# EFFECT OF EXCHANGE OF INFORMATION ON CORPORATION TAX PERFORMANCE AT KENYA REVENUE AUTHORITY

**BY**

**JULLY ADHIAMBO KAMOLLO**

**RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS AND ECONOMICS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTERS OF TAX AND CUSTOMS ADMINISTRATION**

**MOI UNIVERSITY**

**2021**

# DECLARATION

**Declaration by Candidate**

This research project is my original work and has not been submitted for an award of a degree in any university or institution of higher learning. No part of this research project may be produced without prior written consent of the author and/or Moi University.

Signed……………………………………………… ………    Date…………………………

**Jully Adhiambo Kamollo**

**MU/KESRA/105/0071/2018**

**Declaration by the Supervisors**

This project has been submitted for examination with our approval as the supervisors.

Signed……………………………………………… ………    Date…29th November, 2021

**Dr. Bruce Ogaga, PhD**

**Kenya School of Revenue Administration**

Signed………………………………..    Date…….……………………

**Dr. Patrick Limo, PhD**

**School of Business and Economics, Moi University**

# DEDICATION

It is with genuine gratitude and warm regard that I dedicate this research to my husband for being supportive and the force that drives me to do better without giving up. To my children, they are the reason I gave this research the absolute best and made the sacrifices that needed to be made for this research work to become a reality. In their eyes I am and will always be a super woman.

To my father, who inspired me to pursue a career in tax, who sacrificed his comfort to invest heavily in any form of education I decided to pursue and who constantly pushes me to pursue the highest form of education. To my mother, who has always seen the endless possibilities for greatness ingrained deep in me, who prays for me, cheers me on in every season and celebrates my achievements no matter how minute I think they are. To my siblings, to whom I am the best role model and a winner because their perception of me is that 'no' is only a motivation, not a hindrance.

Finally, to Hon. Lady Justice Maureen Onyango and Hon. Justice Onesmus Makau for believing in my capabilities, fighting for me and for constantly reminding me that the only way to achieve excellence is through hard work, dedication and exceptionalism. These lessons guided me at every stage of this research.

# ACKNOWLEDGMENT

I would like to express my sincere gratitude to God for being present in my studies, providing the finances needed and keeping me in good health to enable me undertake this research work. For always giving me the willpower to push forward and for always reminding me of the end goal. Without the Almighty, I would not have made it this far.

I offer my profound appreciation to Dr. Bruce Ogaga and Dr. Patrick Limo for their assistance, patience and guidance in perfecting this research work. I am sincerely grateful for their criticism and review of my work and the time they took to educate me on the nuances that could enrich this research, for it is what it is today.

I am most thankful to my husband, mother, father, brothers and friends for their support, prayers and understanding during this entire journey. I would not have reached this far without it.

# TABLE OF CONTENTS

## LIST OF TABLES

# LIST OF FIGURES

## ABSTRACT

Corporation tax performance is an important government revenue source but has been inhibited by harmful tax practices from multinational companies who use tax havens to avoid or evade taxes from the country that income accrued. In the 2019/2020 financial year, KRA missed its target on account of the corporate tax it was to collect from MNCs by collecting corporate tax of KShs. 167 billion from MNCs against a target of KShs. 489 billion, which was attributed to tax evasion (KRA, 2020). KRA missed its target in the 2020/2021 financial year yet again since the corporation tax collected from MNCs was KShs. 173 billion against a target of KShs. 506 billion (KRA, 2021). This underperformance was as a result of illicit tax practices by multinational enterprises which can be remedied by using exchange of information as a performance enhancement tool. This study thus looked at the effect of exchange of information on corporate tax performance. The specific objectives of the study were to establish the effect of information exchange upon request on corporation tax performance, to investigate the effect of spontaneous exchange of information on corporation tax performance and to determine the effect of automatic exchange of information on corporation tax performance. The study was guided by three theories namely: the stakeholder theory, the information sharing theory and the economic deterrence theory. The study adopted an explanatory research design and used the regression analysis to explain the relationship between the variables. Simple random sampling was used to derive a sample of 60 respondents from a target population of 604 comprising of KRA officers seconded to the national treasury and those working at the large taxpayers' office, investigations and enforcement department and the international taxation office. Primary data was collected through close-ended questionnaire, with a response rate of 81%. The data was analyzed using descriptive and inferential statistics. The study findings indicated that the independent variables had a statistically positive significant effect on corporation tax performance: information exchange upon request ($\beta_1$=0.298, $p=0.000<0.05$), spontaneous information exchange ($\beta_2$=0.321, $p=0.004<0.05$) and automatic information exchange ($\beta_3$=0.246, $p=0.000<0.05$). The study results concluded that information exchange upon request, spontaneous information exchange and automatic information exchange significantly affect corporation tax performance. Based on the findings, the study recommended that KRA come up with policies relating to information exchange upon request, spontaneous information exchange and automatic information exchange so as to improve corporation tax performance and focus more on developing policies relating to spontaneous information exchange. Future studies should be done to examine the effect of transparency, reciprocity or timely exchange of information on corporation tax performance.

## ABBREVIATIONS AND ACRONYMS

| | | |
|---|---|---|
| **AEOI** | – | Automatic Exchange of Information |
| **BEPS** | – | Base Erosion and Profit Shifting |
| **CbCR** | – | Country-by-Country Reporting |
| **CRS** | – | Common Reporting Standards |
| **DTA** | – | Double Taxation Agreements |
| **EOI** | – | Exchange of Information |
| **EOIR** | – | Exchange of Information on Request |
| **FATCA** | – | Foreign Account Tax Compliance Act |
| **FFI** | – | Foreign Financial Institutions |
| **G20** | – | Group of Twenty |
| **GFTEI** | – | Global Forum on Transparency and Exchange of Information for Tax Purposes |
| **GTAI** | – | Germany Trade and Investment |
| **IGA** | – | Inter-Governmental Agreement |
| **KRA** | – | Kenya Revenue Authority |
| **KShs** | – | Kenya Shillings |
| **MNC** | – | Multinational Corporation |
| **OECD** | – | Organization for Economic Cooperation and Development |
| **PwC** | – | Pricewaterhouse Coopers |
| **SARS** | – | South African Revenue Service |
| **UN** | – | United Nations |
| **USD** | – | United States Dollar |

## OPERATIONAL DEFINITION OF TERMS

**Automatic Exchange of Information** (AEOI) also known as routine information exchange, involves the methodical and periodical transmission of taxpayer information in bulk, usually on an annual basis (SARS, 2020). This information usually relates to the various categories of income (SARS, 2020). It came to remedy the challenges posed by information exchange on request and involves sharing of financial information between tax jurisdictions without having to request for it (SARS, 2020).

**Common Reporting Standard** was developed pursuant to the Group of Twenty's recommendation and was subsequently approved by the Organization for Economic Cooperation and Development (OECD) Council (Barreix *et al.*, 2016). The standard mandates tax jurisdictions to retrieve information from local financial institutions (FFIs) and automatically share it with other contracting states annually (Barreix *et al*, 2016). It outlines the scope of the bank account information that can be exchanged, which financial institutions have the duty to report, the taxpayers and types of accounts to whom the standard applies, and the due diligence protocols to be followed by FFIs (Barreix *et al*, 2016).

**Country-by-Country Reporting (CbC)** emerged from OECD's Base Erosion and Profit Shifting (BEPS) Action Plan 13. Under this standard, large multinational enterprises have a responsibility to prepare a CbC report outlining the cumulative data on how they have allocated profit and income, the taxes they have paid and the type of economic activities they undertake in the tax jurisdictions where they have subsidiaries (OECD, 2020). The report is then shared with the tax authorities in those tax jurisdictions for risk assessments in transfer pricing and BEPS (OECD, 2020).

**Exchange of information** is a tool that provides tax authorities with access to information in other tax jurisdictions, which is otherwise inaccessible to them (Beer *et al.*, 2019). It involves the exchanging taxpayer information and documents.

**Exchange of information upon request** (EOIR) pertains to exchange of information amongst revenue authorities pursuant to a request for them to be administratively assisted in obtaining tax information from a given tax jurisdiction (OECD, 2020). It was the initial mode of exchange of information before the other modes came into place. It involves timeous sharing of a taxpayer's bank account information with other treaty partners (OECD, 2020).

**Foreign Account Tax Compliance Act (FATCA)** is a legislation in the United States which was ratified in 2010 and requires FFIs and other non-financial foreign entities to disclose the external assets held by their US customers if they don't want to be subjected to withholding any withholdable payments (Barreix *et al*, 2016).

**No or only nominal tax jurisdictions** are Anguilla, Bahamas, Bahrain, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Guernsey, Isle of Man, Jersey, Turks and Caicos Islands, and the United Arab Emirates (KPMG, 2021).

**Spontaneous exchange of information** occurs where a treaty partner randomly shares tax information acquired during tax administration and which it believes will be useful, without being requested to do so (OECD, 2020). This information is usually discovered during tax audits or investigations and is spontaneously shared because it might relate to the conduct of various taxpayers or a series of transactions in the two countries and which will influence the tax administration of the receiving country (OECD, 2020).

# CHAPTER ONE

## 1.0 Introduction

This chapter discussed background of the study and statement of the problem. It also outlined the objectives and hypotheses of the study. Finally, it highlighted the significance of the study as well as the scope of the study.

## 1.1 Background of the Study

Every government relies on tax as a major source of revenue to sustain developmental growth. Indeed, governments across the world have devised and legislated provisions establishing different tax heads such as VAT, income tax, and excise duty, in an effort to enhance tax performance. Corporation income tax is one of the tax heads used by governments to raise revenue. It is the tax paid on profits earned by corporate taxpayers. States have adopted two approaches on how corporation tax is treated: worldwide and territorial approaches (Siripurapu, 2021). Under the territorial approach, only profits earned domestically are subject to taxation while in the worldwide approach, both domestic and foreign profits are subject to tax with tax credits paid to the foreign tax authority (Siripurapu, 2021). Israel, Ireland, South Africa and Kenya have taken a worldwide approach while Australia, Denmark, Belgium, Luxembourg and Netherlands have taken a territorial approach (Dittmer, 2012). The approach adopted by governments is important because it determines whether or not a multinational corporation (MNC) is evading or avoiding taxes. In a State with a territorial system, instances of tax evasion or avoidance will not arise where a MNC earns profits in foreign tax jurisdictions since no corporation tax accrues. However, instances of tax evasion or avoidance will arise in a State with a worldwide system where a MNC fails to pay corporation tax on profits earned in other tax jurisdictions.

Globalization has increased cross border financial and commercial dealings which have in turn converted the private sector into a world without borders where there is labour and capital mobility (Spencer, 2010). This has provided MNCs with opportunities to greatly employ tax evasion strategies (Christensen & Kapoor, 2004; Lymer & Hasseldine, 2002). However, tax administrations are yet to expand their operations outside their national territory thus are still inhibited by national borders (Spencer, 2010). As a result, they face several challenges: there is no international tax administration, one government cannot enforce the tax laws of other governments or collect their taxes and, national authorities do not have the technical expertise to cope with the volume and complexity of cross border commercial and financial transactions (Spencer, 2010). Accordingly, MNCs take advantage of these loopholes to engage in profit shifting and base erosion by utilizing offshore jurisdictions with low corporation tax rates and robust financial secrecy regulations, to avoid or evade taxes from the tax jurisdiction that the income accrued or was derived from (Beer *et al*., 2019). They avoid filing their tax returns on account of offshore transactions and register shell companies which they use to avoid registering tax obligations arising from offshore transactions (Christensen & Kapoor, 2004; Lymer & Hasseldine, 2002). This affects corporation tax performance as the accruing taxes will not be detected, collected or accounted for (Magesa, 2014).

In order to ascertain the performance of corporation tax, tax authorities must measure their performance against the set targets and objectives. Performance measurement is key to strategic planning, transparency and accountability as it enlightens an organization on whether or not it is achieving its objectives (Lemgruber *et al*., 2015; Crandall, 2010). It involves reviewing data using performance indicators, to determine the progress made and whether the set standards were met (Crandall, 2010).

Thus, performance measurement allows an organization to point out the high performing areas and areas that require work, in order to identify where to focus its effort and resources so as to guarantee successful attainment of organizational goals.

Due to the challenges faced by tax authorities in administering taxes, they must assess their performance to ensure the effectiveness of tax administration. There are no common criteria on how tax authorities measure performance (Klun, 2004). The factors determining tax performance have been the subject of study of many researchers whose studies examine the trends in tax performance and the factors that influence tax revenue (Gaalya 2015). The following indicators are the most extensively used to demonstrate efficiency and efficacy of tax authorities around the world: is the amount of undeclared or unpaid taxes, registration and compliance by taxpayers, audit and investigations carried out, the returns filed and tax payments made (Klun, 2004 and Crandall, 2010). This study focused on the following performance indicators: taxpayers registered, tax revenue collected and returns filed.

Corporate tax has not been performing as expected despite the increase in profits made by MNCs each financial year. For instance, MNCs more than tripled their net profits from USD 2 trillion in the 1980/1981 financial year to USD 7.2 trillion by the 2013/2014 financial year, yet there was no equivalent increase in corporation tax payment (OXFAM, 2016). Further, governments incur USD 250 billion in loss of tax revenues annually, occasioned by transfer pricing and capital flight by MNCs (Spencer, 2010). In the recent decades, taxes paid, returns filed and registration of tax obligations by MNCs has declined because of the race to the bottom by tax jurisdictions on corporation taxation rate; which has provided MNCs with ample opportunity to engage in harmful tax practices such as transfer pricing, profit shifting, tax evasion and avoidance (OXFAM, 2016).

Between 2009 to 2013 financial years, the European Union (EU) lost an annual average of 72.3 billion Euros worth of corporation tax as a result of profit-shifting by EU countries to tax havens (Dover *et al.*, 2015). In the 2015 financial year, the EU had a corporation tax efficiency of 72% with an estimated annual corporation tax loss of 15 billion Euros as a result of profit shifting (Candau & Le Cacheux, 2017). The USA and Japan lost 10.7% worth of corporation taxes out of a tax revenue loss of 100.8 billion Euros and 24 billion Euros respectively to profit shifting, owing to their strong multinational links and the fact that USA is one of those countries that charge high corporation taxes (Martinez *et al.*, 2021).

Similarly, research shows that there is annual illicit transfer of tax revenue from Africa and other developing countries thus depriving tax administrations of revenue which can be utilized to provide better livelihoods for their citizens (Ashman *et al.*, 2011). In 2014, developing countries lost approximately USD 970 billion to illicit tax revenue outflows such as transfer pricing by MNCs (GFI, 2017). In African countries, there is an annual loss of more than USD50 billion due to tax avoidance and tax evasion (Fiawoo, 2018). In 2015, African countries received loans, grants and personal remittances worth USD161.6 billion but still lost USD203 billion mainly through profit shifting by MNCs (Honest Accounts, 2017).

Income tax is a key source of tax revenue for South Africa for raising 55% to 60% of revenue (Glenday, 2008). Although the overall tax yield in South Africa was steady from 1983 up to 2004, corporation tax was very volatile as it raised revenues between 10% and 28% of revenues (Glenday, 2008). The corporation tax revenue declined from 7.2% of the GDP in the 2008/2009 financial year to 5.5% in the 2009/2010 financial year and 4.9% in the 2010/2011 financial year (Glenday, 2008). The performance marginally improved to 5.1% in the 2011/2012 financial year to 5.1%, but regressed to 4.9% in the 2012/2013 financial year (Glenday, 2008). The 2018 financial secrecy index report indicated that MNCs within South Africa, exploited the weaknesses existing in legislation and used tax jurisdictions with high financial secrecy to reduce their tax obligations (Tax Justice Network, 2018).

Kenya is among the countries with highest offshore wealth worth USD 10.6 billion which started accruing from 1970 (OECD, 2020). In the leaked Panama papers of 2016, 25 MNCs with their tax residency in Kenya were exposed for using tax havens to evade taxes (KRA, 2020). In a study carried out by Pricewaterhouse Coopers (PwC), it was noted that MNCs use tax planning initiatives to avoid paying some taxes so as to increase their profit yield, which hinders KRA from meeting its annual targets (PwC, 2013).

Corporation tax revenue is important for the sustainable economic development of developing countries as it necessitates the provision of public goods and services (OXFAM, 2016). Improving corporation tax performance is thus equally important to developing countries who lose approximately USD 100 billion each year due to tax avoidance and evasion schemes by MNCs (OXFAM, 2016). According to Keen and Ligthart (2004a), income earned on offshore assets is susceptible to tax evasion and avoidance due to information asymmetry between a taxpayer’s resident authority and a foreign tax authority, which information, is not shared with the concerned tax authority. It is for this reason that Beer *et al* (2019) view exchange of information (EOI) as a vital tool of enhancing corporation tax performance since the information exchanged is used to conduct targeted risk and income tax assessments that lead to the detection of cross-border tax evasion and avoidance schemes.

EOI is where tax authorities exchange financial information for taxation purposes through designated competent authorities who derive their basis from the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, tax information exchange agreements and double taxation agreements. The kind of information received from the exchange of information process makes EOI vital in enhancing corporation tax performance as it aids states in detecting taxes that have accrued to them in various tax jurisdictions, from financial information that would have been inaccessible to them in the absence of this framework (Beer *et al*., 2019, citing Keen & Ligthart, 2004a). This information enables them collect corporation tax revenue, control harmful tax practices and prevail upon corporation taxpayers to file their returns and disclose the income they earned. The financial crisis of 2008 provoked this change due to the pressure from the public and the need for developed countries to finance their fiscal budgets (Barreix *et al*., 2016). In turn, the developed countries influenced developing countries to change their stance on banking secrecy and move towards transparency (Barreix *et al*., 2016). These events acted as a catalyst for exchange of information between tax jurisdictions which then reduced harmful tax measures like avoiding and evasion of taxes.

Based on the Global Forum Progress Report of 2015, 32 tax jurisdictions discovered that taxes totaling USD703 million had been recovered in the 2012/2014 tax periods pursuant to the implementation of international EOI on request framework (Tax Justice Network, 2020). Kenya, Burkina Faso, Uganda, Togo and Tunisia identified approximately USD 12 million worth of taxes in 2019, because of the EOI requests they sent (Global Forum *et al.*, 2019). Kenya also identified additional taxes of USD 1.3 million as a direct result of sending 19 EOI requests (Global Forum *et al.*, 2019).

For standards such as exchange of information and transparency to be implemented in a way that enhances corporation tax performance, there needs to be co-operation between tax authorities in sharing financial information. This is because improved transparency and tax information exchange ensures multinational corporations pay the correct taxes in the country the tax accrued as there is no room for them to hide their income and assets. EOI is thus an important policy tool used to improve corporation tax performance and aid in the global enforcement of taxation laws (Beer *et al.*, 2019). This is achieved by granting tax authorities access to information which they would otherwise not have accessed. In doing so, enforcement of residence-based taxation and tax authorities' ability to detect international tax evasion is supported thereby preventing loss of tax revenue. For corporation tax performance to be enhanced, KRA must liaise with other governments and tax authorities to access tax information that will enable them identify income in those jurisdictions that has been derived from or accrued in Kenya.

## 1.2 Statement of the Problem

Corporation tax is a significant revenue for the Kenyan government as it enables the government to provide its citizens with public goods and services such as free education, subsidized medical services and infrastructure. However, its performance has been marred by tax evasion and avoidance for decades by MNCs who utilize offshore jurisdictions that have low corporation tax rates and strict laws on financial secrecy, to evade or avoid taxes accruing from income derived in Kenya (Beer *et al*, 2019). This leads to underperformance because MNCs fail to pay the taxes accruing from profits made, fail to file returns on the income earned and fail to register their tax obligations as they arise.

In the 2019/2020 financial year, KRA missed its target on account of the corporate tax it was to collect from MNCs by collecting corporate tax of KShs. 167 billion from MNCs against a target of KShs. 489 billion, which was attributed to tax evasion (KRA, 2020). KRA missed its target yet again in the 2020/2021 financial year since the corporation tax collected from MNCs was KShs. 173 billion against a target of KShs. 506 billion (KRA, 2021). KRA noted that the tax evasion menace still affected corporation tax performance robbing the government of its revenue (KRA, 2021). Tax Justice Network (2020) also observed that each year, corporation tax performance in Kenya failed to equate to the number of registered MNCs because of profit shifting and base erosion by these entities to developed countries and financial centers.

To guarantee enhanced corporation tax performance, KRA ought to employ measures for eradicating harmful financial flows tax like transfer pricing, by utilizing tools such as EOI to ensure non-compliant corporate taxpayers pay their due taxes, register their tax obligations and file their returns. The type of information shared as a result of EOI makes it a vital tool for enhancing corporation tax performance because the exchanged information is used to conduct targeted tax assessments that lead to the detection of transboundary tax avoidance and evasion schemes (Beer *et al.*, 2019). Since Kenya signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, no studies have been conducted to show the effect that exchange of information has on corporation tax performance. Due to the prevailing harmful tax practices by MNCs that rob Kenya of corporation tax revenue, there is need for improved corporation tax performance to necessitate the provision of public amenities hence the need for this research which will provide an in-depth understanding of the exchange of information framework and its impact on corporation tax performance.

## 1.3 Objectives of the Study

This study was guided by general and specific objectives.

### 1.3.1 General Objectives

The general objective of the study was to establish the effect of exchange of information on corporation tax performance at the Kenya Revenue Authority.

### 1.3.2 Specific Objectives

The specific objectives of this study were as follows:

i. To examine the effect of information exchange upon request on corporation tax performance.
ii. To investigate the effect of spontaneous exchange of information on corporation tax performance.
iii. To determine the effect of automatic exchange of information on corporation tax performance.

## 1.4 Hypotheses

The hypotheses of this study were as follows-

**$H_{01}$** Information exchange upon request has no significant effect on corporation tax performance.

**$H_{02}$** Spontaneous exchange of information has no significant effect on corporation tax performance.

**$H_{03}$** Automatic exchange of information has no significant effect on corporation tax performance.

### 1.5 Significance of the Study

The study aimed at establishing how KRA can utilize the EOI framework to improve Kenya's corporation tax performance. The study outlined the importance of EOI which will assist KRA and the Kenyan government in formulating and improving legislations, regulations and policies to govern EOI for its systematic implementation. The findings of this study will also jolt the government into entering into more tax exchange agreements for it to receive information that will be material in enhancing corporation tax performance as well as performance of other tax heads.

The findings of this study will enlighten FFIs on their responsibilities in the EOI process, to enable them act in a manner that facilitates EOI, rather than inhibit it by availing financial information upon being requested to do so. The study findings will aid resident taxpayers to better understand their role in the EOI process in order for them to positively contribute to its implementation through compliance, in a manner that is beneficial to them, the government, the KRA, foreign tax authorities, financial institutions and other stakeholders. The findings from this study will provide information that can be borrowed by other researchers to facilitate improvement and value addition in this area for the benefit of KRA and other tax authorities.

### 1.6 Scope of the Study

The study targeted KRA being Kenya's tax administration body and the National Treasury which is the body mandated to formulate Kenya's fiscal policies, set tax revenue targets and manage information requests received from foreign authorities and those made by KRA. The study focused on the 2020/2021 financial year at the KRA. This is because, though Kenya signed the Multilateral Convention on 8$^{th}$ February 2016, it was not until 22$^{nd}$ July 2020 that the ratification instrument for the

Convention was deposited at the OECD; while the Finance Act 2021 which made provision for exchange of information was enacted on $29^{th}$ June 2021.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

This Chapter focused on literature review pertaining to the concept of corporation tax performance and the concept of exchange of information. The empirical review, theoretical framework and the research gaps were discussed. The reviewed literature was criticized based on its relevance to the study. Finally, a conceptual framework demonstrating the variables under study, was outlined.

### 2.1.1 Concept of Corporation Tax Performance

Corporation tax is levied on profits made by corporate taxpayers. Under section 3(2)(a)(i) of the Income Tax Act, profit or gains from a business for any given period, is chargeable to tax (Income Tax Act, 1974). Corporation tax is imposed on resident and non-resident companies with permanent establishments in Kenya (PwC, 2021). In addition, under section 4 (a) of the Act, the gains or profits of a resident-owned business which carries on its activities partly in Kenya and partly outside Kenya, is deemed to have wholly accrued in or to have been derived from Kenya (Income Tax Act, 1974).

In Germany, corporation tax is charged at an unvarying rate of 15% and thereafter a solidarity surcharge of 5.5% is deducted for purposes of improving Germany's economic situation and infrastructure (PwC, 2021). In the USA, the federal corporation tax rate is 21%, reduced from 35% and is imposed on domestic and foreign corporations (Watson & McBride, 2021). Corporation tax is also charged in 47 states and the District of Colombia at a rate of 1% to 12% depending on the state (Watson & McBride, 2021). In Nigeria, corporation tax is charged by the federal government at a rate of 30% for corporations with a gross income of over 100 million Naira, 20% for companies with a gross turnover of more than 25 million Naira but below 100 million Naira and 0% for corporations with a gross income of 25 million Naira or below (PwC, 2021). The Nigerian government charges its tax residents corporation tax on income that they have earned worldwide while non-resident corporations are charged corporation tax only on the income earned in Nigeria (PwC, 2021).

The prevailing rate of corporation tax in Kenya is 30% for resident entities and 37.5% for non-resident entities that have permanent establishments within Kenya (PwC, 2021). However, there are some corporations that enjoy special corporation tax rates. Export processing zone (EPZ) enterprises don’t pay any corporation tax for the first ten years of carrying on business but pay 25% corporation tax for the next ten years and 30% corporation tax thereafter (PwC, 2021). Special economic zone (SEZ) enterprises, developers and operators pay 10% corporation tax for the first ten years of carrying on business, 15% corporation tax for the next ten years and 30% corporation tax thereafter (PwC, 2021). Despite these tax rates; under section 15 and 16 of the Income Tax Act, corporation tax is calculated against a company’s taxable income (Income Tax Act, 1974).

Notwithstanding the reduction of statutory corporation tax rates by some tax jurisdictions like the USA, corporation tax is an important component of the tax revenue basket for governments around the world, especially third-world countries where this tax head accounts for 15.3% and 15.4% of tax revenues in Africa and, Latin America and the Caribbean respectively (OECD, 2019). In 2016, corporation tax contributed 13.3% of the total revenue across 88 jurisdictions (OECD, 2019).

However, the imposition of corporation tax alters incentives and distorts domestic economic behavior which in turn discourages growth and corporate investment (Siripurapu, 2021). As a result, corporations engage in harmful tax practices to help maximize their profits and ensure they have a going concern.

Corporation tax performance refers to the level of success attained by corporation tax. To avoid the poor performance of corporation tax, tax authorities must measure their performance and ensure it is enhanced by tracking corporation tax performance to guarantee an effective, efficacious and objective performance. They determine this tax head's performance by the amount of corporation tax collected, increased registration of corporate taxpayers and timeous and accurate filing of tax returns (Ligomeka, 2019; Klun, 2004 and Crandall, 2010)). Performance measurement aids in assessing a current situation and making a decision that will improve the quality of services provided (Balaboniene & Vecerskiene, 2015). It also allows an organization to operate effectively since the organization's improvements are highlighted by measuring performance (Balaboniene & Vecerskiene, 2015). Transparency and accountability to stakeholders is also promoted (Segalovičienė, 2011).

Performance measurement in public organizations was embraced to enable them adopt the performance measurement approaches used by private organizations, so that they could organize their activities more effectively and adequately satisfy their customers' needs (Balaboniene & Vecerskiene, 2015). For performance of public sector organizations to be measured, suitable performance measurement methods must be applied (Balaboniene & Vecerskiene, 2015). Public organizations are thus required to identify the factors affecting their performance results as this will enable the management determine the organization’s future results and make quality decisions (Balaboniene & Vecerskiene, 2015).

Consequently, tax authorities should identify the factors affecting corporation tax performance to enable them predict future results and make quality decisions. Research has shown that profit shifting and tax base erosion has a negative impact on tax performance and contributes to the difficulty in predicting the performance of corporation tax with exactness (Clausing, 2015). Most countries have experienced shifting of profits and erosion of tax base at a national level, leading to revenue loss attributable to this tax head, because MNCs exploit the existing gaps and mismatches between the tax systems in different jurisdictions (Tax Justice Network, 2020). The OECD data published in July 2020 regarding the reporting standards, tracked USD467 billion in corporation profits diverted by MNCs to tax havens leading to corporation tax losses of USD117 billion (Tax Justice Network, 2020).

For effective, efficacious and objective corporation tax performance, tax authorities should use performance enhancement tools such as EOI and performance enhancement measures like tracking registration of tax obligations, tax payment and filing of tax returns while employing mechanisms such as voluntary disclosure programmes to prompt corporate taxpayers to comply. Resultantly, the amount of revenue collected, returns filed and registered MNCs under this tax head will increase thereby improving its overall performance.

### 2.1.2 Concept of Exchange of Information

The existence of a legal basis is a precursor for EOI to take place. The legal justification must be anchored on international agreements and conventions namely: double taxation agreements (DTAs), tax information exchange agreements (TIEAs), the Multilateral Convention, Article 26 of the UN Model Convention, Article 26 of the OECD Model Tax Convention and Article 1 of the Model Agreement on Exchange of Information on Tax Matters (TIEA Model) which allow contracting parties to share information with each other. The TIEA Model exists in diverse versions and is not bind upon the parties who choose to adopt it (OECD, 2020). It is the guiding framework for negotiating treaties amongst contracting states (OECD, 2020).

The OECD recognizes two modes of EOI namely: traditional and non-traditional. The traditional modes are information exchange on request, spontaneous information exchange and routine information exchange. Non-traditional forms include tax examinations abroad, simultaneous tax examinations and industry-wide information exchange. The type of EOI that should be adopted will depend on the parties' agreement, the information sought and a contracting state's laws regarding EOI, transparency and confidentiality (Beer *et al.*, 2019).

EOI is a collaborative process that requires the players to fulfil their obligations. The finance ministry is very key in the EOI framework as it manages information requests received from partner states and information requests made to partner states (African Tax Administration Forum, 2019). However, where there exists an autonomous revenue authority, the finance ministry refers the information requests to its country's revenue authority to act on (African Tax Administration Forum, 2019).

A tax authority implements the EOI framework by making information requests to other tax jurisdictions and utilizing the information given to collect taxes, have taxpayers register their tax obligations or file their returns. The tax authority also obtains tax information from financial institutions on behalf of other tax jurisdictions who have a bilateral or multilateral relationship with its country. This reciprocity is salient as it provides a basis for other tax jurisdictions to provide it with the information it requires (Pankiv, 2013). Officers in tax administration are not allowed to directly share information with their colleagues from the requesting state, unless this power is delegated to them by a competent authority (Pankiv, 2013). Even if the request is received directly by a tax official, it should be passed on to the competent authority to decide whether or not to proceed with the request (Pankiv, 2013).

Financial institutions like banks and insurance companies are also critical in EOI since they are custodians of financial information by virtue of handling taxpayer's money and other assets. According to Pankiv (2013), the scope of information that the requested tax jurisdiction obtains and provides on request includes information in the control of the financial institutions. These institutions must disclose bank account information of their non-resident customers to the revenue authority, who then shares this information with the account holder's revenue authority in his country of residence (Monkam *et al.*, 2018). Failure to provide the financial information paralyzes EOI which affects both the requesting revenue authority which doesn't get the information it wanted, and the sending revenue authority's opportunity to ask for information in future.

Tax information exchange aims to trace and impose taxes on income that is concealed due to the secrecy laws in tax havens (Kemme *et al., 2017)*. Since the late 1980s, OECD has promoted EOI between tax authorities to help them identify their tax residents' incomes and assets that are located in tax havens (Kemme *et al., 2017)*. However, this initiative does not include information regarding customs duty, notwithstanding the fact that revenue collected by customs administrations also accounts for a significant share of government tax revenue and is susceptible to tax evasion (Kemme *et al., 2017)*. Despite the OECD's efforts to have countries negotiate information sharing agreements such as DTAs and TIEAs, information in these agreements is mostly shared when an inquiring state makes a request (Barber, 2007). In addition, EOI will be successful only when there exists a justification for information exchange, the information is available and tax authorities have timeous access to it (Beer *et al*, 2019).

EOI plays a very key role in enhancing corporation tax performance in developing countries because the information obtained is used to collect taxes, compel corporation taxpayers to file their returns and register their tax obligations. The African states that have ratified the Multilateral Convention, have been able to recover tax revenue as a result of EOI (KRA, 2020). South Africa which initiated the Special Development Disclosure Programme (SVDP) was able to collect taxes worth USD 1.5 billion (KPMG, 2016). Nigeria also collected tax revenue worth USD 86.2 million in 2017 and increased its taxpayer database from USD 14 million in 2016 to USD 19 million in 2019, after initiating the Voluntary Assets & Income Declaration in 2017 (Global Forum *et al.*, 2019). Similarly, Uganda recovered USD 25 million from EOI between 2015-2019 (Global Forum *et al.*, 2019).

**2.1.2.1 Information Exchange on Request**

The exchange of information on request (EOIR) standard involves information sharing between tax authorities pursuant to a request for administrative assistance in obtaining tax information from a given tax jurisdiction (OECD, 2020). This standard is keen on ensuring that information regarding banking, ownership and accounting is made available, access to it is provided and it is shared with other contracting jurisdictions in a timely manner (OECD, 2020). Information from banks should contain all records pertaining to the accounts and, financial and transactional information like the account's legal and beneficial owners (OECD, 2020). As such, keeping reliable accounting records should be a priority to every tax jurisdiction (Beer *et al.*, 2019).

Fishing expeditions are not allowed since the requesting tax jurisdiction must give a sufficiently detailed request demonstrating the importance of the information, in the administration of its domestic tax legislations (Beer *et al.*, 2019). All information that is relevant to the enforcement of a requesting party's national laws must be provided, including information from banks and fiduciaries despite any national legislation that prioritizes a state's national tax interest or the applicability of the double criminality principle which permits extradition of a person only if an offense is criminal in both states (Global Forum *et al.*, 2019). However, a tax jurisdiction is not obligated to provide the information asked for if it lacks an interest in that particular information (Global Forum *et al.*, 2019).

One of the common forms of information exchange is EOIR. However, the EU and the USA have opted to support routine exchange of tax information (Kemme *et al.,* 2017). This is because EOIR relies on bilateral agreements like DTAs and TIEAs, as the legal foundation for engaging in information sharing thus limiting access to financial information because such information cannot be exchanged until these instruments are successfully concluded, which could take years (Beer *et al.*, 2019). DTAs also involve tax concessions that sometimes supersede the benefits derived from getting the tax information (Beer *et al.*, 2019). Further, since EOIR is based on information requests regarding specific taxpayers, tax authorities find it difficult to use this mode of information exchange without having grounded suspicions of tax evasion or avoidance by MNCs (Keen & Ligthart, 2004a). Information is also not transmitted as promptly as the requesting states would expect (Keen & Ligthart, 2004a). Delay in responding to an EOIR request affects the usefulness of the information provided, affects the issuing tax jurisdiction's reputation and is not good for bilateral cooperation (Koisin *et al.*, 2017).

Evading and avoiding taxes results in revenue loss. As such, mutual assistance in curbing these harmful tax practices is very vital. Information exchange upon request is very important to corporation tax performance since the replies received in response to the requests sent are used in confirming missing taxpayers' information, conducting tax audits or assessments, if sent timely enough. However, it is hard to differentiate aggressive avoiding of tax from evasion hence a tax authority might fail to discern whether the requested information relates to the former or latter scheme until the information it asked for is received (OECD, 2020). As such, information obtained regarding tax avoidance is useful in aiding a contracting state to seal the tax loopholes created by its taxing statutes which boosts the performance of corporation tax as there will be minimal tax pilferage arising from avoiding taxes (OECD, 2020).

#### 2.1.2.2 Spontaneous Information Exchange

Spontaneous exchange of information (SEOI) occurs once a revenue authority detects information that is relevant to the tax situation of a particular tax jurisdiction affecting a taxpayer of that tax jurisdiction, but which has not been requested for (OECD, 2006). SEOI is rarely used due to its irregular nature, but its use is still concentrated among a small group of OECD states (Ligthart & Voget, 2008). Spontaneous exchange of information is a by-product of tax auditing activities because the information exchanged spontaneously is usually obtained from tax investigations and audits that have been conducted by the tax authority that is sending this information (Ligthart & Voget, 2008). As such, SEOI has less of a direct relationship with the information needs of the receiving tax authority (Ligthart & Voget, 2008). The pattern of the amount of information provided spontaneously often varies from nil to vast numbers and back to nil again within one or two years (Ligthart & Voget, 2008).

The effectiveness of SEOI largely relies on a tax inspectors' ability to identify information that may be relevant to tax administration (OECD, 2006). Feedback from the receiving tax authority also influences the effectiveness of SEOI because the sending tax authority uses it to make adjustments to the information it collected while positive responses provide motivation to the tax inspector thereby enabling the continued provision of spontaneous information from them (OECD, 2006).

For information to be exchanged spontaneously, there has to be an international agreement or treaty in force, to give the exchange legitimacy. The SEOI mainly occurs under the Multilateral Convention (OECD, 2019). However, where the basis for SEOI is a bilateral tax agreement, the exchange shall occur under the applicable TIEA or DTA that permits it (OECD, 2019). For instance, under the Forum on Harmful Tax Practices, no or only nominal tax jurisdictions have an obligation to spontaneously share information in certain instances (OECD, 2019). The information to be exchanged is determined by a no or nominal tax state's ability to show the existence of a wholly equipped monitoring procedure (OECD, 2019). Where this is proven, the state will only avail information on unprompted incidents of corporations involved in very risky situations (OECD, 2019). Where it fails to show the existence of a wholly equipped monitoring procedure, it will spontaneously share all relevant information on corporations involved in very risky situations (OECD, 2019).

In order to curb negative tax activities, the 2013 OECD BEPS Report: Action Plan 5 prioritized enhancing transparency by incorporating mandatory spontaneous sharing of tax rulings associated with preferential tax regimes where the relevant conditions are met (Davis Tax Committee, 2014). As such, the timeous and unprompted notification that a tax ruling exists, is required where a tax authority knows that the ruling affects tax residents of another country (Davis Tax Committee, 2014).

SEOI applies to rulings that relate to a specific taxpayer such as advanced tax rulings (Davis Tax Committee, 2014). SEOI does not apply to rulings regarding a group of taxpayers or rulings relating a defined set of activities because there is no link between the general ruling and the taxpayer to whom the ruling applies, as such, it would be a challenge to determine which state the information should be spontaneously exchanged with (Davis Tax Committee, 2014). Further, spontaneous exchange of general rulings with every tax authority that has an exchange agreement with the sending tax authority would put a disproportionate administrative burden on the latter and is likely to be ineffective (Davis Tax Committee, 2014).

Though rarely used, its influence on corporation tax performance cannot be overlooked. Feedback given to sending tax authorities is used to incentivize and show recognition to the tax officials who collect information which ensures the continuous flow of information that is used in identifying and collecting tax revenue. Information regarding tax rulings can also be exchanged spontaneously to allow other States to check if a ruling has any consequences on how they will treat the income earned from taxpayers who are tax residents of their countries.

### 2.2.1.3 Automatic Exchange of Information

Automatic exchange of information (AEOI) standard emerged due to the challenges posed by EOIR. It thus addresses the shortcomings of EOIR thereby complementing it (Meinzer, 2014). It has been vastly accepted to be the utmost effective solution to retrieving information because tax authorities are able to acquire detailed information about earnings by domestic residents that they have deposited in foreign banks (Johannesen & Zucman, 2014). Like the other standards, AEOI also derives its legal foundation from the Multilateral Convention which provides for routine exchange of information on direct and indirect taxes, save for custom duty, which accrue nationally and internationally (Genschel & Schwarz, 2011). However, the competent authorities of the parties must sign a distinct agreement because signing of the Multilateral Convention alone, does not translate to AEOI between the member states (Keen & Ligthart, 2004a).

Automatic information exchange is founded on the following main aspects: a national legal system that mandates FFIs to collect information and report it to their tax administration; a legal basis allowing AEOI between interested partners who want to receive information and have met the required standards on data security and privacy; and the structures and procedures for the reportable information to be shared effectively (Sharma, 2020).

Member states should adhere to the provisions of the Common Reporting Standard (CRS) (SARS, 2020). The CRS requires FFIs to divulge information on the accounts that non-resident persons hold, to their revenue administration body for the routine sharing of that information with other contracting states on a yearly basis (SARS, 2020). The information should contain the name, physical and postal address, the number that uniquely identifies the taxpayer (TIN), birth date and the place of birth for all potential reportable persons; number of the account; the business name and unique identifying number of the reporting FFI; money held in the account at the end of the fiscal year or money which was in the account at the time of its closure where the account has been closed and, capital gains such as interest and dividends (SARS, 2020).

AEOI involves extraterritorial extension of making use of third-party reporting to enhance taxpayer compliance where their tax system allows them to assess their own taxes (Beer *et al*, 2019). The process entails: a financial institution from the requested tax jurisdiction periodically reporting income to its tax authority (Urinov, 2015). This information is then forwarded, by electronic means, to the requesting tax authority's information exchange portal (Urinov, 2015). Thereafter, the requesting revenue authority uses this information to verify the accuracy of the information it had gotten from the resident taxpayer, by comparing the two (Urinov, 2015).

AEOI is also characterized by country-by-country (CbC) reporting, whose basis is the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports, DTAs as well as TIEAs; which set out rules and procedures for implementation of BEPS Action 13 by competent authorities of tax jurisdictions (OECD, 2021). Under BEPS Action 13, all MNCs are mandated to prepare and file a yearly CbC report with the tax jurisdictions where their companies carry on business; showing the cumulative data on the international distribution of profit, income, paid taxes and their economic undertakings (OECD, 2021). Subsequently, the ministry of finance in those countries forwards the report to their tax administrations for risk assessment to be conducted in order to establish whether these MNCs are engaging in sophisticated transfer pricing schemes. The first routine exchange of CbC reports was in June 2018 but as at October 2021, there were over 3000 bilateral exchange relationships activated by tax jurisdictions committed to exchanging CbC reports (OECD, 2021).

The AEOI standard leads to provision of timeous information regarding non-compliance in cases where MNCs have evaded taxes on the primary investment sum or return making it easy to detect incidences of non-compliance even in cases where revenue administration bodies have no prior record of non-compliance (Beer *et al*., 2019). It also has deterrent effects by increasing voluntary compliance through voluntary tax disclosure programmes and encouraging taxpayers to disclose any important information (Beer *et al.*, 2019). Consequently, the foregoing has an impact on the level of disclosure MNCs have when filing returns or registering their tax obligations with a view to improve transparency which increases corporation tax performance. The knowledge that there is always a third party obligated to share information is in itself a compelling factor to declare and file truthful tax returns.

## 2.2 Theoretical Review

This part outlined a detailed analysis of the theories that guided the research project and how they were relevant. These theories were the stakeholder theory, the information sharing theory and the economic deterrence theory.

### 2.2.1 Stakeholder Theory

It was postulated by Clarkson (1995). It suggests that other than shareholders, managers serve the interest of a wider array of persons who influence or are impacted by the decisions managers make (Freeman, 1999). As such, aligning these interests provides a central mechanism for value addition in the business (Freeman et al, 2012).

These stakeholders are clients, service providers, staff, financiers, the society and the government who interrelate to create and trade value. The executive is in charge of managing and shaping the relationships to derive and distribute as much value as possible for stakeholders (Freeman, 1984). This plays an important role in an organization's performance (Ferrero-Ferrero, 2018). Similarly, stakeholders must trust the organization's ability to transform their contributions into benefits (Crane, 2020). Where this is the case, additional effort will be exerted in strengthening the stakeholder-organization relationship (Langrafe et al., 2020).

All interests are safeguarded equally as no interest is superior than the other. It is the manager's duty to manage the interests and relationships equally, to maximize value for distribution amongst the stakeholders (Freeman, 1984). Where there are conflicting stakeholder interests a manager must re-evaluate the situation to ensure all stakeholders' needs are met (Harrison et al, 2010). Stakeholders provide unique and varying information sources which could be combined to generate value addition (Esterhuyse, 2019; Garcia-Castro & Aguilera, 2015). Promoting better information exchange channels with stakeholders gives room for an improved appreciation of what they are interested in or prefer (Li & Nguyen, 2017).

The stakeholder theory was challenged by (Donaldson & Preston, 1995) who contended that all the stakeholders who participate in the business have interests. As such, there is a possibility of there being managerial confusion, inefficiency and conflict of interest. Contrarily, Harrison et al (2015) observed that this theory offered a chance to redefine different models, ideas and situations across various fields like public administration and economics leading to re-conceptualization of phenomena from varying novel perspectives including outlooks from multiple stakeholders at the same time (Harrison et al, 2015). Further, Freeman et al (2010) established that most scholarly works applied the stakeholder theory in strategic management, public policy, business ethics and law. This crystallized the importance of this theory to the study since corporation tax performance and information exchange are key concepts in these disciplines.

This was the anchoring theory as it fortified the independent and dependent variables. Its relevance to this study was derived from its ability to illustrate why it is important for KRA to collaborate with financial institutions, the National Treasury and other tax authorities by exchanging information in a manner that benefits all stakeholders, for increased corporate tax performance due to the effectiveness and efficacy that comes with such collaborations. This is because engaging stakeholders results in increased financial performance (Parmar et al., 2010 citing Jones, 1995). In particular, symbiotic stakeholder relationships enhance a corporation's ability to increase its profits and vice versa (Parmar et al, 2010).

Tax administration is a multifaceted endeavor. Whereas the Kenya Revenue Authority is the corporate body mandated to collect and remit taxes, the success of that mandate is pegged on the cooperation and discipline of every taxpayer as well as the participation of all stakeholders. This support cannot be attained unless KRA nurtures confidence and trust amongst the stakeholders which will then translate to collection of taxes thereby resulting in positive corporation tax performance. The attempts by KRA to boost stakeholder confidence in the recent past has yielded fruits as it has resulted in more positive reputation hence improved administration of tax. This buttressed the relevance of this theory to the study.

### 2.2.2 Information Sharing Theory

This theory was conceptualized by Constant *et al.* (1994) who argued that people are motivated by their own internal factors like control and reciprocation together with social and organizational factors like information sharing. The theory presupposes that the policies of an organization, its culture and individual factors can have a bearing on an individual's perspective on information sharing (Constant *et al*, 1994).

Sharing of information comprises of two factors: reciprocity where information is shared depending on the benefits one will get, and social and organization attitudes where information is shared if that is what is expected (Constant *et al*, 1994). The attitude people have towards organizational and social factors aid in moderating reciprocation and information sharing behaviour (Constant *et al*, 1994). Bock *et al* (2005) enhanced this theory by pinpointing the motivational aspects that impact a person's outlook, which then influence how they share information. This ability to share is influenced the rewards anticipated, a sense of self-worth, the expected reciprocation and the organizational environment (Bock *et al*, 2005).

Fawcett *et al.* (2007) argued that willingness determines the quality and the scope of information to be shared, yet researchers often ignored the willingness dimension of information sharing. In the absence of willingness, there is a hindrance in sharing of information that is timeous, correct, adequate, comprehensive and reliable (Fawcett *et al* 2007). Kwon and Suh (2005) observed that for collaboration to be successful, partners ought to voluntarily avail data on operations, finance and strategy. Fawcett *et al* (2011) conducted a study on the impact that supply chain has on information sharing and established that willingness to share information was critical in supply chain collaborations because it improved organizational performance and profitability. Okore and Kibet (2019) also carried out research on how information sharing affects supply chain performance of the Kakamega County tourism industry and found that indeed cooperation and building networks affected how the supply chain department of that industry performed in the County.

Commitment influences one's ability to share information voluntarily hence motivates sharing of meaningful data (Tan & Ramayah, 2014). It is also the basis for timely information sharing (Kwon & Suh, 2005). It is important to point to note that information technology infrastructure does not affect the information's value (Michalski *et al.*, 2019; Bhatt *et al.*, 2010; Kwon & Suh, 2005). Therefore, an entity that wishes to enhance its information sharing experience ought to shift more of its focus from information technology infrastructure to reciprocation, building trust, and committing to the partnership (Jure *et al.*, 2016).

There is a need for application of interdisciplinary theories to better understand the challenges of information sharing such as developing trust, collaboration and information technology that is used to share information (Jure *et al.*, 2016). A good example is Fawcett *et al.* (2010) who enhanced the propositions of this theory by conducting their research in the supply chain management sector. In spite of this, the theory was relevant to this research because it underpinned the independent variable by demonstrating what drives organizations to share information, the importance sharing the same and the benefits that accrue from it. In particular, symbiotic relationships augment the profit-making capacity of an organization, create alliances and provide opportunities for negotiating long-term contracts (Parmar *et al,* 2010). In addition, this theory advocates for reciprocal and timely information sharing which are important in ensuring effective and efficacious exchange of information.

The increasing evolution of political and economic interactions across the globe has challenged the traditional ways of confining activities to territorial boundaries. Increasingly, countries rely on each other to propel their agenda. It is for this reason that the principle of reciprocity as propagated by this theory, is salient because no country will accept to have relations with another where they are not likely to benefit. Similarly, transactional dealings of multinational corporations have made the traditional ways of doing business a matter of history. Thus, in order to effectively bring MNCs within each countries tax bracket, there is great need for information exchange which is best achieved if take reciprocity very seriously understanding that the same can be achieved without breaching domestic regulations.

### 2.2.3 Economic Deterrence Theory

It was developed by Becker (1968) who proposed that an individual will be deterred from participating in a crime if the consequence for committing the crime exceeds the value of the crime. Allingham and Sandmo (1972) via their income tax dodging model established that a taxpayers' propensity towards tax avoidance is enhanced by the consequences of this economic behavior. Srinivasan (1973) also proposed a theoretical model that had the same predictions.

The theory presupposes that taxpayers conduct a risk analysis when making a decision on whether or not to comply with tax legislations (Frey & Feld, 2002). Rational taxpayers maximize the anticipated advantages of the tax evasion gamble by evaluating the probable benefits of under-reporting *vis-a-vis* the probability of being discovered and punished (Alm, 2013). If the anticipated utility of committing the crime surpasses the expected benefit of being uncovered and punished, then a crime will be committed (Andrews & Bonta, 2019). As such, taxpayers' intentions are driven by enlargement of profits and probability of detection (Trivedi *et al*, 2014). If tax authorities reward compliant taxpayers, then taxpayers will be averted to crimes as the utility of complying will exceed that of tax evasion or avoidance (Trivedi *et al*, 2014).

Raskolnikov (2019) recently reviewed this theory and observed that it had made a lot of progress in explaining how the government should make its choices. He established that it investigates how the government may achieve its objective of maximizing social welfare given the individual decision-making strategy (Raskolnikov, 2019). Polinsky and Shavell (2007) defined social welfare as the cost of catching violators and imposing sanctions on them. Sanctions take the form of fines or imprisonment; the latter is seen as costless while the former is seen as costly for the government to impose (Raskolnikov, 2019). The government chooses the magnitude of the sanction, the probability of imposing the sanction since most violations are not detected with certainty and, whether to sanction all individuals causing external harm or only those whose actions breach the set threshold (Raskolnikov, 2019).

The disadvantages of this theory are that deterrence is a composite concept as the number of individuals dissuaded from a criminal act cannot be directly gauged in theory, controlling the factor variables both quantitatively and qualitatively is usually difficult and some research techniques are discordant. However, this theory was still applicable to this study because it showed what drives taxpayers to evade or avoid taxes, and how tax authorities can utilize this knowledge to curb tax evasion, in this case, using exchange of information as a tool. Chauke and Sebola (2016) found that theory was very relevant in curbing tax evasion.

This theory underpinned the dependent variable, corporation tax performance. It pointed out that the severity of imposed penalties may not prevent taxpayers from being non-compliant and might actually achieve the opposite. Nevertheless, the presuppositions in the economic deterrence theory translate to serious repercussions where corporations are concerned, when it comes to profits and losses. When they are heavily fined, they suffer huge losses which have catastrophic effects on investor confidence and growth. Accordingly, the possibility of incurring losses because of the fines imposed on account of their non-compliance drives them to comply to avoid these consequences.

### 2.3 Empirical Review

Empirical studies done by other scholars regarding the variables, were reviewed in this section to highlight the relationship between the variables so as to demonstrate the relevant of the variables to this particular study. They included studies carried out on information exchange on request and corporation tax performance, spontaneous information exchange and corporation tax performance and automatic information exchange and corporation tax performance.

#### 2.3.1 Information Exchange on Request and Corporation Tax Performance

Braun and Weichenrieder (2015) conducted an empirical study analyzing whether TIEAs signed after 2007 for exchanging information on request, impact foreign direct investment from Germany, in jurisdictions with low tax rates. Their empirical analysis was based on statistics relating to Germany's direct investment which had been collated by the German National Bank, and conducted a regression analysis using TIEAs for the different years and German investment during the periods, as variables (Braun & Weichenrieder, 2015). The German MNCs had a positive growth before 2007 with a more positive growth in the signature countries. However, the size of affiliates in signatory states reduced post 2007, with no similar reduction in non-signatory states (Braun & Weichenrieder, 2015). The evidence showed that German MNCs are inclined to decrease the number of their subsidiaries in tax haven jurisdictions which sign a TIEA with Germany (Braun & Weichenrieder, 2015). They concluded that German MNCs opted to have subsidiaries in tax havens because of their low tax rates and the financial secrecy these jurisdictions offer (Braun & Weichenrieder, 2015).

O'Reilly et al. (2019) examined the impact that information exchange on request had on bank deposits in global financial hubs. They examined the bank deposits changes in tax havens (O'Reilly et al., 2019). The Bank for International Settlements' Locational Banking Statistics provided the most comprehensive and recent database on bank deposits which guided their study (O'Reilly et al., 2019). To establish whether taxpayers' behavioral responses and the bank deposits held in international financial hubs by non-residents impacted the tax transparency of these centres, the regression analysis was used (O'Reilly et al., 2019). The results showed that bank deposits from non-residents in both international and non-international financial centres declined during the global crisis of 2008 (O'Reilly et al., 2019). After the crisis, the deposits in non-international financial centres recovered rather quickly and in 2018 they surpassed the previous peak while deposits in international financial centres were on a continuous decline. The findings showed that the amount of bank deposits in international financial centres dropped by USD410 billion between 2008 and 2019 (O'Reilly et al., 2019). It was their conclusion that the MNCs reaction was in response to the risk of a potential exposure of their concealed wealth once the information exchange agreements were implemented by tax authorities (O'Reilly et al., 2019).

Beer *et al.* (2019) conducted a study for the International Monetary Fund on how exchange of information affected cross-border tax evasion by estimating the amount of sample deposits that resident taxpayers of non-tax havens had in all offshore and non-offshore banks. From over 230,000 observations, it was found that deposits held by MNCs in tax havens had a decrease of between 8% and 12% once bilateral agreements relating to EOIR were concluded (Beer *et al.,* 2019).

The Global Forum et al (2019) conducted a study on the progress of African Countries on the Africa initiative and found that the networks for exchanging information between African States had expanded to 3,262 bilateral relationships from 2,523 in 2018 which had translated to additional tax revenue. In particular, a total of USD 189 million in additional taxes had been identified by a group of eight African Countries, between 2014 and 2019 (Global Forum *et al.,* 2019).

### 2.3.2 Spontaneous Information Exchange and Corporation Tax Performance

Keen and Ligthart (2004), conducted a study to establish the relationship between international taxation and information sharing. They used secondary data to obtain statistics on the effect of EOI on international taxation among European countries (Keen & Ligthart, 2004). They used data from Switzerland and Sweden which were the only countries that made their data public even though they only publicized the statistics and patterns regarding information shared and not corporation tax revenue recovered (Keen & Ligthart, 2004). They observed that the number of spontaneous information exchanges had a considerable variation yearly (Keen & Ligthart, 2004). They found that there was a high level of reciprocity is such exchanges since the correlation coefficient between two dummy variables: information received or provided and information not received or provided was 0.49 for spontaneous exchanges (Keen & Ligthart, 2004).

### 2.3.3 Automatic Information Exchange and Corporation Tax Performance

Beer *et al.* (2019) conducted a study to demonstrate the effect of tax information exchange in reducing international tax evasion between 1995 and 2018. They established that AEOI agreements were more meaningfully effective than EOIR agreements since they brought down the number of offshore deposits by 25% (Beer *et al.,* 2019). They concluded that though AEOI under the CRS, FATCA and European Union Savings Directive were materials steps in curbing global tax evasion, they were not very effective in detecting and deterring tax evasion (Beer *et al.,* 2019). Their study revealed that EOI had countered imminent round-tripping strategies (Beer *et al.,* 2019). They noted that reports showed that FATCA did not generate the projected USD8.7 billion in revenue for the 2010-2020 fiscal years (Beer *et al.,* 2019).

Stolper (2017), interrogated the relationship between AEOI and offshore tax evasion to show that AEOI had not affected Swiss Banks after the adoption the standard. The study was conducted because Switzerland's legislations had criminalized disclosure of customer information by their banks (Stolper, 2017). The relationship was inferred based on how Swiss banks' stock prices responded to information regarding Switzerland's potential of engaging in AEOI (Stolper, 2017). He concluded that there was no direct relationship between tax transparency and the decreases in Swiss banks' market share price because the least detectable effect sizes were moderate (Stolper, 2017). The findings suggested that Switzerland's decision to implement the automatic information standard was characterized by a negligible negative return in share prices for a few Swiss Banks that were being investigated by the US (Stolper, 2017). The result estimates for all Swiss banks and those under US investigations were statistically not far from zero for normal significance levels, indicating that the null results were occasioned by a lack of effect rather than low statistical power (Stolper, 2017).

A research study undertaken by Global Forum *et al* (2019) provided proof that the implementation of AEOI is progressing as the interest in it grows in Africa. It was established that because of the earlier voluntary disclosure programmes launched as a result of AEOI, taxpayers were disclosing previously obscured wealth while offshore investigations were becoming more effective as Nigeria and South Africa recovered USD82 million and USD296 million respectively (Global Forum *et al,* 2019).

## 2.4 Research Gaps

From the empirical literature reviewed, a number of gaps emerged which buttressed the need for this research in order to address those gaps vide research. The gaps have been summarized in table 2.1.

**Table 2.1: Research Gaps**

| Author and Year | Study | Findings | Study Gap |
|---|---|---|---|
| Keen & Ligthart (2004) | The relationship between international taxation and sharing of information. | The amount of spontaneous information exchanges had a considerable variation yearly as it would or would not be provided or received. | There was a contextual gap because the study's focus was Switzerland.<br>There was also a methodological gap as the study used secondary data from Switzerland and Sweden while this study used primary data. |
| O'Reilly *et al.* (2019) | How exchange of information upon request impacts on bank deposits of non-residents in worldwide financial centres. | The bank deposits in international financial centres dropped by USD410 billion between 2008 and 2019. | Used secondary data from the statistics Bank which revealed a methodological gap.<br>The study focused on MNCs in historical tax havens while this study focused on MNCs in Kenya hence a contextual gap. |
| Braun Weichenrieder (2015) | Whether TIEAs signed after 2007 on information exchanged on request affected Germany's foreign direct investment in low tax rate states. | The growth of German MNCs was positive before 2007 but reduced after 2007 in TIEA signatory countries. Their growth did not reduce in non-signature countries. | The study used secondary data which had been compiled by the German National Bank. This showed that there was a methodological gap.<br>There was a contextual gap since the study focused on Germany. |
| Beer *et al.* (2019) | Impact of exchange of tax information in decreasing worldwide tax evasion between 1995 and 2018. | Automatic exchange of information is more effective than information exchanged on request, in curbing transborder deposits in tax havens. | The study focused on countries in the European Union which exposed a contextual gap.<br>The study used secondary data collected from the Bank of International Settlements. Therefore, there was a methodological gap.<br>Studied the effect of EOI on cross-border tax evasion. From this, the revenue collected was used to draw a deductive inference on tax revenue performance. Further, the study variables were EOI4, CRS, FATCA and EUSD. As such, there was a conceptual gap. |
| Stolper (2017) | Effect of AEOI on offshore tax evasion to show that AEOI had not affected Swiss Banks after the AEOI standard was adopted. | There was no proof of significant reductions in the Swiss banks' market value on account of the transparency standards. | The study focused on Switzerland while this study focused on Kenya, thus, there was a contextual gap.<br>The impact of automatic information exchange was deduced from how stock prices reacted to news of Switzerland resolving to engage in AEOI while this research studied the effect of EOI of corporate tax performance. This revealed a conceptual gap |

## 2.5 Summary of Literature Review

The purpose of this research was to establish the effect of exchange of information on corporation tax performance. The theoretical review focused on three theories. As the grounding theory, the stakeholder theory stressed on the importance of stakeholder involvement in enhancing corporate performance. Studies under this theory reinforced the presupposition arguing that the information shared by the stakeholders was very vital in performance enhancement. The information sharing theory argued that reciprocity and the need for control fueled one's decision to share information. However, the studies carried out to enhance this theory provided mixed results as different scholars had different views on what influenced information sharing such as willingness, prospects of a reward and reciprocity while other scholars were of the view that willingness only improved the quality of information to be shared. The economic deterrence theory contended that taxpayers' ability to comply with tax laws was driven by what option served them best. The studies under this theory supported this position contending that taxpayers would only pay taxes where they incentivized to do so or where the penalties are punitive. Nevertheless, scholars agreed that it would be costly for tax administrations to prevail upon taxpayers to pay their taxes and the only recourse they had is to punish their non-compliance.

Empirical review was done based on studies that had already been done. Several studies showed the relationship between the study variables and indicated that corporate tax performance was dependent upon several factors. Some scholars suggested that automatic information exchange was more effective in limiting the ability of multinational enterprises to hide their income in tax havens. Other scholars disagreed with these findings and argued that information exchanged on request was more effective in enhancing tax performance as more taxes had been collected as result of the requests sent, yet collection of taxes under AEOI in the FATCA and CRS regimes had not met the expected target. Some scholars also argued that though spontaneous information exchange was rarely used, it was characterized by high reciprocation from states.

From the empirical literature review, it was evident that there were several gaps, with the major one being the contextual gap as all the studies had been carried out in the USA and in European countries. This provided a study area for this research to exploit so as to demonstrate ways in which exchange of information can aid in corporate tax improvement.

## 2.6 Conceptual Framework

Mugenda (2008) defined a conceptual framework as the succinct description of the concept being studied whose variables are represented using flow-charts. The independent variable was exchange of information while the dependent variable was corporation tax performance. Information exchange was denoted by information exchange upon request which was measured using the replies received and tax information availed; spontaneous exchange of information which was measured using agreements implemented, tax rulings exchanged and feedback received while automatic exchange of information was measured using voluntary tax disclosures made and country-by-country reports received. Corporation tax performance was measured using tax collected, taxpayers registered and returns filed as presented in figure 2.1.

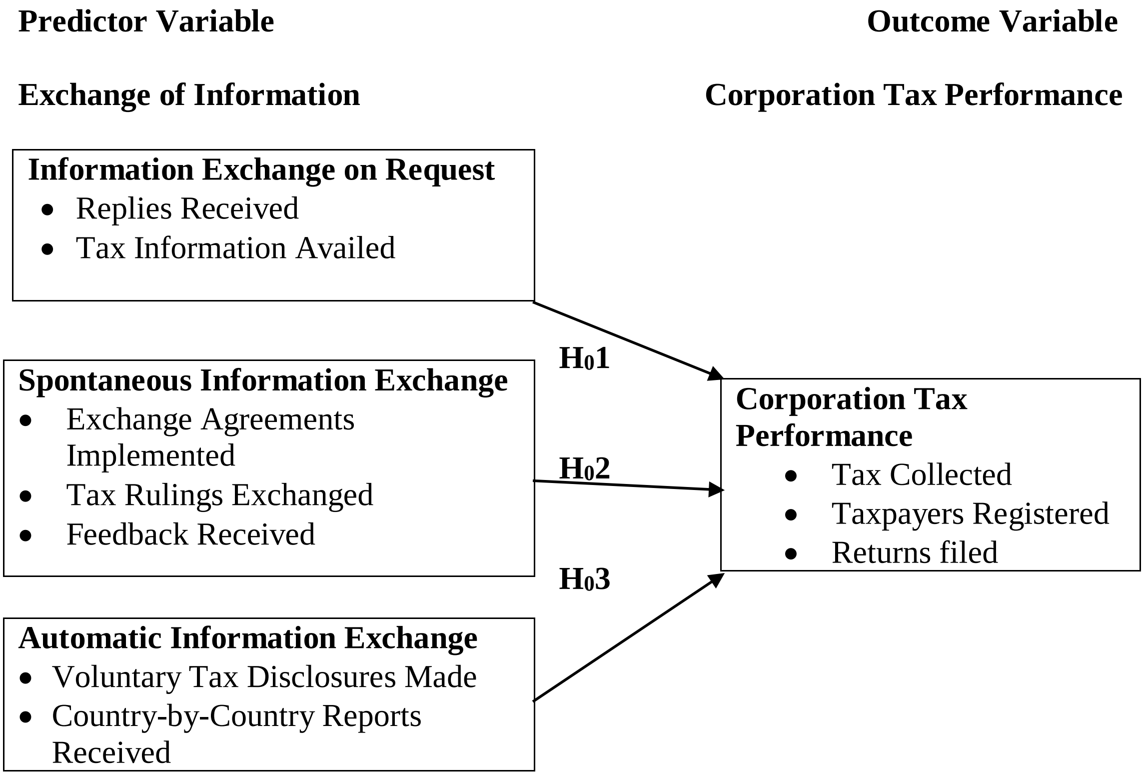


**Figure 2.1: Conceptual Framework**

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter explained the research methodology adopted by the researcher in conducting the research. It showed the research design, target population, sampling design, data collection method, research procedures and data analysis.

## 3.2 Research Design

Khan (2018) defines research design as the techniques adopted to evaluate the relationship between the predictor and outcome variables. This research adopted explanatory research design which tries to explain the type of relationships between variables and investigate the causal relationship between them. Other scholars have previously used the design and successfully came up with credible and reliable conclusions (Muriungi *et al,* 2015). Additionally, this research design allows for the collection of large quantity of data regarding the population being studied.

## 3.3 Target Population

According Cooper & Schindler, (2000), the population being studied comprises of a group things or persons with the same characteristics that are used to draw inferences. The target population comprised of 604 KRA officers seconded to the national treasury and KRA officers working at the large taxpayers' office, the international taxation department and the investigation and enforcement department. This is because, these officers interacted with exchange of information hence would provide information relevant to the study. Generalizing the population to all KRA officers would not have served this research as not all were capable of answering the questionnaire.

### 3.4 Sampling Technique and Sample Size

Sometimes it may be impractical to obtain data from all the persons or objects in the target population because of time and resource constraints. In such circumstances, only a part of the population referred to as the sample size, is studied (Creswell & Creswell, 2017). Various propositions have been made on what is the best method for selecting a sample size. As such, the respondents in this study were selected through simple random sampling using the lottery method. According to Mugenda and Mugenda (2013), where a target population constitutes less than 10,000, a sample size ranging from 10% to 30% will be a good representation of the target population thus 10 % is sufficient for analyzing data. A sample of 10% was retrieved from the target population to get 60 respondents as the sample size.

### 3.5 Data Collection Instruments

Data collection is a procedure that is characterized by precision and involves the methodical gathering of data (Newing, 2011). The study used primary data. The research assistant used questionnaires as the data collection instrument which comprised of general questions about the respondents and close-ended statements designed to address research questions and objectives based on the study variables in the Likert-scale format.

Cooper and Schindler (2006) posit that self-administered questionnaires are especially appropriate where the respondent needs sufficient time to prudently deliberate on their responses as was the case in this study. Other advantages accrued from the use of self-administered questionnaires for this study were cost effectiveness and the anonymity accorded to the respondent.

### 3.6 Data Collection Procedure

The data collection process commenced after obtaining an introduction letter from Moi University and a research permit from NACOSTI to sanction collecting data from respondents. The relevant data was collected from the field with the help of a research assistant. The researcher distributed the questionnaires to respondents and went to pick them after three days to give them sufficient time to go through the questions and give their feedback.

### 3.7 Pilot Testing

Pilot testing is done to confirm that the elements in the questionnaire are stated unambiguously and make similar sense to all participants (Mugenda & Mugenda, 2013). Pilot testing the questionnaire ensures that all the elements in the questionnaire are plainly stated and mean the same thing to everyone who participates in the exercise. It also helps in establishing whether the questionnaire has errors or other weakness so that the researcher can correct and adjust them before starting the data collection process (Creswell & Creswell, 2017).

Pilot testing was carried out by the research assistant to spot the weak point in the design, the data to be collected using the instruments and procedure to be applied in carrying out the study. According to (Cooper & Schindler, 2006), a pilot test should be between 1% to 10% based on the sample size. For this reason, the researcher who administered the questionnaires, carried out a pilot test on 6 respondents working at the KRA international taxation department who were purposively selected to test the reliability of the questionnaires. These respondents were not included in the final sample size.

### 3.7.1 Reliability

Reliability is the extent to which a data collection instrument gives the same results every time it is measured under constant conditions (Saunders *et al.*, 2009). According to Sekaran (2012), research findings will be trusted if different observers get identical results at varying times and if the findings regarding the raw data are transparent. The Cronbach Alpha was used to test for reliability. For an instrument to be deemed reliable, the values of the coefficients of Cronbach Alpha must exceed 0.7 (Bain, 2017).

### 3.7.2 Validity

Zikmund *et al*., (2010) suggest that validity requires measuring what is intended for measurement. It arises due to the fact that measurements in social science are indirect. It is the degree of accuracy of the indicators (Cooper and Schindler, 2006). Validity is therefore, the degree of accurate measure or score that fruitfully give the exact measure. To determine data accuracy, the study adopted content validity. The researcher was thus able to evaluate the validity of questionnaire by checking for clarity, relevance, interpretation of the questions and time spent, in order to improve where applicable. Supervisors were consulted to evaluate the questionnaire for ascertainment of content validity so as to eliminate the likelihood of Type 1 error and Type 11 error occurring. The questions found to be ambiguous were adjusted.

### 3.7.3 Assumptions of Regression

When using the regression model, some assumptions must be made in order to model the relationship between the variables. These assumptions must be met before inferences are drawn and the model is used to make a prediction (Wheeler & Tiefelsdorf, 2005). A normality test, multicollinearity test, homoscedasticity test, autocorrelation test and linearity test were performed. The study assumed a true linear relationship between the independent and dependent variables. The study further assumed that errors would be normally distributed, there was equal variance around the regression line during the analysis of the variables and that the relationship was independent of one another to diagnostically test the relationship between the variables.

### 3.8 Measurement of Variables

Table 3.2 highlights the predictor and outcome variables and how they were measured and reviewed. Information exchange upon request was measured by the replies received and tax information availed, and was reviewed by the studies of Braun and Weichenrieder (2015), O'Reilly et al. (2019), Beer *et al.* (2019) and Global Forum *et al.* (2019). Spontaneous information exchange was measured by the exchange agreements implemented, tax rulings exchanged and feedback received. This variable was reviewed by the study of Keen and Ligthart (2004). Automatic information exchange was measured by the voluntary tax disclosures made and the country-by-country reports received. This variable was reviewed by Stolper (2017), Beer *et al.* (2019) and Global Forum *et al.* (2019). Finally, corporation tax performance was measured by the tax collected, taxpayers registered and returns filed, which measures were supported by the studies of Ligomeka (2019), Klun (2004) and Crandall (2010). The variable was reviewed in the studies carried out by Clausing (2015) and Tax Justice Network (2020).

The questionnaire used the Likert 5-point scale so that an answer could be exhausted without leaving out any meaningful response. The unit of analysis was KRA officials at the international taxation department, investigation and enforcement department and large taxpayers' office together with those seconded to the national treasury to handle exchange of information and budgetary matters.

**Table 3.1: Measurement of Variables**

| **Variable** | **Operational Indicator** | **Source/ author** | **Data collection instrument** | **Measurement scales** |
|---|---|---|---|---|
| Information exchange on request (IV) | Replies Received<br><br>Tax Information Availed | Braun & Weichenrieder (2015)<br><br>O'Reilly et al. (2019)<br><br>Beer *et al.* (2019)<br><br>Global Forum *et al.* (2019) | Questionnaire | 5point Likert |
| Spontaneous Exchange of Information (IV) | Exchange Agreements Implemented<br><br>Tax Rulings Exchanged<br><br>Feedback Received | Keen & Ligthart (2004) | Questionnaire | 5point Likert |
| Automatic Exchange of Information (IV) | Voluntary Tax Disclosure Made<br><br>Country by Country Reports Received | Stolper (2017)<br><br>Beer *et al.* (2019)<br><br>Global Forum *et al*, (2019) | Questionnaire | 5point Likert |
| Tax Revenue Performance (DV) | Tax Collected<br><br>Taxpayers Registered<br><br>Returns filed | Ligomeka (2019)<br><br>Klun (2004)<br><br>Crandall (2010)<br><br>Clausing (2015)<br><br>Tax Justice Network (2020) | Questionnaire | 5point Likert |

### 3.9 Data Analysis

Cooper and Schindler (2006) argue that data analysis comprises of editing data and reducing it to manageable size, making summaries, getting data patterns and applying the appropriate statistical techniques. Data collected was edited, cleaned and coded for completeness. Descriptive statistics: mean and standard deviation were used to analyze the cleaned data while inferential statistics were used to examine the hypotheses of the study.

### 3.9.1 Regression Model

The three key elements of strategic procurement formed a multiple linear regression

$$\boldsymbol{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \cdots \varepsilon}$$

Where,

**Y=** Corporation Tax Performance **(**Dependent variable)

$\boldsymbol{X_1}$, $\boldsymbol{X_2}$, $\boldsymbol{X_3}$ = Independent variables

$\boldsymbol{X_1}$= Information exchange on request

$\boldsymbol{X_2}$= Spontaneous information exchange

$\boldsymbol{X_3}$= Automatic information exchange

$\boldsymbol{\beta_0}$ = constant

$\boldsymbol{\beta_1}$, $\boldsymbol{\beta_2}$, $\boldsymbol{\beta_3}$ = Coefficients of $X_1$, $X_2$, $X_3$ respectively

**ε** = Error term

Multiple regression analyses were employed to test hypotheses $H_{0_1}$, $H_{0_2}$ and $H_{0_3}$ respectively. The results were presented in tables while the analysis of the relationship between the variables was presented in the analysis of variance (ANOVA) table. Pearson Correlation co-efficient was used to perform the correlation analysis.

## 3.10 Ethical Consideration

Ethics refers to the moral rules and guidelines that control the behavior of people in social affairs (Bennett *et al.,* 2018). In line with this, the research assistant the informed consent of the respondents was procured before embarking on the data collection exercise. The responses and identities of the respondents were kept confidential by assigning the questionnaires individual codes so that the respondents' identity could remain anonymous. The respondents' names were not written on their questionnaires. The researcher adhered to the ethical standards of integrity and honesty.

# CHAPTER FOUR

# DATA ANALYSIS AND INTERPRETATION OF FINDINGS

## 4.0 Introduction

In this chapter, the research findings were discussed against the objectives of the study. The descriptive and inferential statistics were presented and discussed. The respondents' views on information exchange on request, spontaneous information exchange, automatic exchange of information and corporation tax performance were also highlighted to demonstrate whether they buttressed the empirical studies that had been carried out.

## 4.1 Response Rate

60 questionnaires were distributed but only 53 were received. Out of these 53, 4 were rejected because they were improperly completed hence only 49 questionnaires were accepted as properly filled. This translated to an 81% response rate. Response rate shows whether data met the assumption tests threshold or not hence is salient in determining the regression analysis's performance. According to Baruch and Holtom (2008), a response rate that exceeds 80% is good. Though a 100% response rate is excellent, it was not achieved in this study. This was attributable to the respondent's work interrelated challenges as the questionnaires were self-administered within a short time frame based on the 3-day permission granted to collect the data.

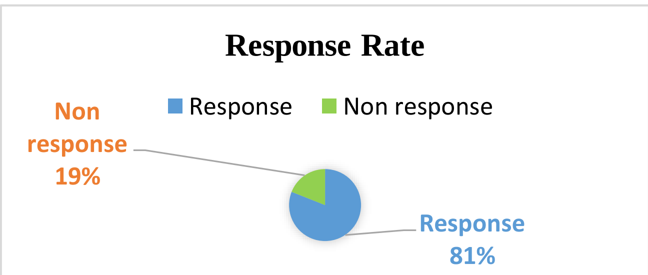


**Figure 4.1: Response Rate**

**Source:** Research Data (2021)

## 4.2 Reliability Statistics

The questionnaires' reliability was tested after piloting of questionnaires. The value of the Cronbach's Alpha for all the variables exceeded 0.7 proving the reliability of the instruments. (Information exchange upon request α=0.986; Spontaneous information exchange α=0.767; Automatic information exchange α=0.823; Corporation tax performance α=0.937).

**Table 4.1: Reliability test**

| Reliability Statistics | | |
|---|---|---|
| **Variable** | **Cronbach's Alpha** | **N of Items** |
| Information exchange upon request | 0.986 | 6 |
| Spontaneous information exchange | 0.767 | 6 |
| Automatic information exchange | 0.823 | 6 |
| Corporation tax performance | 0.937 | 6 |

## 4.3 Demographic Characteristics of the Respondents

### 4.3.1 Gender

The research sought to establish the respondents' gender. The outcome showed that 65% of the respondents were female while 35% were male. This meant that a majority of the respondents were female.

**Table 4.2: Respondent Gender**

| Gender | Frequency | Percentage |
|---|---|---|
| Male | 17 | 35 |
| Female | 32 | 65 |
| **Total** | **49** | **100** |

### 4.3.2 Highest Level of Education

Table 4.3 shows the highest level of education achieved by the respondents, based on the answers they gave. Out of 100%, 34.6% had a bachelor's degree, 24.5% had postgraduate diplomas, 16.3% had a master's degree, 14.3% had diplomas, 6.1% had reached the certificate level while 4.1% were doctorate degree holders.

**Table 4.3: Highest Level of Education**

| Professional qualification | Frequency | Percentage |
|---|---|---|
| Certificate | 3 | 6.1 |
| Diploma | 7 | 14.3 |
| Post graduate | 12 | 24.5 |
| Bachelor degree | 17 | 34.6 |
| Master degree | 8 | 16.3 |
| Doctorate degree | 2 | 4.1 |
| **Total** | **49** | **100** |

### 4.3.3 Years Worked

The respondents were asked to state the number of years they had worked in their respective institutions and the findings were recorded in Table 4.4. 51%, being a majority, had served for over 15 years, 26.4% had worked between 11-15 years, the number of years served by 14.2% ranged from 6-10 years while 8.5% worked for less than 5 years. As such, most of them had served for more than 15years.

**Table 4.4: Years Worked**

| Years | Frequency | Percentage |
|---|---|---|
| Less than 5year | 4 | 8.5 |
| 6 – 10years | 7 | 14.2 |
| 11 – 15years | 13 | 26.4 |
| Above 15years | 25 | 51 |
| **Total** | **49** | **100** |

### 4.3.4 Heard of Exchange

The research assistant sought to establish if respondents had heard about exchange of tax information. Results revealed that 67.3% had heard of exchange of tax information while 32.6% had not heard of it. The results demonstrated that a majority of the respondents knew about exchange of tax information

**Table 4.5: Respondent Heard of Exchange**

| Gender | Frequency | Percentage |
|---|---|---|
| Yes | 33 | 67.3 |
| No | 16 | 32.6 |
| **Total** | **49** | **100** |

## 4.4 Descriptive Statistics

### 4.4.1 Information Exchange on Request

The role that information exchange upon request played on corporation tax performance was interrogated. From the study findings it was evident that the respondents agreed that corporation tax revenue collection had increased because of the expanded networks that Kenya has with other tax jurisdictions due to the inclusion of exchange of information on request in bilateral agreements (mean = 3.71). The study also showed that the respondents were in agreement that failure to conclude bilateral agreements with other states, inhibited exchange of information upon request which prevented tax collection from MNCs in offshore tax jurisdictions (mean = 3.67) and responses received from other tax jurisdictions had enhanced exchange of information which had increased the number of MNCs registering their tax obligations arising from offshore transactions (mean = 4.29). The results showed that the respondents admitted that delay in receiving the requested information slowed down corporation tax revenue collection from MNCs (mean = 3.88). The results further revealed that the returns filed by MNCs had increased due to the information received from other tax jurisdictions (mean = 3.23).

**Table 4.6: Descriptive Statistics on information exchange**

| Statement | Mean | Std. Deviation |
|---|---|---|
| Corporation tax revenue collection has increased due to the expanded networks that Kenya has with other tax jurisdictions because of including exchange of information upon request in bilateral agreements. | 3.71 | 0.955 |
| Failure to conclude bilateral agreements with other states, inhibits exchange of information upon request which prevents tax collection from MNCs in offshore tax jurisdictions. | 3.67 | 0.702 |
| Responses received from other tax jurisdictions have enhanced exchange of information which has increased the number of MNCs registering their tax obligations arising from offshore transactions. | 4.29 | 0.624 |
| Delay in receiving the requested information slows down corporation tax revenue collection from MNCs. | 3.88 | 0.85 |
| The returns filed by MNCs have increased due to the information availed by other tax jurisdictions. | 3.23 | 0.976 |
| **Mean** | | |

### 4.4.2 Spontaneous Information Exchange

The benefits of spontaneous exchange of information to KRA were also analysed. The findings demonstrated the respondents were in agreement that the information received spontaneously from other tax jurisdictions had been relevant to corporation tax revenue collection (mean = 4.21). The results showed that the positive feedback given to tax authorities incentivizes them to continue providing information spontaneously which has improved collection of corporation tax (mean = 4.51). The results also indicated that the information received from tax investigations and audits had been useful in getting MNCs to file their returns (mean = 4.13). Further, the results also evidenced that tax rulings received from other tax jurisdictions helped in compelling MNCs to register the tax obligations that arise from offshore transactions (mean = 3.79), and that negative feedback given to other tax authorities improved the quality of information exchanged which increased the corporation tax revenue collected (mean = 3.69). This illustrated that spontaneous information exchange had led to positive improvements on corporation tax performance.

**Table 4.7: Descriptive Statistics on Spontaneous Information Exchange**

| | Mean | Std. Deviation |
|---|---|---|
| The spontaneous information received from other tax jurisdictions has been relevant to corporation tax revenue collection. | 4.21 | 0.588 |
| The positive feedback given to tax authorities incentivizes them to continue providing information spontaneously which has improved collection of corporation tax. | 4.51 | 0.78 |
| The information received from tax investigations and audits has been useful in getting MNCs to file their returns. | 4.13 | 0.68 |
| Tax rulings received from other tax jurisdictions helps to compel MNCs to register the tax obligations arising from offshore transactions. | 3.79 | 0.876 |
| Negative feedback given to tax authorities in other jurisdictions improves the quality of information exchanged which increases the corporation tax revenue collected. | 3.69 | 0.922 |
| **Mean** | | |

### 4.4.3 Automatic Information Exchange

Another study objective related to automatic information exchange. The findings showed that voluntary tax disclosure programme had prompted non-compliant MNCs to disclose their income and assets in offshore tax jurisdictions (mean = 4.08). The respondents admitted that the number of tax obligations registered by MNCs had increased due to the country-by-country reports received from other tax jurisdictions (mean = 4.17). The findings showed that automatic exchange of information among states had led to the timeous provision of non-compliance information which increased the number of MNCs who file their returns (mean =3.75). Further, the respondents agreed that the routine exchange of information had decreased the number of MNCs that hide their income and assets in offshore tax jurisdictions (mean = 3.41) and that there could be no automatic exchange of information if the CRS is not adhered to leading to no collection of corporation tax (mean = 3.58). This showed that automatic exchange of information had been instrumental in enhancing corporate tax performance

**Table 4.8: Descriptive Statistics on Automatic Information exchange**

| **Statements** | **Mean** | **Std. Deviation** |
|---|---|---|
| The voluntary tax disclosure programme has prompted non-compliant MNCs to disclose their income and assets in offshore tax jurisdictions. | 4.08 | 0.717 |
| The number of tax obligations registered by MNCs has increased due to the country-by-country reports received from other tax jurisdictions. | 4.17 | 0.637 |
| Automatic exchange of information among tax jurisdictions has led to the provision of timely information on non-compliance which has increased the number of MNCs who file their returns. | 3.75 | 0.847 |
| Routine exchange of information has decreased the number of MNCs that hide their income and assets in offshore tax jurisdictions. | 3.41 | 0.894 |
| There can be no automatic exchange of information if the CRS is not adhered to, leading to no collection of corporation tax. | 3.58 | 0.931 |
| **Mean** | | |

### 4.4.4 Corporation Tax Performance

The study sought to understand the role of information exchange upon request on corporate tax performance. The research findings evinced that the number of MNCs using offshore tax jurisdictions to avoid and evade taxes has reduced (mean = 4.87). Further, the study evidenced that the that the amount of corporation tax revenue collected from MNCs had increased (mean = 2.65) and the number of returns filed by non-compliant MNCs had increased due to the voluntary tax disclosure programme (mean = 4.02). The results showed that the respondents were in agreement that registration of tax obligations arising from offshores transactions by MNCs had significantly improved (mean = 3.42). The findings also illustrated that cross-tax avoidance and evasion by MNCs had reduced as a result of exchange of information among countries (mean = 3.96).

**Table 4.9: Descriptive Statistics on Corporation Tax Performance**

| **Statement** | **Mean** | **Std. Deviation** |
|---|---|---|
| The number of MNCs using offshore tax jurisdictions to avoid and evade taxes has reduced. | 4.87 | 0.912 |
| The amount of corporate tax revenue collected from MNCs has increased. | 2.65 | 0.567 |
| The number of returns filed by non-compliant MNCs has increased as a result of the voluntary tax disclosure programme. | 4.02 | 0.922 |
| Registration of tax obligations arising from offshores transactions by MNCs has significantly improved. | 3.42 | 0.853 |
| Cross-tax avoidance and evasion by MNCs has reduced as a result of exchange of information among tax jurisdictions. | 3.96 | 0.914 |
| **Mean** | | |

## 4.5 Assumptions of Regression

When using the regression model, some assumptions must be made so that the relationship between the predictor and outcome variables can be modelled. These assumptions must be met before inferences are drawn and the model is used to make a prediction (Wheeler & Tiefelsdorf, 2005). In scientific research, diagnostic tests are usually carried out to make an empirical determination on the quantitative impact and shortcomings of the study design in order to know its diagnostic accuracy (Lijmer *et al.*, 1999). To ensure the authentication of the research findings, five diagnostic tests were conducted before embarking on data analysis. The tests were: normality, linearity, homoscedacity, autocorrelation and multicollinearity. Variance Inflation Factor (VIF) was used to check for multicollinearity while Shapiro-Wilk test was used to check for normality.

### 4.5.1 Normality Test

Shapiro-Wilk test is the most effective way to check for normality (Razali and Wah, 2011). A value of less than 0.05 implies a substantial deflection from the normal distribution of data. The results from the normality test indicated that data was normally distributed as shown in table 4.10 since the Shapiro-wilk had p values >0.05 being: p=0.067, p=0.089, p=0.066 and p=0.074. The assumption of normality was thus not violated.

**Table 4.10: Tests of Normality**

**Tests of Normality**

| | **Kolmogorov-Smirnov[a]** | **Shapiro-Wilk** | |
|---|---|---|---|
| | **Statistic** | **Statistic** | Sig. |
| Information exchange on request | 0.079 | 0.976 | 0.067 |
| Spontaneous information exchange | 0.065 | 0.867 | 0.089 |
| Automatic information exchange | 0.082 | 0.981 | 0.066 |
| Corporation tax performance | 0.052 | 0.850 | 0.074 |

a. Lilliefors Significance Correction

**Source:** Research Data (2021)

### 4.5.2 Homoscedasticity test

Homoscedasticity means that spread of errors from the regression line is constant. Lani (2010) notes that in regression, an error is how distant a point deviates from the normal line of regression. The assumption of linear regression is that the spread of the residual or the error term is constant across the graph and if this assumption is violated, the statistical results may not be trustworthy due to biased coefficients. The results from the homoscedasticity test showed F-statistic 1.100246 p value >0.05. The test results concluded that the assumption for homoscedasticity was not violated.

**Table 4.11: Homoscedasticity test**

| | | | |
|---|---|---|---|
| F-statistic | 1.100246 | Prob. F(5,1) | 0.4190 |
| Obs*R-squared | 3.548899 | Prob. Chi-Square(3) | 0.3145 |
| Scaled explained SS | 2.848313 | Prob. Chi-Square(3) | 0.4156 |

### 4.5.3 Linearity test

Linearity tests were conducted to determine whether the relationship between independent variables and dependent variable were linear. The assumption for linearity was measured through a deviation from linearity metric with alpha of 0.05. Csörgő (1985b) elaborated that if the p value of deviation from linearity is >0.05 the assumption of linearity is not violated, if the p value is <0.05 the assumption for linearity has been violated.

**Table 4.12: Linearity test**
*ANOVA Table*

| | | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|---|
| Corporation tax performance* | Between Groups | (Combined) | 2.143 | 20 | .107 | 1.474 | .169 |
| | | Linearity | .003 | 1 | .003 | .043 | .838 |
| | | Deviation from Linearity | 2.996 | 28 | .107 | 1.549 | .143 |
| | **Total** | | 4.179 | 49 | | | |

The deviation from linearity p value was 0.143 >0.05. The results from table 4.10 concluded that the assumption for linearity was not violated.

### 4.5.4 Autocorrelation test

A Durbin-Watson test was conducted to check whether the values of the residuals are independent and to ensure that the observations are uncorrelated and independent from one another. Marshall (2018) explained that the purpose of a Durbin-Watson test was to identify the autocorrelation level. The statistic's value ranges from 0 to 4. A figure close to 2 indicates that there is no autocorrelation while positive autocorrelation is indicated by a value near 0; and a negative autocorrelation between independent variables is indicated by a value near 4. The value from the test was 2.2333 which was between 1.5 and 2.5, thus there was no autocorrelation in the data set.

**Table 4.13: Durbin Watson test**

| Model | Durbin-Watson |
|---|---|
| 1 | 2.2333 |

### 4.5.5 Multicollinearity

Multicollinearity shows whether variables influence other variables which is critical as it could render the results null and void. This study used Variance Inflation Factor in testing for multicollinearity. The results in Table 4.14 illustrates that VIF was 1.146, 1.480 and 1.802 for information exchange upon request, spontaneous information exchange and automatic information exchange respectively. The study obtained tolerance values of 0.804, 0.781 and 0.725 for EOIR, SEOI and AEOI respectively. These values were lower than the 2.5 level suggested by Allison (2009) as an indicator of multicollinearity; proving that multicollinearity was not a problem in this analysis.

**Table 4.14: Multicollinearity Test**

**Coefficients[a]**

| Model | Collinearity Statistics | |
|---|---|---|
| | Tolerance | VIF |
| Information exchange on request | 0.804 | 1.146 |
| Spontaneous information exchange | 0.781 | 1.480 |
| Automatic information exchange | 0.725 | 1.802 |

**a. Dependent Variable: Corporation tax performance**

### 4.6 Correlation Analysis

This analysis measures the degree of association amongst the variables under study. Pearson correlation analysis was performed to establish the relationship between the variables under this study. Where the Pearson coefficient is below 0.3, the correlation is perceived as weak and where the correlation is 0.5, there is a strong correlation amongst the tested variables. There was correlation between information exchange upon request and corporation tax performance at r=0.280 and p=0.001<0.05. Spontaneous information exchange also had a significant correlation with corporate tax performance at r=0.178 and p=0.000<0.05. Automatic information exchange had a correlation of r=0.254 and p=0.000<0.05 with corporate tax performance.

**Table 4.15: Correlation Analysis**

| | | Corporation tax performance | Information exchange | Spontaneous exchange | Automatic exchange |
|---|---|---|---|---|---|
| Corporation tax performance | Pearson Correlation | 1 | | | |
| | Sig. (2-tailed) | | | | |
| Information exchange | Pearson Correlation | .280** | 1 | | |
| | Sig. (2-tailed) | .001 | | | |
| Spontaneous exchange | Pearson Correlation | .178** | .229** | 1 | |
| | Sig. (2-tailed) | .000 | .000 | | |
| Automatic exchange | Pearson Correlation | .254** | .373** | .112** | 1 |
| | Sig. (2-tailed) | .000 | .000 | .000 | |

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

**Source:** Research Data (2021)

### 4.6.1 Regression Analysis between Exchange of Information and Corporation Tax Performance

The results in the table 4.16 indicated that EOIR, SEOI and AEOI positively correlated with corporation tax performance until 51.9% or (R= 0.519). The research findings showed that the model represents a variation in corporation tax performance of 26.9% (R-Square, 0. 269). This implies that the 73.1% (R-Square, 0.731) of the variation was caused by other factors not included in the model.

**Table 4.16: Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | 0.519[a] | 0.269 | 0.265 | 0.45246 |

a. Predictors: (Constant), Information Exchange on Request, Spontaneous Information Exchange and Automatic Information Exchange
b. Dependent Variable: Corporation Tax Performance

### 4.6.2 Analysis of Variance

ANOVA tests were performed to find out whether the model truly explains the relationship among the research variables as shown in the conceptual model. The outcome showed an F value of 34.624 and p=0.001 significance level which was <0.05 confidence level, thereby establishing the statistical significance of the model. This implied that EOIR, SEOI and AEOI significantly contributed to the changes in corporation tax performance. This demonstrated that the model functions and significantly represents the variations in corporate tax performance than what is expected by chance.

**Table 4.17: ANOVA**

| Model | Sum of squares | df | Mean squares | F | sig |
|---|---|---|---|---|---|
| Regression | 4.606 | 1 | 4.606 | 34.624 | .001[b] |
| Residual | 12.408 | 48 | 0.258 | | |
| **Total** | **17.014** | **49** | | | |

### 4.6.3 Joint Effect Analysis of Information Exchange on Request, Spontaneous Information Exchange and Automatic Information Exchange and Corporation Tax Performance

**Table 4.18: Model Summary**

| Model | Unstandardized Coefficients | | Standard Coefficients | T | Sig. |
|---|---|---|---|---|---|
| | B | Standard Error | Beta | | |
| Constant | 0.398 | 0.127 | | 3.133 | 0.001 |
| Information exchange on request | 0.298 | 0.086 | 1.974 | 3.465 | 0.000 |
| Spontaneous information exchange | 0.321 | 0.095 | 0.138 | 3.378 | 0.004 |
| Automatic information exchange | 0.246 | 0.057 | 1.330 | 4.315 | 0.000 |

**a Dependent Variable:** Corporation Tax Performance

**Regression Equation**

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

**Where;**

Y= Corporation Tax Performance

$X_1$ = Information Exchange on Request

$X_2$ = Spontaneous Information Exchange

$X_3$=Automatic Information Exchange

$\beta_0$ = constant term

$\beta_1, \beta_2, \beta_3$ = regression coefficients of $X_1, X_2$ and $X_3$.

ε = Error term

**Régression Equation**

$Y = 0.398 + .298\mathbf{X_1} + .321\mathbf{X_2} + .246\mathbf{X_3}$

The regression equation showed that the predictor variables and outcome variables were statistically significant. A unit change in information exchange on request increased corporation tax performance by 0.298. A unit change in spontaneous information exchange increased corporation tax performance by 0.321. A unit change in automatic information exchange increased corporate tax performance by 0.246

**4.6.4 Test of Hypotheses**

$Ho_1$ stated that information exchange upon request has no significant effect on corporation tax performance. This hypothesis was rejected because the relationship was statistically significant as ρ=0.000 which was <0.05 as outlined in Table 4.14. Information exchange upon request thus had a positive significant effect on corporation tax performance.

According to $Ho_2$, spontaneous exchange of information has no significant impact on corporation tax performance. This hypothesis was also rejected since the findings displayed in Table 4.19 showed that ρ=0.004 hence <0.05, which implied that the relationship between these variables was statistically significant. Spontaneous exchange of information therefore had a positive significant effect on corporate tax performance.

$Ho_3$ specified that automatic exchange of information does not significantly affect corporation tax performance. The hypothesis was rejected because the results in Table 4.19 showed that ρ=0.000 which was <0.05, implying that the relationship was statistically significant. Automatic exchange of information thus had a positive significant effect on the corporation tax performance.

**Table 4.19: Hypothesis Testing Summary**

| **Hypothesis** | **P-value** | **Decision** |
|---|---|---|
| **$H_0$1:** Information exchange upon request does not significantly affect corporation tax performance. | 0.000 | Reject $Ho_1$ |
| **$H_0$2:** Spontaneous exchange of information does not significantly affect corporation tax performance | 0.004 | Reject $Ho_2$ |
| **$H_0$3:** Automatic exchange of information does not significantly affect corporation tax performance | 0.000 | Reject $Ho_3$ |

**Source:** Research Data (2021)

### 4.7 Discussion of the Findings

A discussing of the results from the tests that were performed was done in this section. The outcome was also compared to the findings from the reviewed empirical studies to establish whether they supported those findings.

#### 4.7.1 Effect of Information Exchange upon Request on Corporation Tax Performance

The first objective was to establish the effect of information exchange upon request on corporation tax performance. The findings pointed out that information exchange upon request was statistically significant at a p=0.000, which was <0.05 the convectional probability significance level. This supported the findings by Beer *et al.* (2019) who found that ratification of EOIR bilateral agreements led to a decrease of 8% and 12% on the money hidden in offshore jurisdictions (Beer *et al.,* 2019).

#### 4.7.2 Effect of Spontaneous Exchange on Corporation Tax Performance

The second objective was to investigate the impact of spontaneous exchange of information on corporate tax performance. The outcome evinced that spontaneous information exchange was statistically significant at p=0.004, which was <0.05 the normal probability significance level. This reinforced the findings of Keen and Ligthart (2004), whose study observations demonstrated the existence of spontaneous information exchanges though they varied considerably each year. This led to their conclusion that there was a high level of reciprocity in financial information exchange.

### 4.7.3 Effect of Automatic Exchange on Corporation Tax Performance

The third objective was to determine the effect of automatic exchange of information on corporation tax performance. The findings evidenced that automatic exchange of information was statistically significant at p=0.000, which was <0.05 the standard probability significance level. This buttressed the findings of Global Forum *et al.* (2019) which found that the voluntary disclosure programmes launched as a result of AEOI, led to the recovery of USD82 million and USD296 million in Nigeria and South Africa respectively because taxpayers were disclosing their hidden income while overseas investigation were becoming increasingly effective.

# CHAPTER FIVE

# SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

Under this chapter, the summary, conclusion and recommendations made in the study were discussed. The suggestions to guide scholars in areas to perform their studies were also outlined.

## 5.2 Summary of Findings

This research aimed to investigate the effect of exchange of information on corporate tax performance at KRA. It was founded on three definite objectives: to establish the effect of information exchange upon request on corporation tax performance; to investigate the effect of spontaneous exchange of information on corporation tax performance and to determine the effect of automatic exchange of information on corporation tax performance.

### 5.2.1 Information Exchange upon Request on Corporation Tax Performance

The first objective was to find out the effect of information exchange upon request on corporation tax performance. From the correlation results, the study established that the relationship between information exchange upon request and corporate tax performance was positively and statistically significant. The regression analysis findings indicated that EOIR had a positive and statistically significant effect on corporation tax performance with evidence of $\beta=0.298$, $p=0.000$, $\rho<0.05$.

### 5.2.2 Spontaneous Information Exchange on Corporation Tax Performance

The second purpose of the research was to investigate the impact of spontaneous exchange of information on corporation tax performance. The correlation results and regression analysis findings showed that spontaneous information exchange had a positively statistically significant relationship with corporate tax performance with evidence of $\beta=0.321$, $p=0.004$, $\rho<0.05$.

### 5.2.3 Automatic Information Exchange on Corporation Tax Performance

The third object of the study was to determine the effect of automatic exchange of information on corporation tax performance. The correlation results established that automatic information exchange had a positive and statistically significant relationship with corporation tax performance. The findings from the regression analysis indicated that routine information exchange had a positively statistically significant effect on how corporation tax performs with evidence of $\beta= 0.246$, $p=0.000$, $\rho<0.05$.

## 5.3 Conclusion

The research sought to investigate the effect of information exchange on how corporate tax performs at KRA. From the findings, the following conclusions were made: the results indicated that information exchange upon request had an influence on corporation tax performance. These findings showed that sending information requests to other tax jurisdictions had enhanced exchange of information which increased the number of MNCs registering their tax obligations arising from offshore transactions.

On spontaneous information exchange, the study concluded that using spontaneous exchange had been beneficial to KRA. The findings also indicated that the positive feedback given to tax authorities incentivizes them to continue providing information spontaneously which had improved collection of corporation tax.

As regards automatic information exchange, the study findings disclosed that automatic information exchange significantly affected corporation tax performance.

The study revealed the voluntary tax disclosure programmes had prompted non-compliant MNCs to disclose their income and assets in offshore tax jurisdictions. The number of tax obligations registered by MNCs had also increased due to the country-by-country reports received from other tax jurisdictions

## 5.4 Recommendation

The findings revealed a statistically significant relationship between exchange upon request, spontaneous exchange and automatic exchange, on corporation tax performance at KRA. Resultantly, KRA was advised to come up with policies relating to information exchange upon request, spontaneous information exchange and routine information exchange so as to improve corporation tax performance. The study further recommended that KRA should focus more on spontaneous information exchange and develop policies relating to the spontaneous information received from other tax jurisdictions which have been relevant to corporation tax performance.

## 5.5 Suggestions for Further Research

This research focused on the impact of exchange of information on corporation tax performance at the Kenya Revenue Authority. From regression analysis results, the study established that exchange upon request, spontaneous exchange and automatic information exchange jointly explain a 26.9% change in corporation tax performance with a remaining 73.1%. This implied that the change was occasioned by other factors not present in the model. Thus, apart from the abovementioned factors, there are other variables which the current study did not focus on. To enrich the literature relating to this area, future studies should be carried out to examine the effect of transparency, reciprocity or timely exchange of information on corporation tax performance. Further, a study on the impact of exchange of information on corporate tax performance should be conducted with the independent variables being the non-traditional modes of exchange of information: simultaneous tax examinations, industry-wide information exchange and tax examinations abroad. Lastly, the effect of exchange of information on VAT should also be studied.

**REFERENCES**


African Tax Administration Forum. (2019). Exchange of Information: Why is Exchange of Information Necessary? African Tax Administration Forum.

Allingham, M. G. & Sandmo, A. (1972). Income Tax Evasion: A Theoretical Analysis. *Journal of Public Economics, 1 (1972)* North-Holland Publishing Company.

Alm, J. (2013). Expanding the Theory of Tax Compliance form Individual to Group Motivations. *Turlane Economic Working Paper Series.* Tulane University.

Allison, P.D. (2009). Fixed Effects Regression Models.

Andrews, D.A., Bonta, J. (2019). The Psychology of Criminal Conduct.

Ashman, S., Fine, B. & Newman, S. (2011). Amnesty International? The Nature, Scale and Impact of Capital Flight from South Africa. *Journal of Southern African Studies*, 2011;37(1) pp7-25.

Balaboniene, I. & Vecerskiene, G. (2015). The Aspects of Performance Measurement in Public Sector Organizations. International Scientific Conference, Economics and Management.

Barber, H., (2007). Tax Havens Today: The Benefits and Pitfalls of Banking and Investing Offshore. New Jersey: John Wiley & Sons.

Barreix, A., Roca, J. & Velayos, F. (2016, June). *A Brief History of Tax Transparency*. Inter-American Bank.

Baruch Y, Holtom BC. (2008). Survey Response Rate Levels and Trends in Organizational Research. Human Relations. 2008;61(8):1139-1160.

Becker, G. S. (1968). Crime and Punishment: An Economic Approach. *Journal of Political Economy*, 1968; 76(2), pp. 169–217

Beer, S., Coelho, M. & Leduc, S. (2019) Hidden Treasures: The Impact of Automatic Exchange of Information on Cross Border Tax Evasion. *International Monetary Fund.*

Bennett, Z., Graham, E., Pattison, S. & Walton, H. (2018). Invitation to Research in Practical Theology. Routledge, London.

Bhatt, G., Ali, E., Roberts, N. & Grover, V. (2010). Building and Leveraging Information in Dynamic Environments: The Role of IT Infrastructure Flexibility as Enabler of Organizational Responsiveness and Competitive Advantage. *Journal of Information and Management*, 2010; 47(7-8), pp. 341-349.

Blau, P.M. (1964). Exchange Power in Social Life. New York: John Wiley & Sons.

Bock, G.W., Zmud, R.W., Kim, Y.G., & Lee, J.N. (2005). Behavioral Intention Formation in Knowledge Sharing: Examining the Roles of Extrinsic Motivators, Social-Psychological Forces, and Organizational Climate. *MIS Quarterly*, *29*(1), 87–111.

Braun, J. & Weichenrieder, A. (2015), Does Exchange of Information Between Tax Authorities Influence Multinationals' Use of Tax Havens? *VfS Annual Conference 2015*, Muenster

Candau, F. & Le Cacheux, J. (2017), Corporate Income Tax as a Genuine Own Resource. *Working Papers, HAL*

Chauke, K. R. and Sebola, M. P. (2016). Reflection on the Deterrence Theory of Taxation in the Context of Revenue Collection by Municipalities and the South African Revenue Services. *SAAPAM Limpopo Chapter 5th Annual Conference Proceedings 2016*. University of Limpopo, Zambia.

Christensen, J. & Kapoor, S. (2004). Tax Avoidance, Tax Competition and Globalisation: Making Tax Justice a Focus for Global Activism. *Accountancy Business and the Public Interest*, 3(2).

Clarkson, M. B. E. (1995). A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance. *Academy of Management Review*, 20(1), pp. 92-117.

Clausing, K. A., (2016). The Effect of Profit Shifting on the Corporate Tax Base in the United States and Beyond.

Constant, D., Kiesler, S. & Sproull, L. (1994). What's Mine Is Ours, or Is It? A Study of Attitudes about Information Sharing. *Information Systems Research*, 5(4).

Cooper, D. R., & Schindler, P. S. (2000). Business Research Methods (7th ed.). New Delhi: Tata McGraw-Hill.

Cooper, D. R., and Schindler, P. S. (2006). Marketing Research. New York: McGraw Hill/Irwin.

Crandall, W. J. (2010). Revenue Administration: Performance Measurement in Tax Administration. IMF Technical Notes and Manuals 2010/011. International Monetary Fund.

Crane, B. (2020). Revisiting who, when, and why stakeholders matter: trust and stakeholder connectedness. *Journal of Business and Society*, 59(2), 263-286.

Creswell, J. W., and Creswell, J. D. (2017). Research Design: Qualitative, Quantitative, and Mixed Methods Approaches. Sage Publications.

Cropanzano, R., Anthony, E. L, Daniels, S. R. & Hall, A. V. (2017). Social Exchange Theory: A Critical Review with Theoretical Remedies. *Academy of Management Annals*. 11(1), 1-38.

Csörgő, S. (1985b). Testing for Linearity. *Statistics and Probability Letters,* 1985; 3(1), 45-49.

Davis Tax Committee. (2014). Addressing Base Erosion and Profit Shifting in South Africa: Davis Tax Committee Interim Report.

De Vries, R. E., Van den Hooff, B. & De Ridder, J. A. (2006). Explaining Knowledge Sharing: The Role of Team Communication Styles, Job Satisfaction, and Performance Beliefs. *Communication Research*, 33(115).

Dittmer, P. (2012). A Global Perspective on Territorial Taxation. Tax Foundation.

Donaldson, T. & Preston, L.E. (1995). The Stakeholder Theory of the Corporation: Concepts, Evidence and Implications. *Journal of Academic Management Review,* 20(1).

Dover, R., Ferrett, B., Gravino, D., Jones, E. & Merler, S. (2015). Bringing Transparency, Coordination and Convergence to Corporate Tax Policies in the European Union9; Part I: Assessment of the Magnitude of Aggressive Corporate Tax Planning. European Parliament.

Esterhuyse, L. (2019). Towards corporate transparency: the link between inclusion in a socially responsible investment index and investor relations practices. *The Bottom Line*, 32(4), 290-307.

Fawcett, S.E., Osterhaus, P., Magnan, G.M., Brau, J.C. & McCarter, M.W. (2007). Information Sharing and Supply Chain Performance: The Role of Connectivity and Willingness. *Journal of Supply Chain Management,* 12(5), pp. 358-368.

Fawcett, S.E., Wallin, C., Allred, C., Fawcett, A.M. & Magnan, G.N. (2011). Information Technology as An Enabler of Supply Chain Collaboration: A Dynamic-Capabilities Perspective. *Journal of Supply Chain Management,* 47(1), pp. 38-59.

Ferrero-Ferrero, I., Fernandez-Izquierdo, M.Á., Muñoz-Torres, M.J. and Bellés-Colomer, L. (2018). Stakeholder engagement in sustainability reporting in higher education: an analysis of key internal stakeholders' expectations. *International Journal of Sustainability in Higher Education*, 19(2), 313-336.

Fiawoo, J. (2018). Closing Africa's Tax Revenue Gap.

Freeman, R. E. (1999). Response: Divergent Stakeholder Theory. *Academy of Management Review,* 24(2), pp. 233-236.

Frey, B.S. & Feld, L.P. (2002). Deterrence and Morale in Taxation: An Empirical Analysis. *CESIFO Working Paper No: 760*.

Gaalya, M. S., (2015). Trade Liberalization and Tax Revenue Performance in Uganda. *Modern Economy Journal,* 2015;6(2).

Garcia-Castro, R. & Aguilera, R.V. (2015). Incremental value creation and appropriation in a world with multiple stakeholders. *Strategic Management Journal*, 36(1), 137-147.

Genschel, P. & Schwarz, P. (2011). Tax Competition: A Literature Review. *Socio-Economic Review,* 2011; 9(2) p. 339-370.

Glenday, G. (2008). South African Tax Performance: Some Perspectives and International Comparisons. Duke University.

Global Financial Integrity. (2017). Illicit Financial Flows to and from Developing Countries: 2005-2014. GFI, Washington DC

Global Forum on Transparency and Exchange of Information for Tax Purposes, the African Union Commission and the African Tax Administration Forum (2019). Tax Transparency in Africa 2020 Africa Initiative Progress Report: 2019. 2

Harrison, J. S., Freeman, E., and Abreu, M. C. (2015) Stakeholder Theory as an Ethical Approach to Effective Management: applying the theory to multiple context. *Review of Business Management*.

Homan, G. C. (1961). Social Behaviour as Exchange. *American Journal of Sociology*. 63, 597-606.

Honest Accounts (2017). How the World Profits from Africa's Wealth. ISODEC, Accra.

Johannesen, N. & Zucman, G. (2014). The End of Bank Secrecy? An Evaluation of the G20 Tax Haven Crackdown. *American Economic Journal: Economic Policy* 2014; 6(1).

Jure, E. Khan, Z., Nadia and Peter, T. The Impact of Personality Traits and Domain Knowledge on Decision Making – A Behavioral Experiment. *Research-in-Progress Papers, 38.*

Keen, M. and Ligthart, J.E. (2004a). Incentives and Information Exchange in International Taxation. International Monetary Fund: Washington DC.

Keen, M. and Ligthart, J.E. (2004). Information Sharing and International Taxation: A Primer. *CentER Working Paper No. 2004-*. Tilburg: Tilburg University.

Kemme, D. M., Parikh, B. & Steigner, T. (2017). Tax Havens, Tax Evasion and Tax Information Exchange Agreements in the OECD. *European Financial Management,* 23(3), p. 519-542.

Kenya Revenue Authority (2019). Annual Revenue Performance Report for 2018/2019 Finance Year.

Kenya Revenue Authority. (2020) Annual Revenue Performance Report for 2019/2020 Financial Year.

Kenya Revenue Authority. (2021) Annual Revenue Performance Report for 2019/2020 Financial Year.

Khan, S. A. (2018). Research Methodology (Some Basic Concepts).

Klun, M. (2004). Performance Measurement for Tax Administrations: The Case of Slovenia. *International Review of Administrative Sciences*. 2004;70(3):567-574.

Knobel, A. & Meinzer, M. (2014). Automatic Exchange of Information: An Opportunity for Developing Countries to Tackle Tax Evasion and Corruption. Tax Justice Network.

Koisin, E.A.P. Koisin, Manaf, N.A.A. & Ibrahim, I. (2017). Will Timeliness Problem in Responding to International Request for Information for Tax Purposes be Solved with a CMS? *International Journal of Economic Research*, 2017; 14(16).

Kothari, C. R. (2004). Research Methodology, Methods and Techniques. New Age International Publishers. New Delhi, India.

KPMG. (2021). Voluntary Disclosure in South Africa 4$^{th}$ Edition.

KPMG. (2021). OECD: First Exchanges of "no or only tax jurisdictions".

Kwon, I.G. & Suh, T. (2005). Trust, Commitment and Relationships in Supply Chain Management: A Path Analysis. *Supply Chain Management*. 10(1), pp. 26-33.

Langrafe, T.F., Barakat, S.R., Stocker, F., Boaventura, J, M. G. (2020) A stakeholder theory approach to creating value in higher education institutions. *The Bottom Line*. 33(4), 297-313

Lani, J. (2010) The Multiple Linear Regression Analysis.

Laws of Kenya (1974). Income Tax Act, Cap 470.

Laws of Kenya (2021). Finance Act, No. 8.

Lemgruber, A., Masters, A. & Cleary, D. (2015). Understanding Revenue Administration: An Initial Data Analysis using the Revenue Administration Fiscal Information Tool. *International Monetary Fund.*

Li, M. and Nguyen, B. (2017). When will firms share information and collaborate to achieve innovation? A review of collaboration strategies. *The Bottom Line*, Vol. 30(1), 65-86

Ligomeka, W. (2019). Assessing the Performance of African Tax Administrations: A Malawian Puzzle. *African Tax Administration*, Paper 14.

Ligthart, J. E. & Voget, J. (2008). The Determinants of Cross-Border Tax Information Sharing: A Panel Data Analysis. The Pennsylvania State University.

Lymer, A. & Hasseldine, J. (2002). The International Tax System. Springer Science & Business Media.

Lijmer, J. G., Mol, B. W., Heisterkamp, S., Bonsel, G.J., Prins, M. H., Van der Meulen, J.H.P. & Bossuyt, P.M.M. (1999). Empirical Evidence of Design-Related Bias in Studies of Diagnostic Tests. JAMA. 1999;282(11):1061–1066

Magesa, A. M. (2014) *The Impact of Tax Evasion on Revenue Collection Performance in Tanzania: A Case Study of Tanga Tax Region.* (Master's Thesis).

Martínez, M. T. A., Barrios, S., D'Andria, D., Gesualdo, M., Nicodeme, G. & Jonathan, P. (2021). How Large is the Corporate Tax Base Erosion and Profit Shifting? A General Equilibrium Approach. *Economic Systems Research*.

Michalski, M., Montes, J.L. & Narasimhan, R. (2019), Relational Asymmetry, Trust, and Innovation in Supply Chain Management: A Non-Linear Approach. *The International Journal of Logistics Management*, 30(1), pp. 303-328.

Molm, L. D. (2003). Theoretical Comparisons and Forms of Exchange. *Sociological Theory*, 21(1), 1-17.

Monkam, N., Ibrahim, G., Davis, W., & Von Haldenwang, C. (2018). Tax transparency and Exchange of Information (EOI): Priorities for Africa (T20 Argentina Policy Brief).

Mugenda, A., G. (2008). Social Science Research, Theory and Principles. Nairobi. Applied Research and Training Services Press.

Mugenda, A. and Mugenda, O. (2013). Research Methods: Quantitative and Qualitative Approaches. Nairobi: ACTS Press.

Murithi, T., Mwania, J.M., & Mwinzi, J. (2016). The Influence of Financial Resources on the integration of the National Goals of Education. *International Journal of Education and Research,* 4(9), 51-62.

Muriungi, C. N., Waithaka, M., Were, E. & Muriuki, M. (2017). Effects of Risk Management on Financial Stability of State Corporations in Kenya: A survey of Tourism Fund (TF) and Kenyatta International Convention Centre (KICC). *International Academic Journal of Economics and Finance*, 2(3), 268-291.

Newing, H. (2011). Conducting Research in Conservation: A Social Science Perspective. Routledge, London.

Okore, C. A., & Kibet, Y. (2019). Influence of Information Sharing on Supply Chain Performance in the Tourism Industry in the County Government of Kakamega, Kenya. *The Strategic Journal of Business & Change Management*, 6 (2), pp. 66–81.

O'Reilly, P. K., Ramirez, P. and Stemmer, M. A. (2019). Exchange of Information and Bank Deposits in International Financial Centres. *OECD Taxation Working Paper No. 46*

Organization for Economic Cooperation and Development (2019). Substantial Activities in No and Only Nominal Tax Jurisdictions; Guidance for the Spontaneous Exchange of Information.

Organization for Economic Cooperation and Development (2006). Manual on the Implementation of Exchange of Information Provisions for Tax Purposes: Unclassified Module on General and Legal Aspects of Exchange of Information.

Organization for Economic Cooperation and Development (2019). Corporate Tax Remains a Key Revenue Source Despite Falling of Worldwide Rates.

Organization for Economic Cooperation and Development (2020). Automatic Exchange of Tax Information.

Organization for Economic Cooperation and Development (2020). Convention on Mutual Administrative Assistance in Tax Matters.

Organization for Economic Cooperation and Development (2020). Tax Transparency in Africa.

Organization for Economic Cooperation and Development (2021). Action 13 on Country-by-Country Reporting.

OXFAM. (2016). Tax Battles: The Dangerous Global Race to the Bottom on Corporate Tax.

Pankiv, M. (2013). Tax Information Exchange Agreements. *Exchange of Information for Tax Purposes.* 10:22

Parmar, B. L., Freeman, E. R., Harrison, J. S., Wicks, A. C., Purnell, L. & Colle, S. (2010) Stakeholder Theory: The State of the Art. *The Academy of Management Annals.* 4 (1), 403-445

Polinsky, M. & Shavell, S. (2007). Chapter 6: The Theory of Public Enforcement of Law. *Handbook of Law and Economics,* (2007)1, pp. 403-454

Pricewaterhouse Coopers. (2021). Kenya: Corporate Taxes on Corporate Income.

Raskolnikov, A. (2019). Deterrence Theory: Key Findings and Challenges. *Colombia Law and Economics Working Paper* No. 610.

Razali, N. M., & Wah, Y. B. (2011). Power Comparisons of Shapiro-Wilk, Kolmogorov-Smirnov, Lilliefors and Anderson-Darling Tests. *Journal of Statistical Modeling and Analytics.* 2, 21-33

Redmond, M. V. (2015). Social Exchange Theory. *English Technical Report and White Papers*: Iowa State University.

Saunders, M., Lewis, P., and Thornhill, A. (2009). Selecting Samples. Research Methods for Business Students, Harlow, England: Pearson Education Limited

Sekaran, U. (2006). Research Methods for Business: A Skill Building Approach. New York: John Wiley & Sons.

Segalovičienė, I. (2011). Evaluation in Public Management: The Conception and Models. *Public Policy and Administration Research Journal,* 10(3).

Sharma, S. (2020). Cross-Border Tax Information is a Game Changer. International Tax Review.

Siripurapu, A. (2021). Corporate Taxes in a Globalized World.

South African Revenue Service (2020). Automatic Exchange of Information (FATCA AND CRS).

Spencer, D. (2010). Exchange of Tax Information. *Journal of Accountancy, Business and the Public Interest 2010,* 5(1) p. 87-94.

Srinivasan, T. N. (1973). Tax Evasion: A Model. *Journal of Public Economics* 2(1973), pp. 339-346.

Stolper, T. (2017). A Step Change in Tax Transparency? An Event Study on How the Automatic Exchange of Information Did Not Affect Swiss Banks. *Planck Institute for Tax Law and Public Finance Working Paper 2017/10*.

Tan, C.N. & Ramayah, T. (2014). The Role of Motivators in Improving Knowledge-Sharing among Academics. *An International Electronic Journal*,19(1).

Tax Justice Network (2018). Financial Secrecy Index.

Tax Justice Network (2020). Watershed Data Indicates more than a Trillion Dollars of Corporate Profit Smuggled into Tax Havens.

Tax Justice Network. (2020). Estimates of Tax Avoidance and Evasion.

The National Treasury and Planning (2018). 2018 Budget Review and Outlook Paper.

Thibaut, J. W. & Kelley, H. H. (1959). The Social Psychology of Groups. New York: John Wiley & Sons.

Trivedi, V. U., Shehata, M. & Lynn, B. (2003). Impact of Personal and Situational Factors on Taxpayers Compliance: An Experimental Analysis. *Journal of Business Ethics,* 47(3), pp. 175-197

Urinov, V. (2015). Developing Country Perspectives on Automatic Exchange of Tax Information. *Law, Social Justice & Global Development Journal,* 2015;1

Watson, G. & McBride, W. (2021). Evaluating Proposals to Increase the Corporate Tax Rate and Levy a Minimum Tax on Corporate Book Income. *Fiscal Fact No. 751*.

Wheeler, D. & Tiefelsdorf, M. (2005). Multicollinearity and Correlation among Local Regression Coefficients in Geographically Weighted Regression. *Journal of Geographical Systems*, 7(2), 161-187.

Zikmund, W. G., Babin, B. J., Carr, J. C., & Griffin, M. (2010). Business Research Methods. (8th ed.). Mason, OH: South-Western/Cengage Learning.

# APPENDICES

## Appendix I: Letter of Introduction to Targeted Institutions

Jully Adhiambo Kamollo,
Kenya School of Revenue Administration,
P.O. Box
Nairobi.

20th September 2021,

Dear Sir/Madam,

**RE: DATA COLLECTION**

---

I am undertaking a Master of Tax and Customs degree at the Moi University. This is a joint master’s programme with Kenya School of Revenue Administration. My research study is on the **Effect of Exchange of Information on Corporation Tax Performance at Kenya Revenue Authority**.

You were selected to participate in this study and your co-operation will be highly treasured. A questionnaire has been attached to this letter. Your sincere opinion will be required. Your responses will only be used for this research and shall be kept confidential.

Best regards.

Yours faithfully,

Jully Adhiambo Kamollo

## Appendix II: Questionnaire

This questionnaire is administered to gather information regarding the effect of exchange of information on corporation tax performance at KRA. Your answers will only be used for this research and shall remain confidential. You are requested to answer the questions as truthfully and impartially as possible.

**Please tick in the appropriate box.**

**SECTION A: BIO DATA**

1. **Gender**

   Male [ ]

   Female [ ]

2. **What is your highest level of education?**

   Certificate [ ]

   Diploma [ ]

   Post Graduate Diploma [ ]

   Bachelor's Degree [ ]

   Master's Degree [ ]

   Doctorate Degree [ ]

3. **How long have you served in the Organization?**

   Below 5 years [ ]

   6 to 10 years [ ]

   11 to 15 years [ ]

   More than 15 years [ ]

4. **Have you heard of exchange of tax information?**

   Yes [ ]

   No [ ]

5. **Do you know whether Kenya has entered into agreements to govern the implementation of exchange of information?**

   Yes [ ]

   No [ ]

**SECTION B**

**Tick the option that you think applies to your situation based on the choices given in the Likert scale (1-5).**

**1 = Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree**

## A. EXCHANGE OF INFORMATION UPON REQUEST

Please indicate using the scale 1-5 (as shown) the extent to which you agree or disagree with the following statements;

| **Statements** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| Corporation tax revenue collection has increased because of the expanded networks that Kenya has with other tax jurisdictions, resulting from the inclusion of exchange of information upon request in bilateral agreements. | | | | | |
| Failure to conclude bilateral agreements with other states, inhibits exchange of information upon request which prevents tax collection from MNCs in offshore tax jurisdictions. | | | | | |
| Responses received from other tax jurisdictions have enhanced exchange of information which has increased the number of MNCs registering their tax obligations arising from offshore transactions. | | | | | |
| Delay in receiving the requested information slows down corporation tax revenue collection from MNCs. | | | | | |
| The returns filed by MNCs have increased due to the information availed by other tax jurisdictions. | | | | | |

## B. SPONTANEOUS EXCHANGE OF INFORMATION

Please indicate using the scale 1-5 (as shown) the extent to which you agree or disagree with the following statements;

| **Statements** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| The spontaneous information received from other tax jurisdictions has been relevant to corporation tax revenue collection. | | | | | |
| The positive feedback given to tax authorities incentivizes them to continue providing information spontaneously which has improved collection of corporation tax. | | | | | |
| The information received from tax investigations and audits has been useful in getting MNCs to file their returns. | | | | | |
| Tax rulings received from other tax jurisdictions helps to compel MNCs to register the tax obligations arising from offshore transactions. | | | | | |
| Negative feedback given to tax authorities in other jurisdictions improves the quality of information exchanged which increases the corporation tax revenue collected. | | | | | |

## C. AUTOMATIC EXCHANGE OF INFORMATION

Please indicate using the scale 1-5 (as shown) the extent to which you agree or disagree with the following statements;

| **Statements** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| The voluntary tax disclosure programme has prompted non-compliant MNCs to disclose their income and assets in offshore tax jurisdictions. | | | | | |
| The number of tax obligations registered by MNCs has increased due to the country-by-country reports received from other tax jurisdictions. | | | | | |
| Routine exchange of information among states has led to the provision of timeous information on non-compliance which has increased the number of MNCs who file their returns. | | | | | |
| Routine exchange of information has decreased the number of MNCs that hide their income and assets in tax havens. | | | | | |
| There can be no automatic exchange of information if the CRS is not adhered to, hence, there will be no collection of corporation tax. | | | | | |

## D. CORPORATION TAX PERFORMANCE

Please indicate using the scale 1-5 (as shown) the extent to which you agree or disagree with the following statements;

| **Statements** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| The number of MNCs using offshore tax jurisdictions to avoid and evade taxes has reduced. | | | | | |
| The amount of corporation tax revenue collected from MNCs has increased. | | | | | |
| The number of returns filed by non-compliant MNCs has increased as a result of the voluntary tax disclosure programme. | | | | | |
| Registration of tax obligations arising from offshores transactions by MNCs has significantly improved. | | | | | |
| Cross-border tax avoidance and evasion by MNCs has reduced as a result of exchange of information among tax jurisdictions. | | | | | |

## Appendix III: Work Plan

| | **Particulars** | **Action By** | **Timeline** |
|---|---|---|---|
| **1.** | Presentation of Research Proposal | Researcher | $13^{th}$ April 2021 |
| **2.** | Hiring and Training of Research Assistants | Researcher | 3 days |
| **3.** | Sampling | Research Assistants | 4 days |
| **4.** | Pilot study | Research Assistants | 3 days |
| **5.** | Data collection | Research Assistants | 2 weeks |
| **6.** | Data entry, cleaning, coding, analysis and interpretation | Data Analysts<br>Researcher | 1 week |
| **7.** | Thesis compilation | Researcher | 3 days |
| **8.** | Thesis presentation, correction and submission | Researcher | To be advised |

## Appendix IV: Research Budget

| | **Description** | **Particulars** | **Cost (KShs)** |
|---|---|---|---|
| **1.** | Proposal development | Printing and binding | 1,500.00 |
| | | Miscellaneous | 3,000.00 |
| **2.** | Data collection and analysis | Data collection and administration | 15,000.00 |
| | | Data cleaning, coding and analysis | 20,000.00 |
| **3.** | Final research document | Printing and binding | 7,500.00 |
| | | Miscellaneous | 7,000.00 |
| | **Grand Total** | | 54,000.00 |

## Appendix V: Research Letters

Kenya School of Revenue Administration

KENYA REVENUE AUTHORITY

ISO 9001:2015 CERTIFIED

REF: KESRA/NBI/036

14th September 2021

TO: WHOM IT MAY CONCERN

RE: REQUEST FOR RESEARCH PERMIT

JULLY ADHIAMBO KAMOLLO- REG. NO.: KESRA105/0071/2018

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: "*THE EFFECT OF EXCHANGE OF INFORMATION ON CORPORATE TAX PERFORMANCE AT KENYA REVENUE AUTHORITY*"

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

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

Thank you.

14 SEP 2021

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

P. O. Box 48240 – 00100, Nairobi    Email: kesratraining@kra.go.ke    Tel: +254715877535/9

*Tulipe Ushuru Tujitegemee!*

**JULLY KAMOLLO**

Cell: +254 113417179; Email: lexykamollo@gmail.com ; P.O. Box 50685-00100 Nairobi, Kenya.

Kenya Revenue Authority,
Research Department,
Times Tower,
Nairobi.

**27th October 2021**

Dear Sirs,

**RE: Collection of Data Regarding Corporation Tax Performance for the Financial Years 2017/2018, 2018/2019, 2019/2020 and 2020/2021**

I, Jully Diana Adhiambo Kamollo of ID. No. 26826092 do hereby give authority to Collince Omondi Opany of ID. No. 34481883 to collect data on my behalf, regarding the above noted subject matter.

I am a Masters student at the Kenya School of Revenue Administration, pursuing a Master's degree in Tax and Customs Administration. In order to obtain the said degree, I am required to undertake a research project on: **Effect of Exchange of Information on Corporate Tax Performance by Kenya Revenue Authority**. To conclusively investigate this fact, I am required to have authoritative information on the corporation tax performance. It is for this reason that I am writing this letter requesting you to furnish me with the data on the corporation tax revenue lost during the 2017/2018, 2018/2019, 2019/2020 and 2020/2021financial years, on account of harmful tax practices such as tax evasion and avoidance schemes by multinational corporations like profit shifting and base erosion. (Attached, please find a copy of a recommendation letter from KESRA, a research permit from NACOSTI and my national identity card).

Your assistance will be highly appreciated.

Yours faithfully,

Jully Diana Adhiambo Kamollo

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 182904

Date of Issue: 14/October/2021

# RESEARCH LICENSE

**This is to Certify that Ms.. Jully Adhiambo of Kenya School of Revenue Administration, has been licensed to conduct research in Nairobi on the topic: Effect of Exchange of Information on Corporate Tax Performance at Kenya Revenue Authority for the period ending : 14/October/2022.**

License No: **NACOSTI/P/21/13267**

182904

Applicant Identification Number

Director General

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Verification QR Code

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