likert/ordinal	Administering Questionnaires	Descriptive statistics Inferential statistics Multiple regression
Taxpayers Education Reforms Independent Variable	Tax Seminars Tax Awareness	Author (2022)	Likert/ordinal	Administering Questionnaires	Descriptive statistics Inferential statistics Multiple regression
Technological Tax Reforms Independent Variable	Online TOT Filling Online TOT Payment	Author (2022)	Likert/ordinal	Administering Questionnaires	Descriptive statistics Inferential statistics Multiple regression
TOT Compliance Dependent Variable	Timely Filling Timely Payment	Author (2022)	Likert/ordinal	Administering Questionnaires	Descriptive statistics Inferential statistics Multiple regression

Source: Researcher, (2023)

3.7 Pilot Study

Pilot study is the initial study that a researcher normally undertakes in small scale before embarking on the final study later. Usually, a pilot study is done in order to estimate the cost of the anticipated study, problem areas as well as to allow improvement of the study instruments particularly the questionnaire before undertaking the full-scale research (Ismail, Kinchin & Edwards, 2018). For the purpose of this study, researcher conducted a pilot study in 20 medium-sized manufacturing firms in Thika town. The 20 medium-sized food manufacturing firms that were targeted to participate in the pilot study represented 10% of the sampled firms which did not participate in the final study.

According to Ismail, *et al.*, (2018), a 10% of the target population is recommended for the purpose of undertaking a pre-test of the research instruments. The pilot study results aided the researcher in computation of reliability and validity of the questionnaire. The pilot study provided valuable insights into the practical implementation of the research instrument, allowing for identification of ambiguities and refining questions. Adjustments were made based on participant feedback, ensuring the final instrument is clear, relevant, and effective for assessing tax compliance in medium-sized food manufacturing firms.

3.7.1 Validity Test

Once the elements of a questionnaire have been written, the questionnaire must undergo a validation process. On this basis, the questionnaire was assessed to determine its clarity, language appropriateness, and acceptability of the questions it contains. To achieve this, both construct and content validity was assessed (Sürücü & Maslakçi, 2020). Construct validity was carried out in order to determine whether the

questionnaire being used for data collection really represents the things the study aims to explore. This was done by examining the questionnaire to determine whether the various indicators and measurements are well developed based on the relevant existing knowledge about the study. Content on the other hand was carried out in order to measure of how well data collected using the developed questionnaire to represent a specific domain or the substance of the study notion. To achieve this, the researcher sought expert opinions which in this case included research supervisors who guided in the construction of research instruments.

3.7.2 Reliability Test

Cronbach's alpha was used to evaluate the reliability of the questionnaire's measurements (Louangrath&Sutanapong, 2018). In order to accomplish this, the questionnaire was piloted with 20 respondents from medium-sized manufacturing firms around Thika to ensure that it is relevant and effective. These participants and their results were not included in the final study. To test reliability, Cronbach's alpha was calculated. The findings showed Cronbach's alpha coefficients above 0.7 indicating that data instrument is reliable.

3.8 Model Specification

Multiple linear regression model was applied in order to establish the extent to which the independent variables are influenced by the dependent variable as follows:

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

Where:

Y = TOT Compliance

β_0 = Intercept term

X_1 = Administrative Tax Reforms

X_2 = Taxpayers' Education Reforms

X_3 = Technological Tax Reforms

ε
= error term

3.9 Diagnostic Tests

3.9.1 Linearity test

This was checked by plotting residuals values and checking for the spread of residuals around a horizontal line. By examining a normal Predicted Probability (P-P) plot, the researcher determined whether the residuals are normally distributed. Usually when normally distributed, they conform to the diagonal normality line indicated in the plot. In this study, linearity was checked by observing Pearson's correlation values of the predictor variables.

3.9.2 Multicollinearity Test

Multicollinearity occurs when the explanatory variables are highly linked to each other. In this case, an implied assumption is usually made particularly when Ordinary least square technique is being used since in such cases the explanatory variables are not correlated with one another (Mohammadi, 2022). The Multicollinearity rule dictates that if the VIF (Variance Inflation Factor) value lies between 1-10, then there is no multicollinearity, and if the VIF value is less than 1 or greater than 10, then there is multicollinearity.

3.9.3 Factor analysis

Factor analysis should generally be used when trying to identify the underlying associations among a group of variables in a dataset. According to Dennis, (2012), factor analysis is appropriate when a researcher has a large number of variables (measurements) that appear to be related and he or she wants to reduce this large set to a smaller set of interpretable factors. In this study, unweighted least squares approach was used because the measurement variables involved are equally important or equally reliable.

3.9.4 Normality Test

The distribution of the variables under investigation was explained by the normalcy test. A normality test makes it simpler to identify noise and outliers in data (Kwak & Park, 2019). With a significance level of 5%, the Jarque-Berra test was performed to examine if the regression residuals follow a normal distribution under the null hypothesis that they are normally distributed.

3.10 Data Processing and Analysis

Data analysis is viewed as the comprehensive process of cleaning, transforming, and modelling collected data in order to determine its relevance for decision making. It also refers to the process of extracting usable information from raw data, analyzing it, and basing the final choice on the results of the analysis (Sharma, 2018). Before the data is analyzed, its completeness was determined through an examination. Complete data was entered into Statistical Package for the Social Sciences (SPSS) (Version 23.0) for analysis. Both descriptive and inferential statistics was used to analyze the data. The analyzed data was then presented using tables and figures for easier presentation and understanding from potential readers.

3.11 Hypothesis Testing

A hypothesis was tested using regression analysis by ascertaining the independent variables that contribute substantively to the regression model's capability to explain the variability in the dependent variable. Based on this study, the independent variables are administration tax reform, taxpayers' education reform and technological tax reform. These testing are conducted in order to accept or reject the set hypothesis.

Table 3.2 - Hypothesis test criteria

Hypothesis	Objective	P-Value	Decision
H₀₁: Administrative tax reform has no significant effect on turn over tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya	To determine the effect of administrative tax reform on turn over tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya.	P<0.05 P>0.05	Reject Fail to reject
H₀₂: Taxpayers' education reform has no significant effect on turn over tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya.	To determine the effect of taxpayers' education reform on turn over tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya.	P<0.05 P>0.05	Reject Fail to reject
H₀₃: Technological tax reform has no significant effect on turn over tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya.	To establish the effect of technological tax reform on turn over tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya.	P<0.05 P>0.05	Reject Fail to reject

Source: Researcher, (2023)

3.12 Ethical Considerations

Ethical considerations are an integral aspect of any research. The researcher acquired a letter requesting permission to collect study data from the institution and National Commissioner for Science, Technology & Innovation (NACOSTI). Also, prior to the study, the researcher sought the participants' informed consent. Throughout data collection, the researcher ensured that participants were informed of the goal of the study and that the voluntariness of their involvement was emphasized. All participant information obtained by the researcher was kept anonymous and utilized solely for academic purposes related to the current study.

CHAPTER FOUR DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter describes the actual findings as per the feedback from the respondents and which linked them to the objectives of the study. It encompasses the demographic information, descriptive and inferential statistics of the respondents' perceptions on the effects of tax reforms on turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya.

4.2 Demographic Information

4.2.1 SMEs Operational years

The respondents were asked to state the period they have been in business. The findings revealed that majority of them 83(45.6%) have been in business for over 10 years while 58(31.9%) have been in business for a period between 6 to 10 years and 41(22.5%) have been there for less than 5 years. However, taking 10 years as a benchmark, then majority of the SMEs have existed for less than 10 years as shown in figure 4.1 below. Understanding the distribution of business tenure is crucial for analyzing the impact of experience on various aspects like decision-making, performance, and adaptability in the study.

Table 4.1 – SMEs operational years

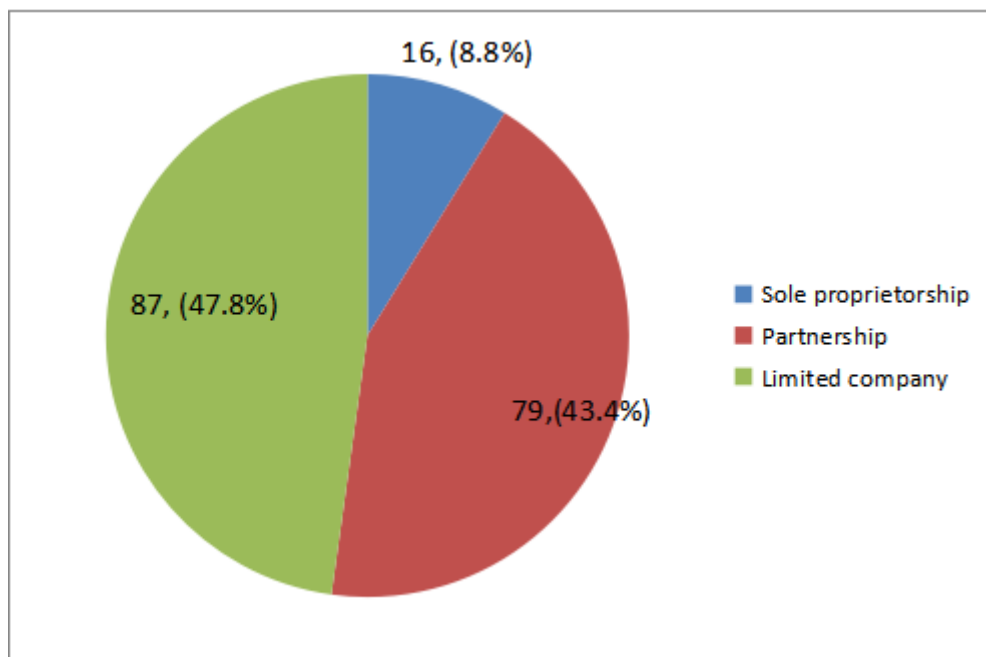
	Frequency	Percentage (%)
0-5 years	41	22.5
6-10 years	58	31.9
Over 10 years	83	45.6
Total	182	100

Source: (Survey data, 2023)

4.2.2 Type of Business

Furthermore, the findings revealed that most of the SMEs in Ruiru town are limited companies 87(47.8%), while 79(43.4%) were partnership or joint ventures and a few 16(8.8%) were sole proprietorship businesses as shown below. Thus, understanding the distribution of business structures is vital for the study, as it can provide insights into factors such as liability, decision-making processes, and potential implications for growth and sustainability.

Figure 4.1 – Type of business



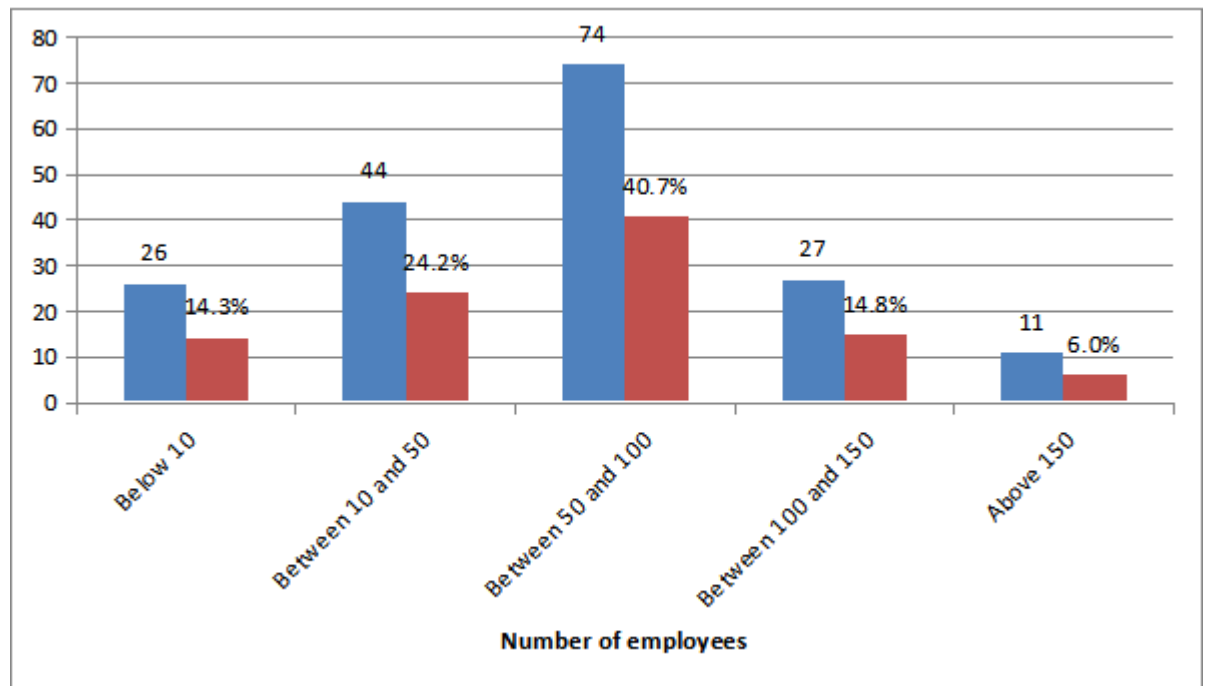
Source: (Survey data, 2023)

4.2.3 Number of employees

Similarly, this study established the number of employees employed by SMEs businesses in Ruiru town. The findings showed that most SMEs 74(40.7%) have employed 50-100 people to support the operations of their businesses, while 44(24.2%) have employed 10-50 employees, 27(14.8%) have employed between 100-150 staff and 26(14.3%) have less than 10 employees, while a few 11(6.0%) have employed above 150 employees as shown in table 4.1 below. Understanding the

distribution of employee numbers is crucial for assessing the scale and impact of SMEs on employment generation and the local economy in the study area.

Figure 4.2 – Number of employees



Source: (Survey data, 2023)

4.3 Statistical assumptions

4.3.1 Linearity test

Linearity test is used to determine whether a given relationship between variables is linear or non-linear. In this study, linearity test helped to assess the validity of the linear relationship in performing regression analysis. Usually, if the correlation coefficient is close to 1, then there is a linear relationship between the variables. In this case, all variables showed coefficients greater than 0.5, showing that there is linear relationship between variables as shown in table 4.2 below.

Table 4.2 – Linearity test

Variables	Pearson Correlation value
Administrative tax reform	0.798
Technological tax reform	0.885
Taxpayer education reform	0.785

Source: (Survey data, 2023)

4.3.2 Normality test

A normality test, also known as a goodness-of-fit test or a test of normal distribution, is a statistical test used to determine whether a given set of data follows a normal distribution. According to Razali and Wah (2011) Shapiro-Wilk is the most powerful normality test and this study adopted it. The findings of the tests are presented in Table 4.3. Usually, Shapiro-Wilk test of less than 0.05 implies that there is significant deviation of data from a normal distribution. The normality results showed that administrative tax reform had p-value $.227 > 0.05$ hence the data is normally distributed. It was also established that the p-value for technological tax reform was $.192 > 0.05$, and taxpayer education reform had p-value of $.181 > 0.05$. Lastly, turnover tax compliance had p-value $.197 > 0.05$. The results of the normality test revealed that the data was normally distributed and hence further analysis was conducted.

Table 4.3 – Normality test

	Shapiro-Wilk test	
	Statistic	Sig.
Administrative tax reform	0.719	.227
Technological tax reform	0.617	.192
Taxpayer education reform	0.622	.181
Turnover Tax Compliance	0.841	.197

Source: (Survey data, 2023)

4.3.3 Multicollinearity

Multicollinearity refers to a situation in which two or more predictor variables in a regression model are highly correlated with each other. Multicollinearity increases the standard errors of the coefficients and thus makes some variables statistically not significant while they should otherwise be significant (Osborne and Waters, 2014). In this study, multicollinearity was tested and both Tolerance and Variance Inflation Factors (VIF) observed. Tolerance values indicate how much of the variation in a predictor is explained by other variables in the model. Values closer to zero indicate high multicollinearity in the model, while values closer to one indicate low multicollinearity. VIF values indicate the magnitude of the multicollinearity and VIF values of above 10 indicate that there is a serious multicollinearity problem in the model. In this case, there is no multicollinearity as shown in table 4.4 below.

Table 4.4 - Multicollinearity test

Model	Collinearity Statistics	
	Tolerance	VIF
Administrative tax reform	0.822	1.216
Technological tax reform	0.811	1.233
Taxpayer education reform	0.983	1.018
Turnover Tax Compliance	0.872	1.964

Source: (Survey data, 2023)

4.3.4 Factor analysis

Factor analysis is a statistical test which is used to identify the underlying relationships among a set of variables or features. It explores the significance of underlying relationships between a set of variables, in order to reduce their dimensionality (Dennis, 2012). It is also used to explain the correlation among variables and determine what kind of underlying structure lies beneath a set of variables. Tables 4.5 below show the factor loading for each item, and they are sorted per variable. Usually, any item that fails to meet the criteria of having a factor loading value of greater than 0.5 and loads on one and only one factor will be dropped from the study (Liao *et al.*, 2007).

The findings below show that items clustered into three components: Factor 1 (administrative tax reforms), Factor 2 (technological tax reforms), and Factor 3 (taxpayers' education reforms). Factor loadings are a measure of the correlation between the observed variables and factors. From the findings below all the factor loadings are greater than 0.5 implying that the variables are useful indicators that can measure or predict the underlying factor. Similarly, the eigenvalue for each factor is greater than 1.0 (6.132, 5.117, 5.418), which implies that each factor can explain more variance than a single variable. Based on the above results, the construct validity is established according to Rojano-Delgado *et al.* (2020).

Table 4.5 – Factor matrix

Factor Matrix^a			
Variable	Scale items	Factor loading	Eigen Values
Administrative tax reforms	Administrative reforms have enabled the business to access KRA tax services easily through the agency call centers and Huduma Center based services.	.614	6.132
	Reforms have made it possible for emergency TOT queries to be answered courtesy of KRA call centers.	.936	
	Strict tax clearance certificate requirement has enhanced our overall TOT compliance.	.921	
	Administrative instituted reforms have increased our TOT understanding to a greater extent.	.722	
	Administrative reforms have made it possible to easily access KRA TOT services from local cyber cafes whenever necessary.	.695	
Technological tax reforms	Online filling of our firm TOT via the I-Tax system has reduced the overall time taken to comply with the KRA legislation	.792	5.117
	Technological reforms have enabled the enterprise to make changes to our firm TOT details whenever necessary without visiting KRA centers.	.896	
	Technological reforms have eased the way in which we pay our TOT to KRA due to the adoption of mobile money payments.	.845	
	Technological reforms have greatly affected the transparency level of our business.	.823	
	This enterprise has had minimal direct contact with the tax officers since the adoption of I-Tax system.	.931	
Taxpayer education reform	As an enterprise, we have been made aware that there is a helpdesk at KRA offices and Huduma Centre that we can approach to provide assistance when we encounter tax compliance difficulties.	.911	5.418
	As an enterprise, we have been trained by KRA on how to comply with tax laws.	.715	
	As an enterprise, we have received the necessary tax compliance technical support from KRA officers.	.877	
	Taxpayer sensitization has played a vital role in changing our attitude towards paying taxes as an enterprise.	.812	
	Our staff have attended KRA tax summits where enterprises have a chance to air their grievances and make suggestions on service improvement.	.912	

Source: (Survey data, 2023)

4.4 Descriptive tests

Descriptive analysis was used to shed light on the opinions and perception of the participants on study issues as elaborated below.

4.4.1 Administrative Reforms

This study sought to determine the effect of administrative tax reform on turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya. The descriptive results below provide insights into respondents' perceptions regarding the impact of administrative reforms on accessing KRA tax services and their overall Turnover Tax (TOT) compliance. The findings showed that administrative reforms have enabled most SMEs to access KRA tax services easily through the agency call centers and Huduma Center based services (Mean=3.8, Std. Dev.=0.8), and have made it possible for emergency TOT queries to be answered courtesy of KRA call centers (Mean=3.8, Std. Dev.=0.8). Furthermore, results revealed that administrative instituted reforms have increased SMEs TOT understanding to a greater extent (Mean=4.1, Std. Dev. =1.0) and made it possible to easily access KRA TOT services from local cyber cafes whenever necessary (Mean=4.0, Std. Dev. =1.0), and strict tax clearance certificate requirement has enhanced our overall TOT compliance (Mean=3.6, Std. Dev. =0.9) as shown in table 4.6 below.

The results as shown above, the mean ratings range from 3.6 to 4.1, suggesting a generally positive outlook toward the reforms' effectiveness. A mean of 3.9 for the aggregate score indicates an overall moderate positive sentiment among respondents. The skewness values (-0.9 to 0.3) suggest a slight leftward skew in some responses, which means there may be a few outliers or respondents with more negative views on the impact of reforms. The negative kurtosis values (-0.8 to -0.1) suggest a flatter distribution than a normal curve, meaning that responses are less extreme and tend to

cluster around the mean. However, there are no indications of any significant outliers or extreme responses. Generally, these results have shown positive perception of the reforms' effect on tax service accessibility and TOT compliance.

Table 4.6 - Administrative Reforms

	Mean	Std. Dev.	Skewness	Kurtosis	Sample (N)
Administrative reforms have enabled the business to access KRA tax services easily through the agency call centers and Huduma Center based services.	3.8	.8	-.5	-.9	182
Reforms have made it possible for emergency TOT queries to be answered courtesy of KRA call centers.	3.9	.7	.1	-.3	182
Strict tax clearance certificate requirement has enhanced our overall TOT compliance.	3.6	.9	.3	-.8	182
Administrative instituted reforms have increased our TOT understanding to a greater extent.	4.1	1.0	-.8	-.3	182
Administrative reforms have made it possible to easily access KRA TOT services from local cyber cafes whenever necessary.	4.0	1.0	-.9	-.1	182
Aggregate Mean & Std Dev.	3.9	.9			

Source: (Survey data, 2023)

4.4.2 Technological tax reforms

Furthermore, this study sought to determine the effect of Technological tax reform on turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya. The results indicated that online filling of TOT via the I-Tax system has reduced the overall time taken to comply with the KRA legislation (Mean=3.9, Std. Dev.=1.0), and that technological reforms have enabled the enterprise to make changes to SMEs' TOT details without visiting KRA centers (Mean=3.8, Std. Dev.=1.0).

Moreover, findings showed that technological reforms have greatly affected the transparency level of SMEs businesses (Mean=4.3, Std. Dev.=0.9) and has yielded minimal direct contact with the tax officers since the adoption of I-Tax system (Mean=4.4, Std. Dev.=0.9). However, it was uncertain to establish whether technological reforms have eased the way payment of TOT to KRA is one due to the adoption of mobile money payments (Mean=3.4, Std. Dev.=1.1) as shown in table 4.7 below.

From the above findings, the mean ratings range from 3.4 to 4.4, indicating a generally positive outlook toward the effectiveness of the technological reforms. The standard deviations (ranging from 1.0 to 1.1) suggest a moderate level of variability in responses. This indicates that while the majority of respondents perceive the effect of technological reforms similarly, there is some diversity in opinions. The negative skewness values (-1.1 to -0.5) indicate a leftward skew in some responses, which means there are a few respondents with more negative views on the impact of the reforms.

On the other hand, the positive kurtosis values (0.4 to 1.0) suggest a relatively peaked distribution, indicating that respondents tend to give responses closer to the mean. Generally, the overall positive means ratings indicate that the majority of respondents find the technological reforms beneficial for their TOT compliance processes. The adoption of online filling, mobile money payments, and reduced direct contact with tax officers are seen as advantageous changes. The findings suggest that the technological reforms have positively influenced various aspects of the firm's tax compliance and transparency level.

Table 4.7 - Technological tax reforms

	Mean	Std. Dev.	Skewness	Kurtosis	Sample (N)
Online filling of our firm TOT via the I-Tax system has reduced the overall time taken to comply with the KRA legislation	3.9	1.0	-1.1	1.0	182
Technological reforms have enabled the enterprise to make changes to our firm TOT details whenever necessary without visiting KRA centers.	3.8	1.0	-.6	-.6	182
Technological reforms have eased the way in which we pay our TOT to KRA due to the adoption of mobile money payments.	3.4	1.1	-.5	-.7	182
Technological reforms have greatly affected the transparency level of our business.	4.3	.9	-.6	-.1	182
This enterprise has had minimal direct contact with the tax officers since the adoption of I-Tax system.	4.4	.9	-.9	.4	182
Aggregate Mean & Std Dev.	4.0	1.0			

Source: (Survey data, 2023)

4.4.3 Taxpayer education reforms

This study sought to establish the effect of taxpayer's education reform on turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya. The findings revealed many SMEs have been made aware about the helpdesk at KRA offices and Huduma Centre that they can approach to provide assistance when they encounter tax compliance difficulties (Mean=3.7, Std. Dev.=1.1), and that they have been trained by KRA on how to comply with tax laws (Mean=3.8, Std. Dev.=1.0) and received the necessary tax compliance technical support from KRA officers (Mean=3.9, Std. Dev.=1.1). It was further established that staff of many SMEs have attended KRA tax summits where enterprises have a chance to air their grievances and make suggestions on service improvement (Mean=4.0, Std. Dev.=1.1), however, it was not clear whether taxpayer sensitization has played a vital role in changing our attitude towards paying taxes as an enterprise (Mean=3.4, Std. Dev.=1.1) as shown in table 4.8 below.

From the findings, the mean ratings range from 3.4 to 4.0, indicating a generally moderate to positive outlook toward the services and support provided by the KRA. The standard deviations (all at 1.1) suggest a moderate level of variability in responses. This indicates that while the majority of respondents perceive the support and services similarly, there is some diversity in opinions among the enterprise members. The negative skewness values (-0.8 to -0.3) indicate a leftward skew in some responses, suggesting that a few respondents have more negative views regarding tax compliance assistance and training received from KRA.

The negative kurtosis values (-0.9 to 0.1) suggest a relatively flat distribution, indicating that responses are less extreme and tend to cluster around the mean. This means that there are no significant outliers or extreme responses in the data. In

general, SMEs perceives the services and support from KRA in a positive light, but with some variation in responses. The moderate standard deviations and relatively flat distribution imply that while there is consensus on certain aspects, there are differing opinions on others. The data suggests that being made aware of the helpdesk at KRA and Huduma Centre, receiving training on tax compliance, and attending tax summits have been beneficial for the enterprise's tax compliance attitude and understanding.

Table 4.8 – Taxpayer education reforms

	Mean	Std. Dev.	Skewness	Kurtosis	Sample (N)
As an enterprise, we have been made aware that there is a helpdesk at KRA offices and Huduma Centre that we can approach to provide assistance when we encounter tax compliance difficulties.	3.7	1.1	-.8	.0	182
As an enterprise, we have been trained by KRA on how to comply with tax laws.	3.8	1.0	-.8	.1	182
As an enterprise, we have received the necessary tax compliance technical support from KRA officers.	3.9	1.1	-.5	-.7	182
Taxpayer sensitization has played a vital role in changing our attitude towards paying taxes as an enterprise.	3.4	1.1	-.3	-.7	182
Our staff have attended KRA tax summits where enterprises have a chance to air their grievances and make suggestions on service improvement.	4.0	1.1	-.6	-.9	182
Aggregate Mean & Std Dev.	3.8	1.1			

Source: (Survey data, 2023)

4.5 Inferential tests

4.5.1 Pearson's Correlation Coefficient

Pearson correlation coefficient (r) was used to assess strength of association between the study variables. A correlation coefficient enables the researcher to quantify the strength of the linear relationship between two ranked or numerical variables (Smith, 2010). Correlation analysis measures the degree of relationship between variables. Pearson correlation analysis was used to analyze the relationship between study variables. The table 4.8 below presents the results of the correlation analysis. The results presented shows that administrative tax reforms are positively and significantly associated with turnover tax compliance ($r=0.307$ and $p=0.000<0.05$). Similarly, results showed that technological tax reforms are positively and significantly associated with turnover tax compliance ($r= 0.135$ and $p=0.000<0.040$). Further, results show that to a small extent taxpayer tax reforms is positively associated with turnover tax compliance ($r=0.022$ and $p=0.772>0.05$), however, the relationship is not significant at all as shown in table 4.9 below.

Table 4.9 – Pearson's correlation coefficient

		Administrat ive tax reforms	Technological tax reforms	Taxpayer tax reforms	Turnover tax compliance
Administrative tax reforms	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	182			
Technological tax reforms	Pearson Correlation	.418	1		
	Sig. (2-tailed)	.000			
	N	182	182		
Taxpayer tax reforms	Pearson Correlation	.004	.118	1	
	Sig. (2-tailed)	.957	.114		
	N	182	182	182	
Turnover tax compliance	Pearson Correlation	.307**	.135**	.022	1
	Sig. (2-tailed)	.000	.040	.772	
	N	182	182	182	182

** . Correlation is significant at the 0.05 level (2-tailed).

Source: (Survey data, 2023)

4.5.2 Regression test

Regression is a statistical method used to model the relationship between a dependent variable and one or more independent variables. It assumes a linear relationship between the variables, meaning that changes in the independent variables are linearly related to changes in the dependent variable. The goal of direct linear regression is to estimate the regression coefficients, also known as the slope coefficients that represent the change in the dependent variable for a unit change in each independent variable, while accounting for the error or residual term.

From the results in table 4.10 below, R value is 0.308, R-square value is 0.095 while the adjusted R-squared value is 0.080 represents the proportion of the variance in the dependent variable that is explained by the independent variables in the model. Here, approximately 8.0% of the variation in the dependent variable can be explained by the independent variables; this implies that holding all other factors constant, the predictors (Taxpayer tax reforms, Administrative tax reforms, Technological tax reforms), influences turnover tax compliance by 8% as shown in table 4.10 below.

Table 4.10 – Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.308 ^a	.095	.080	.07090

a. Predictors: (Constant), Taxpayer education tax reforms, Administrative tax reforms, Technological tax reforms

Source: (Survey data, 2023)

4.5.3 ANOVA

The ANOVA statistics shows the results of the analysis of variance, which assesses the significance of the regression model as a whole. The F-statistic is 6.231 tests the overall significance of the regression model. A larger F-value suggests a stronger relationship between the dependent variable and the independent variables. The significance value (p-value =0.000) represents the p-value associated with the F-statistic. In this case, the p-value is less than the chosen significance level (usually 0.05), indicating that the regression model is statistically significant as shown in table 4.11 below.

Table 4.11 - ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.094	3	.031	6.231	.000 ^a
	Residual	.895	178	.005		
	Total	.989	181			

a. Predictors: (Constant), Taxpayer tax reforms, Administrative tax reforms, Technological tax reforms

b. Dependent Variable: Turnover tax compliance

Source: (Survey data, 2023)

4.5.4 Regression Coefficient

Regression coefficients show the strength of the relationship between a predictor variable and the predicted variable in a regression model. The coefficient for each predictor variable indicates the direction and magnitude of the effect of that independent variable has on the dependent variable. In this study, the regression coefficient for administrative tax reform is ($\beta = 0.353$, $p = 0.000 < 0.05$), showing that administrative tax reform influences turnover tax compliance of SMEs by 35.3%, this

is a moderate effect. Similarly, the obtained regression coefficient for technological tax reforms is ($\beta = 0.195$, $p=0.025<0.05$), showing technological tax reforms influences turnover tax compliance of SMEs by 19.5%; this is a low effect. Furthermore, the regression coefficient for taxpayer's education reforms is ($\beta = 0.014$, $p=0.756>0.05$) showing that to a very little extent taxpayer tax reforms influences turnover tax compliance of SMEs by 1.4%, as shown in table 4.12.

Table 4.12 - Coefficients

Model	Unstandardized		Standardized		
	Coefficients		Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	.820	.122		6.711	.000
Administrative tax reforms	.353	.091	.306	3.887	.000
Technological tax reforms	.195	.078	.198	2.512	.025
Taxpayer education tax reforms	.014	.045	.022	.311	.756

a. Dependent Variable: Turnover tax compliance

Source: (Survey data, 2023)

4.6 Hypothesis testing

The hypothesis test results are based on examining the effect of different tax reforms on turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya. In hypothesis testing, the null hypothesis (H_0) represents the statement of no effect, while the alternative hypothesis (H_a) suggests that there is an effect.

For H_{01} , which tests the impact of administrative tax reform on turnover tax compliance, the p-value is extremely low (0.000). This indicates that the probability of observing such a significant effect due to random chance is extremely unlikely. Therefore, the null hypothesis (H_{01}) is rejected, suggesting that administrative tax reform does have a significant effect on turnover tax compliance among medium-

sized food manufacturing firms in Ruiru, Kenya. In other words, there is evidence to support the claim that administrative tax reform has a notable impact on improving compliance levels.

Moving on to H02, which assesses the impact of technological tax reform on turnover tax compliance, the p-value is 0.025. Although this p-value is not as low as in H01, it is still less than the commonly used significance level (usually 0.05). As a result, the null hypothesis (H02) is also rejected. This finding indicates that technological tax reform has a significant effect on turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya. In other words, the adoption of technological advancements in the tax system has been beneficial in improving compliance levels.

Lastly, H03 tests the impact of taxpayers' education reform on turnover tax compliance. The p-value for H03 is 0.756, which is higher than the significance level of 0.05. Thus, in this case, the null hypothesis (H03) is not rejected. The results suggest that taxpayers' education reform does not have a significant effect on turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya. This implies that while education may be valuable for other aspects, it may not have a considerable impact on turnover tax compliance in this particular context.

Thus, the hypothesis test results indicate that both administrative and technological tax reforms have significant effects on improving turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya as shown in table 4.13 below. However, taxpayers' education reform, as currently implemented, does not seem to have a significant effect on compliance levels. These findings have important implications for policymakers and tax authorities in understanding the effectiveness of different reform strategies to encourage tax compliance in this specific sector.

Table 4.13 – Hypothesis testing

Hypothesis	B values	P-value	Decision
H₀₁ - Administrative tax reform has no significant effect on turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya	0.353	0.000	Reject H ₀₁
H₀₂ - Technological tax reform has no significant effect on turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya	0.195	0.025	Reject H ₀₂
H₀₃ - Taxpayers' education reform has no significant effect on turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya	0.014	0.756	Fail to reject H ₀₃

Source: (Survey data, 2023)

4.8 Discussion of the findings

Tax compliance is crucial for any economy to sustain revenue collection and meet public expenditure needs. Governments often introduce tax reforms to enhance compliance among businesses. The results of this study indicate that administrative tax reforms have significant effects on improving turnover tax compliance among medium-sized food manufacturing firms. The findings concurred with those of Gómez-Boix *et al.* (2018) who conducted a study in a Latin American country, to analyze the impact of administrative tax reforms on turnover tax compliance among small and medium-sized enterprises (SMEs).

Their results indicated a significant improvement in compliance rates after the implementation of streamlined tax procedures and simplified reporting requirements. Similarly, Correia and Santos (2017) examined tax reforms' effects on turnover tax

compliance among micro-enterprises in Africa. They found that simplifying the tax code and providing incentives for voluntary compliance significantly improved tax compliance rates among these small businesses.

Additionally, this study established that technological tax reforms have significant effects on improving turnover tax compliance among medium-sized food manufacturing firms. This is affirmed by Bergman and Nevarez (2020) who investigated the effects of technological tax reforms on turnover tax compliance for e-commerce businesses. Their research highlighted that the introduction of a digital tax platform enhanced compliance by facilitating real-time reporting and reducing errors in tax declarations. Zhao *et al.* (2019) in their research in an emerging market economy examined the effects of digital tax information sharing reforms on turnover tax compliance among supply chain businesses. The study found that improved digital information sharing between tax authorities and businesses resulted in an increased compliance due to reduced information asymmetry and increased accountability.

Therefore, the findings in this study demonstrate the importance of tax reforms in influencing turnover tax compliance across diverse economic sectors. Administrative and technological tax reforms have shown to be particularly effective in enhancing compliance rates among SMEs businesses. However, taxpayers' education reform may yield varied results, depending on the target audience and the implementation strategy. Policymakers and tax authorities can draw valuable insights from these findings to design and implement effective tax reform strategies that foster better compliance among turnover tax-paying entities.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings in line with the specific objectives of the study, conclusions drawn and recommendations made for the study including suggested areas of further study to enrich relevant knowledge under the study.

5.2 Summary of Findings

Understanding the impact of different tax reforms on compliance behavior is essential for policymakers and tax authorities to design effective strategies that foster voluntary compliance among businesses. The main objective of this study was to determine the effects of tax reforms on turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya. Tax reforms play a crucial role in supporting the growth and sustainability of Small and Medium-sized Enterprises (SMEs). These reforms are essential in creating a conducive business environment, improving compliance, and fostering economic development.

This study sought to determine the effect of administrative tax reform on turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya. The descriptive results revealed the positive perceptions of medium-sized food manufacturing firms in Ruiru, Kenya, regarding the effect of administrative tax reforms on turnover tax compliance. The majority of respondents found that the reforms facilitated easy access to KRA tax services through call centers and Huduma Centers, with emergency queries being promptly addressed. Additionally, the reforms led to an enhanced understanding of TOT and improved access to tax services from local cyber cafes. The overall mean ratings (ranging from 3.6 to 4.1) indicate a

favorable outlook toward the effectiveness of the reforms. In general, the findings demonstrate the significance of administrative tax reforms in enhancing tax service accessibility and turnover tax compliance among these firms. Correlation results showed that administrative tax reform is positively and significantly associated with turnover tax compliance ($r=0.307$ and $p=0.000<0.05$).

Secondly, this study sought to establish the effect of technological tax reform on turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya. The introduction of online filing through the I-Tax system has significantly reduced the time taken to comply with tax legislation. Technological reforms have also allowed enterprises to make changes to their TOT details without visiting KRA centers, positively influencing transparency levels and reducing direct contact with tax officers. While there was uncertainty regarding the ease of payment through mobile money, the overall mean ratings (ranging from 3.4 to 4.4) indicate a favorable outlook toward the effectiveness of technological reforms. The findings demonstrate that these reforms have positively influenced various aspects of tax compliance and transparency levels for the firms. Correlation results showed that technological tax reform is positively and significantly associated with turnover tax compliance ($r=0.135$ and $p=0.000<0.040$).

Thirdly, this study sought to determine the effect of taxpayers' education reform on turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya. The results indicate that many SMEs are aware of the helpdesk at KRA offices and Huduma Centre, where they can seek assistance for tax compliance difficulties. They have also received training and technical support from KRA officers. Additionally, staff from many SMEs has attended tax summits to provide feedback for service improvement. However, the study did not establish a clear link

between taxpayer sensitization and attitude change towards tax payment. Overall, the mean ratings (ranging from 3.4 to 4.0) suggest a moderate to positive outlook on the support provided by KRA. While responses vary, the majority perceive the services positively. The findings highlight the importance of KRA's support and training in fostering a positive tax compliance attitude among medium-sized food manufacturing firms. However, correlation results indicated that to a small extent taxpayer tax reforms is positively associated with turnover tax compliance ($r=0.022$ and $p=0.772>0.05$), however, the relationship is not significant at all.

Regression analysis established that approximately 8.0% of the variation in the dependent variable can be explained by the independent variables; this implies that holding all other factors constant, the predictors (Taxpayer tax reforms, Administrative tax reforms, Technological tax reforms), influences turnover tax compliance by 8%. The significance value ($p\text{-value} = 0.000$) represents the p -value associated with the F -statistic. In this case, the p -value is less than the chosen significance level (usually 0.05), indicating that the regression model is statistically significant. More so, the regression results showed that administrative tax reform influences turnover tax compliance of SMEs by 35.3%. Similarly, it was established that technological tax reforms influence turnover tax compliance of SMEs by 19.5%, and to a very little extent taxpayer tax reforms influences turnover tax compliance of SMEs by 1.4%. This implies that there are other factors that influence turnover tax among medium-sized food manufacturing firms in Ruiru, Kenya.

The hypothesis test results show that administrative and technological tax reforms significantly improve turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya. However, taxpayers' education reform did not have a significant impact on compliance levels. The p -values for H01 and H02 were

extremely low (0.000 and 0.025, respectively), leading to the fail to accept of the null hypotheses. On the other hand, the p-value for H03 was 0.756, indicating no significant effect and resulting in the acceptance of the null hypothesis. Policymakers and tax authorities can use these findings to implement effective reform strategies to encourage tax compliance in the sector.

5.3 Conclusion

This study highlighted the relevance of tax reforms as a significant factor influencing turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya. Notably, the study identified two specific types of tax reforms, namely administrative tax reforms and technological tax reforms, which demonstrated a substantial impact on tax compliance. Both of these factors played a crucial role in shaping the firms' compliance behavior and collectively influenced turnover tax compliance. The implementation of administrative tax reforms was found to have a considerable variance on tax compliance, indicating that the changes in administrative procedures and processes significantly affected firms' adherence to tax regulations. Similarly, technological tax reforms showed a significant variance in compliance, implying that the adoption of technology-based solutions and platforms had a notable effect on improving firms' tax compliance practices.

On the other hand, taxpayer tax reforms did not exhibit a significant effect on compliance, suggesting that the changes in tax incentives or benefits provided to taxpayers had limited influence on turnover tax compliance. Nevertheless, even though taxpayer tax reforms showed a minimal influence, it is essential to consider the cumulative impact of all these reform types on the overall compliance behavior of medium-sized food manufacturing firms in Ruiru. These findings shed light on the

specific areas of tax reforms that can be targeted for more effective compliance outcomes and provide valuable insights for policymakers and tax authorities to design tailored strategies to enhance tax compliance within the sector.

Based on the hypothesis test results, the study confirms that administrative and technological tax reforms have a significant positive impact on turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya. On the other hand, taxpayers' education reform did not show a significant effect on compliance levels. Thus, it can be concluded that policymakers and tax authorities can use the insights from this study to implement effective reform strategies that encourage higher levels of tax compliance in the food manufacturing sector. By focusing on administrative and technological tax reforms, which have been shown to have a significant impact on compliance, tax authorities can design and implement policies and initiatives that encourage businesses to comply with their turnover tax obligations.

The study's value lies in shedding light on the specific factors that influence turnover tax compliance among medium-sized food manufacturing firms in Ruiru, Kenya. By understanding the significant impact of administrative and technological tax reforms, policymakers and tax authorities can develop targeted interventions and initiatives to improve compliance rates in this sector. Moreover, the study highlights the importance of differentiating between various tax reform measures and their varying effects on compliance behavior.

It adds to the understanding of the factors that drive tax compliance in the specific context of medium-sized food manufacturing firms in Ruiru, Kenya, and it offers a foundation for further research in this area. Policymakers can use these findings to design evidence-based tax policies and strategies that foster greater compliance,

leading to increased revenue collection and more effective tax administration. Ultimately, the study's implications can contribute to the broader goal of promoting sustainable economic growth and development in the region.

5.4 Recommendations

Based on the findings of this study, several practice and policy recommendations can be made:

5.4.1 Practice Recommendations

First, Medium-sized food manufacturing firms in Ruiru should invest in ongoing taxpayer education programs for their employees responsible for tax compliance. These programs should focus on keeping tax staff informed about changes in tax laws and regulations resulting from the implemented reforms. Ensuring that employees are well-informed can lead to better compliance and fewer inadvertent errors.

Secondly, firms should explore the adoption of digital tax compliance solutions and leverage technology to streamline their tax processes. This includes using tax software for record keeping, filing, and payment, which can enhance accuracy and reduce the likelihood of errors. Companies should also invest in employee training to ensure they are proficient in using these technologies effectively.

Thirdly, Medium-sized food manufacturing firms should maintain meticulous and up-to-date financial records. Robust record-keeping practices can facilitate efficient compliance with turnover tax regulations and minimize the risk of non-compliance. Firms should implement standardized record-keeping procedures to ensure consistency.

5.4.2 Policy Recommendations

First, the Kenyan government should continue its efforts to provide support and resources to tax authorities for the effective implementation of tax reforms. Adequate staffing and training for tax officials are essential to ensure that the reforms are enforced consistently and fairly.

Secondly, policymakers should consider tailoring tax policies to be more SME-friendly. This includes simplifying turnover tax regulations, reducing tax rates where possible, and providing incentives for the adoption of technology in tax compliance. Such policies can encourage voluntary compliance among medium-sized food manufacturing firms.

Thirdly, tax authorities should establish mechanisms for regular feedback from taxpayers, including medium-sized businesses. This can help identify challenges and bottlenecks in the tax compliance process and inform future reform efforts. Additionally, tax agencies can use this feedback to provide better guidance and support to taxpayers.

Lastly, continuous monitoring and evaluation of the impact of tax reforms on compliance should be conducted. Tax authorities should regularly assess the effectiveness of the implemented reforms in achieving their intended objectives and make necessary adjustments based on the findings.

5.5 Limitation of the study

This study incurred limitations which included potential sample bias, limited generalizability, and data reliability issues. To address sample bias, the researcher ensured good representation of sample by employing random sampling techniques and ensuring that the selected firms adequately represented the population of medium-

sized food manufacturers in Ruiru. To improve generalizability, the researcher considered conducting a multi-site study in Ruiru to capture a broader perspective of tax compliance effects. Data reliability issues were mitigated by employing rigorous data collection methods. Additionally, employing quantitative findings enhanced the study's robustness. Finally, the researcher acknowledged the limitations transparently in their research report and provided a clear context for interpreting the study's results.

5.6 Areas of further research

The study results suggest several avenues for further research to deepen comprehension of turnover tax compliance in medium-sized food manufacturing firms in Ruiru, Kenya.

Firstly, investigating additional factors influencing compliance, such as economic conditions, cultural elements, and awareness of tax regulations among SMEs, is essential, given that only 18.0% of compliance variation was explained by the three identified variables.

Longitudinal studies over an extended period can provide valuable insights into compliance dynamics, uncovering trends and assessing the sustainability of tax reforms' impact. Incorporating qualitative methods, like interviews or focus groups, complements quantitative findings by offering a nuanced understanding of challenges and motivations affecting compliance.

Comparative studies, examining turnover tax compliance in Ruiru against similar businesses globally, can provide cross-jurisdictional insights. The qualitative aspect is highlighted as crucial in capturing SME owners' and tax authorities' perspectives. Addressing these research areas can refine strategies, fostering voluntary tax compliance in medium-sized food manufacturing firms in Ruiru, Kenya.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

Section A: General Information of Respondents

SMEs Operational Years

0 to 5 Years [] 6 to 10 Years []

Above 10 Years []

Type of the Business

Sole Proprietorship [] Partnership []

Limited Company []

Number of Employees

Below 10 [] Between 10 and 50 []

Between 50 and 100 [] Between 100 and 150 []

Above 150 []

Section B: Administrative Reform and Turnover Tax Compliance

Kindly indicate the extent to which you agree with the following statements regarding the effect of administrative reform on TOT compliance among medium-sized food manufacturing firms in Ruiru, Kenya using a scale of 1-5, where (1-Not at all, 2-small extent, 3-moderate extent, 4-large extent and 5- very large extent).

Statements	1	2	3	4	5
Administrative reforms have enabled the business to access KRA tax services easily through the agency call centers and Huduma Center based services.					
Reforms have made it possible for emergency TOT queries to be answered courtesy of KRA call centers.					
Strict tax clearance certificate requirement has enhanced our overall TOT compliance.					
Administrative instituted reforms have increased our TOT understanding largely.					
Administrative reforms have made it possible to easily access KRA TOT services from local cyber cafes whenever necessary.					

Section C: Technological Reforms and Turnover Tax Compliance

Kindly indicate the extent to which you agree with the following statements regarding the effect of technological reforms on TOT compliance among medium-sized food manufacturing firms in Ruiru, Kenya using a scale of 1-5, where (1-Not at all, 2-small extent, 3-moderate extent, 4-large extent and 5- very large extent).

Statements	1	2	3	4	5
Online filling of our firm TOT via the I-Tax system has reduced the overall time taken to comply with the KRA legislation					
Technological reforms have enabled the enterprise to make changes to our firm TOT details whenever necessary without visiting KRA centers.					
Technological reforms have eased the way in which we pay our TOT to KRA due to the adoption of mobile money payments.					
Technological reforms have greatly affected the transparency level of our business.					
This enterprise has had minimal direct contact with the tax officers since the adoption of I-Tax system.					

Section D: Taxpayers Education Reforms and Turnover Tax Compliance

Kindly indicate the extent to which you agree with the following statements regarding the effect of taxpayer's education on TOT compliance among medium-sized food manufacturing firms in Ruiru, Kenya using a scale of 1-5, where (1-Not at all, 2-small extent, 3-moderate extent, 4-large extent and 5- very large extent).

Statements	1	2	3	4	5
As an enterprise, we have been made aware that there is a helpdesk at KRA offices and Huduma Centre that we can approach to provide assistance					

when we encounter tax compliance difficulties.					
As an enterprise, we have been trained by KRA on how to comply with tax laws.					
As an enterprise, we have received the necessary tax compliance technical support from KRA officers.					
Taxpayer sensitization has played a vital role in changing our attitude towards paying taxes as an enterprise.					
Our staff have attended KRA tax summits where enterprises have a chance to air their grievances and make suggestions on service improvement.					

Section E: Tax Reforms and Turnover Tax Compliance

Kindly indicate the extent to which you agree with the following statements regarding the effect of tax reforms on TOT compliance among medium-sized food manufacturing firms in Ruiru, Kenya using a scale of 1-5, where (1-Not at all, 2-small extent, 3-moderate extent, 4-large extent and 5- very large extent).

Statements	1	2	3	4	5
TOT filling procedure imposed by KRA is very complex					
Cases of TOT evasion has significantly reduced since the inception of various tax reforms					
Tax reforms has played a significant role in enforcing TOT compliance					
TOT filling procedure imposed by KRA is least complex					
TOT revenue collection has been enhanced since the introduction of the tax reforms					

Thank you....

APPENDIX II-KESRA RESEARCH AUTHORITY



**KENYA REVENUE
AUTHORITY**

ISO 9001:2015 CERTIFIED

PUBLIC

KENYA SCHOOL OF REVENUE ADMINISTRATION

REF: KESRA/NBI/036

3rd July 2023

TO: WHOM IT MAY CONCERN

Dear Sir/Madam,

**RE: REQUEST FOR ASSISTANCE TO VIRGINIAH WAMBUI MWANGI OF
REGISTRATION NO.: KESRA105/0025/2021 UNDERTAKING MASTERS AT
KESRA**

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

The named student is undertaking Research on TOPIC: *"Effects of tax reforms on turnover tax compliance among medium sized food manufacturing firms n Ruiru, Kenya."*

The purpose of this letter is to request for your kind facilitation in enabling the student progress in her research project by allowing access to any relevant information and/or conduct interviews, which are relevant to the project.

Your support to the student in this regard will be highly appreciated.

Thank you.



Tulipe Ushuru, Tujitegemeel!

APPENDIX III – NACOSTI PERMIT


NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 664831 **Date of Issue: 26/September/2023**

RESEARCH LICENSE

This is to Certify that Ms. VIRGINIAH wambui MWANGI of Moi University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Kiambu on the topic: effect of tax reform on turnover tax compliance among medium sized food manufacturing firms in Ruiru, Kenya for the period ending : 26/September/2024.

License No: NACOSTI/P/23/29716

664831
 Applicant Identification Number


 Director General
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See overleaf for conditions

APPENDIX IV – LIST FOOD MANUFACTURING FIRMS

Dormand ltd
Manji Food industries
Devani companies
Tri Clover industries
United millers
Green garden Deli
Agri masters Posho
Jamatec foods
Joelisz Bone meal ltd
Mibisco foods ltd
Kenafic industries
Patco industries
The Wrigley company
Ingredion holdings
New Italycor foods
Weetabix company
Osho grain millers
Kenchic ltd
Farmers choice
Elliot's Kenya ltd
Kiburi food processor
Gee Tee industries ltd
Jotlak food ltd
Umami industries ltd
Wholly organic foods
Top meals industries
Avodemia ltd
Linda lische food ltd
Dishiasili
Gaea foods

Aqua vida water refilling company
Kenafic Bakery ltd
Cerealbix ltd
Mulsons Spices(Mulsons I,pex ltd)
Jetlak foods ltd
Soy Afric
Fine Aromas of Kenya company ltd
Rafiki Business Centre
Prestige Quality foods
Digital Packaging innovations holdings
Al-vee cereals
Treasure feeds ltd
Burn manufacturing Kenya
Annaka Ventures
S/Market loading Bay
Morning glory butchery
Sweet flour bakery ke
Reema cereals
Nipoa food snacks
Rojopak industries ltd
Midrow Kenya ltd
Anglo Danish foods
Farmers Choice
Flamingo grain millers
Nairobi Flour millers
Brookside dairies ltd
Kabansora Millers
Kapa oil refineries
Golden Africa
Alison products ltd

Baraka Flour mills
Premier Flour mills ltd
Maisha flour mills
Diadem Grain Milling ltd
Navkar traders
First cup coffee ltd
Ecoporky butchery
Ruiru business parks
Nganjo house ltd keg distributor
Nissin noodles production
Gulf machinery k ltd
Premier food ltd
C & R food industries ltd
Bidco industrial park (Tatu city)
Kenafric industries
Food isometry 3D delicia crisps
Africana consumer & food processors
Spinners & Spinners ltd
Peafood Kenya food
Propack Kenya ltd
Corn products Kenya ltd
Vaerie foods agency
Manjico industries
Malbros food processors
Nipoa food
Rojo pak industries ltd
Promo food k ltd
Crown beverages ltd
The good food company
Mwagloria caterers

Tabasamu bites
Mugunda cereals
3S gardens Ruiru
Kiburi food processor
Junction fresh greens & cereals
The hub
Ridges Ritz Restaurant
Fair price wholesale
S/Market loading bay
Dinah cookind kimbo
Avodemia ltd
Hypermarket gloceries
Ashley Chips & Snack café
Jawaka shop & cereals

APPENDIX V- PLAGIARISM



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EFFECT OF TAX REFORMS ON TURNOVER TAX COMPLIANCE AMONG MEDIUM-SIZED FOOD MANUFACTURING FIRMS IN RUIRU, KENYA VIRGINIAH WAMBUI MWANGI A RESEARCH PROPOSAL SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTERS IN TAX AND CUSTOMS ADMINISTRATION, SCHOOL OF BUSINESS AND ECONOMICS MOI UNIVERSITY 2023 DECLARATION The project represents my own research and original work which has never been presented to any other institution for examination resolves.

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Date..... Virginiah Wambui Mwangi The project has been reviewed and accepted examination submission purpose after having reviewed and approved it as the institution allocated supervisor.

Sign..... Date..... Dr.

Robert Odunga Department: Accounting & Finance School of Business & Economics (KESRA), Moi University, Nairobi Kenya Sign.....

Date..... Dr. Jacob K Yego Department: Accounting & Finance School of Business & Economics, Moi University Eldoret Kenya