FACTORS AFFECTING VALUE ADDED TAX COMPLIANCE AMONG WHOLESALERS IN SOUTH OF NAIROBI COUNTY, KENYA.

BY

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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS AND ECONOMICS, DEPARTMENT OF ACCOUNTING AND FINANCE IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTERS IN TAX AND CUSTOM ADMINISTRATION

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DECLARATION

Declaration by Candidate

This research project is my original work and has not been presented for award of a degree, diploma or certificate in any other college or university.

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DEDICATION

I wish to dedicate this project to my family with much love and thanks, for their perseverance, understanding and support during the period of my study. Thank you for always encouraging and supporting me

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ABSTRACT

Taxation is considered the primary source of government funding and plays a critical role in social economic and political development of any nation across the globe. "Despite ongoing tax reforms by the government, a large section of small business tends to exhibit low tax compliance even though they are eligible to pay taxes. This is evidenced by many governments being unable to meet their target revenue collections. The main objective of this study was to determine the factors that affect VAT compliance in South of Nairobi, Kenya. The specific objectives were to determine the effect of taxpayer perception on VAT compliance, establish the effect of enforcement measures on VAT compliance and to establish the effect of stakeholder sensitization on VAT compliance. The study was guided by Fiscal Psychology Theory, Economic deterrence theory and Stakeholder's theory. The study employed explanatory research design that involved the use of a structured questionnaires in collecting primary data. A pilot study was conducted in West of Nairobi Kenya to test the reliability and validity of research instruments. The study population was 4053 licenced wholesalers with South of Nairobi. A sample size of 364 was determined by using Yamane 1967 formula and selected using stratified random sampling. Data collected was analyzed using descriptive and inferential statistics. The relationship between the independent variables mentioned above and VAT compliance was obtained by using regression analysis. Regression analysis established that taxpayer perception had a beta coefficient (β_1) of (0.314, P=0.000<0.05) while enforcement measures had a beta coefficient (β_2) of (0.253, P=0.003<0.05). Lastly, stakeholder sensitization had a beta coefficient (β_3) of (0.421, P=0.001<0.05). Model summary show that the predictor variables used explain 55.9% of variations in dependent variable meaning that there are still other variables that affect the wholesalers in South of Nairobi County. The study made conclusions on taxpayer perception, enforcement measures and stakeholders' sensitization that there was a significant positive relationship between all independent variables and Value added tax Compliance among wholesalers in south of Nairobi Kenya. The study therefore recommends that the government should ensure efficient in utilization of revenue generated for the benefit of its people so that the citizens can have more confidence in them and support their administration by being VAT compliant. KRA should review its policies on court sanctions, fines and penalties on taxpayers and strictly enforce the deterrence sanctions since tax deterrence sections influence tax compliance level by wholesalers in south of Nairobi Kenya. Also, KRA should emphasize on VAT awareness of taxpayers as this will enhance their compliance levels. Therefore, there is need to undertake other studies related to the same topic with wide considerations to other determinant like technology and online filing on VAT compliance.

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ABBREVIATIONS AND ACRONYMS

ANOVA   Analysis of Variance

ETR   Electronic Tax Register

EFD   Electronic Fiscal Devices

GDP   Gross Domestic Product

GST   Goods and Services Tax

IRS   Internal and Revenue Tax

ITMS   Integrated Tax Management Systems

KRA   Kenya Revenue Authority

OECD   Organisation for Economic Development

PLS   Partial Least Square

RARMP Restructuring and Rejuvenation Programme

SMEs   Small and Medium Enterprises

SPSS   Statistical Package for Social Science

TPA   Tax Procedure Act

VAT   Value Added Tax

VIF   Variance Inflation Factor

DEFINITION OF TERMS

Enforcement measures: Deliberate measures taken by tax authority to enforce compliance among the taxpayers including arresting of taxpayers, caveat of assets and agency notice (Lederman, 2018).

Sensitization: Sensitization is an arrangement which enhances the knowledge and involves such platforms as seminars. (Olaoye & Ayodole, 2017).

Tax compliance: Tax compliance is the submission of tax return within the period stipulated, stating the deductions and income correctly, ensuring the taxes assessed and the levied taxes are paid before the due date (Pellegrini, 2016).

Taxpayer Perception: Perception is the interpretation or one's understanding of something through the senses. This is how taxpayers perceive on-line tax system (Mukabi, 2014).

Vat Compliance: Value Added Tax Compliance is measured in different aspect such as willingness to register for tax obligations, correct computation of tax dues, filing in time and payment of tax due within the within the stipulated time (Dwenger, 2016).

Wholesaler: A wholesaler is a trader who buys merchandise in bulk from manufacturers and sells them in small quantities to retailers (Boris , 2017).

CHAPTER ONE

1.0 Introduction

This chapter comprises the background of the study, statement of the problem, research objectives, research hypothesis, significance, and the scope of the study.

1.1 Background of the Study

Globally, revenue is needed by governments in both developing and developed countries, for public expenditures such as public administration, provision of social services, defence, and infrastructure. To finance these activities, the government should impose taxes to its citizens. According to (Hyman, 1990), taxes are compulsory payments made by citizens of a country and do not necessarily relate to the benefits received from the government in terms of goods and service. Taxes are levied for the benefit of the government as whole, not for the advantages of individual or class. Therefore, tax is a payment imposed by government, and is compulsory with no expectation for direct benefit to the taxpayers (Bhatia, 2003). We pay taxes because it is expensive for an individual to fully pay for a service used and thus the government intervenes by collecting taxes for funding the public expenditures to benefit its citizens. There are various tax systems adopted by both developing and developed countries whereby VAT is one of them.

VAT is a major part of the tax system for several African nations. VAT system have been adopted in different mechanisms by both internal and external pressures. Some of the external pressures are influences from international financial organizations and advice that come from the agencies of former colonial Powers. Difficulties experienced in the collection of enough revenue from taxes and other levies are some of the internal pressures (Krever, 2008).

Value added tax is a tax imposed on goods bought for consumption. It is charged on a product at every stage of supply chain whenever value is added between its production and sale. Value added tax was introduced by French engineer Laure in 1954 to replace sales tax which was easy to evade. Many European countries introduced VAT in 1960s and 1970s and then developing countries followed in 1980s. Because of globalization and harmonization of international trade between multilateral treaties and developed economies of cooperation, agreement have emerged, and VAT has gone beyond boarders of any state and there was a need to eliminate tax evasion. VAT was introduced with main goal of harmonizing VAT law, matching of content and layout of VAT evasion.

Value added tax (VAT) came to existence in 1990 to replace sales tax which had been there since 1973 in Kenya. The main reason as to why it was introduced was to reduce tax evasion and expand tax base to increase the government revenue. The VAT Act Cap 476 governs the administration of Value Added Tax. The VAT framework has goods and services which are taxable except for zero rated products that comprise of basic goods as well as exports. Value Added Tax was adopted with an ordinal rate of seventeen percent but incorporated with other fourteen rates with the highest ever being two hundred and ten percent. Two hundred and ten percent rate made VAT look like a tax system that targeted differentiated commodities. In the year 2013, Value Added Tax Act was adopted and implemented; at this time VAT policy, faced several drawbacks by the business owners as well as the government. Since the inception of the VAT, the taxman has removed some provisions and added some provisions into the Act. The most noteworthy changes comprise of removing of the Value Added Tax remission; exclusion of a lowered rate of twelve percent, combination of previous subordinate

regulations and the main regulations, reduced the scheduling of 8 to 2 as well as raising the rates of zero-rated tax charges and exempting basic supplies (Ernst & Young, 2016). VAT is collected at specified points by registered persons who remit it to the Commissioner. Since the tax is paid by the final consumer of products, registered persons serve solely as VAT agents in collecting and paying the tax.

Additional improvements that of mobilizing government incomes that comprised of the creation of Kenya Revenue Authority under Kenya Revenue Authority Act number 2 of 1995. During the second plan of between 2003 and 2006, KRA paid attention on the restructurings and rejuvenation programme (RARMP) that was aimed at improving the competence in the collection of revenues, incorporation of the tax divisions as well as the efficiency in delivering the services. The key reforms that targeted promoting the value added tax comprised the adoption of the Electronic tax registers (ETRs) to make sure maximum income is realized from the retailers; the Simba system that allowed the importers affirm their products easily; adoption of the integrated tax management system (ITMS) and the latest reform is the adoption of i-tax with the aim to offer several tax services online thereby easing the compliance by the taxpayers (Kanyi & Kalui, 2014).

To achieve growth objectives as envisioned in the vision 2030 demands for sustaining a 10% economic growth and guaranteeing that the huge government expenses are fulfilled by the incomes from the taxation (Republic of Kenya, 2007). In connection to this agenda, the KRA as the Kenyan taxman aims to realize 24.3% growth in incomes. To achieve sustainable tax revenue, the authority will focus on key initiatives including realizing a VAT share of the gross domestic product of nine per cent, realizing taxpayers' compliance rate of 65 percent and the realization of a minimum taxpayers

of four million (Kenya Revenue Authority, 2019).

Wholesaler trade refers to the buying and selling of goods and services in large quantities to be sold or to be used for other purposes (Boris & dobras, 2017). Wholesale businesses in Kenya play a major role in economic developments since the introduction of Value added tax as per the study conducted by (Masinde, 2012) on unlocking the revenue potential. However, as much as wholesale businesses continue growing, KRA still experience a lot of challenges in collecting revenues in the form of value added taxes. Some of the challenges that cause non-performance of VAT revenues in the wholesale business include the management, taxation policies and systems. Tax compliance represents multi-faceted measures of taxation relating to payment, reporting, and filling of taxes (Stam & Verbeeten, 2017).

According to Gangl (2015), tax compliance is the taxpayers' ability to accurately report all their incomes and remit all taxes to fulfill the provisions of the court, laws and regulations that govern taxation in a country. Onu & Outs (2015) define tax compliance as the taxpayers' act of filing tax returns, declaring accurate taxable incomes and disbursing the taxes payable on time and without being followed up by the tax authorities. It is considered an offence if the taxpayers fail to comply with the laws and regulation governing taxation (Kondelaji, 2016).

The compliance of tax laws and regulations remain to be a major challenge that affect economic growth across the globe. "Tax compliance in Europe is only about 8% of the GDP whereas Italy loses above 183 billion euros annually due to tax non-compliance (Machogu & Amayi, 2016). Across East African countries, there is relatively higher tax compliance in relation to the GDP. Oladipupo and Obazee (2016) argues that there

are extrinsic factors that play a vital role in tax compliance. A study was done by (Jayawardane, 2015) with the aim of establishing the link that existed between tax compliance and extrinsic factors where they noted a positive relationship.

In fact, Kenya is known for low tax compliance among the countries with low income. The main cause of low tax compliance is KRA's failure to meet the budgets of tax revenue collection and excessive use of external debts as well. The increased low tax compliance forms the basis of the current study. Kenya is categorized among those countries with low tax compliance that has resulted to low national income. This challenge has been further compounded by the country's difficulty in ensuring the efficiency and effectiveness of tax administration. According to the research conducted in Kenya by African Research review, the tax noncompliance by entities has made KRA fail to achieve its set revenue collection target. It was established from the study that there is high VAT noncompliance among business entities that are middle-income.

According to Kenya National Bureau of statistics (2017), 67% of the business entities that operate in Kenya are still not VAT compliant even after the implementation of the regulations by the government. It further states that most of the businesses were recording declined profits due to inconsistencies in service because of their failure to comply with VAT laws and regulations (Masaku, 2019). There is need for investigations to establish the reasons as to why tax collection authorities such as KRA continue to perform poorly in collection of tax revenues even with the government putting a lot of effort to ensure maximum amounts are collected (Gitaru., 2017)."

1.2 Statement of the Problem

Tax revenue is considered the primary source of government funding and plays a critical role in socio economic and political development of any nation across the world (Widianto, 2015). A large section of small business tends to exhibit low tax compliance even though they are eligible to pay taxes (Oladipupo & Obazee, 2016). This denies revenue from many governments over the globe making them unable to meet budgetary allocation and provision of essential services to her citizens. This has forced the governments to resort to external borrowings to finance their activities. In most instances, taxpayers are not willing to register for tax obligations, compute the correct tax due, filing returns in time and payment of taxes due within the stipulated time (Dwenger, 2016).

Since devolution began in 2013, Kenya's VAT revenue collection have not been meeting its targets despite ongoing tax reforms. During the Financial Year 2020/2021 KRA collected an aggregate of Ksh 350.75 billion against target of Ksh 405.91billion which translated to 86.4% (Kenya Revenue Authority, 2021). During the Financial Year 2019/2020 KRA collected an aggregate of Ksh 380.84 billion against target of Ksh 508.8 billion which translated to 74.9% (Kenya Revenue Authority, 2020). During the Financial Year 2018/2019 KRA collected an aggregate of Ksh 409.5 billion against target of Ksh 464.2 billion which translated to 88.2% (Kenya Revenue Authority, 2019). During the Financial Year 2017/2018 KRA collected ksh356.7 billion against a target of ksh 423.3 billion which translated to 84.3 % (Kenya Revenue Authority, 2019). As a result, this indicates that the Kenyan government is not performing optimally in VAT revenue, necessitating the need to identify the factors affecting VAT compliance and how to improve it.

Previous studies have linked taxpayer perception to tax compliance. Kazi and Farhana, (2020) linked taxpayer perception to tax compliance in Dhaka, Bangladesh. "The study examined the relationship between tax compliance and perception of government spending and showed a positive significant relationship which implies that taxpayer perception of government spending as good and will boost the decision to comply with the tax laws of a country. However there exist contextual differences since they were conducted in other countries. It would be impractical to relate the results of this study to the local context. Zachary, (2017) investigated tax compliance cost and tax payment by small and medium enterprises in Embu County, Kenya. The study concluded that there was a significant and direct relationship between tax compliance costs and tax payments by SMEs in Embu County. However, he recommended on addition study on other factors like attitude and perception of taxpayers. Felippe, (2021) conducted a study on the link between enforcement factors and VAT compliance in Brazil. The results show that tax evasion is directly associated with tax burden and audit cost, but the effect of fines is unclear." However, little has been done on assessing the determinants of value added tax compliance amongst wholesaler's business in Kenya with a specific consideration to how taxpayer perception, enforcement measures and stakeholder's sensitization affects VAT compliance. This means there is still a gap that needs to be filled, therefore necessitating this study.

1.3 Objective of the Study

The study was guided by general and specific objectives.

1.3.1 General objectives of the study

The main objective of this study was to determine factors affecting Value Added Tax compliance among wholesalers in South of Nairobi County, Kenya.

1.3.2 Specific Objectives of the Study

The study was guided by the following specific objectives:

i. To determine the effect of taxpayer perception on Value Added Tax compliance among wholesalers in South of Nairobi County.

ii. To establish the effect of enforcement measures on Value Added Tax compliance among wholesalers in South of Nairobi County.

iii. To establish the effect of stakeholder sensitization on Value Added Tax compliance among wholesalers in south of Nairobi County.

1.4 Research Hypothesis

i. Ho_1: Taxpayer perception has no significant effect on Value Added Tax compliance among wholesalers in South of Nairobi County.

ii. Ho_2: Enforcement measures have no significant effect on Value Added Tax compliance among wholesalers in South of Nairobi County.

iii. Ho_3: Stakeholder sensitizations have no significant effect on Value Added Tax compliance among wholesalers in South of Nairobi County.

1.5. Significance of the Study

KRA is responsible for enforcing and administering all legal taxes in Kenya. Despite Kenya's rapid growth of the informal sector, tax collection has remained a significant challenge, with gains diminishing over time. This study will generate findings that will dissect the issue, diagnose the underlying causes, and suggest potential solutions for overcoming the identified roadblocks.

This study collected data directly from VAT taxpayers, enabling them to provide information that will tailor a solution to VAT tax collection output. Other policymakers in various countries may use the findings of this study to help solve a similar problem in their own countries.

This study will fill a knowledge gap by elucidating the variables affecting VAT revenue output in Kenya as administered by the Kenya Revenue Authority. Many individuals interested in determining why VAT collection has been unsuccessful in Kenya will find the evidence presented in this helpful research. Additionally, researchers may use this study's findings to bolster their argument, thereby emphasizing the results' significance.

1.6 Scope of the Study

The study concentrated on Wholesale businesses within South of Nairobi in Nairobi County, Kenya. South of Nairobi is amongst the areas where the wholesaler's business are concentrated. The study focused on establishing the factors affecting Value Added Tax compliance amongst wholesalers. Specifically, the effect of taxpayer perception, enforcement measures and stakeholder sensitization on Value Added Tax compliance. The target population was 4053 and the sample size was 364 licensed wholesalers' business registered by KRA. The scope covered 2020/2021 financial year.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of concepts, theories that provide the theoretical background which include Fiscal Psychology Theory, Economic Deterrence theory and Stakeholder's theory. It also covers the empirical literatures in relation to objective of the study, critiques of literature, research Gap, summaries of literature and ends up with Conceptual framework.

2.2 Review of Study Concepts

The concept of the study was to investigate factors affecting Value added tax compliance. These factors include taxpayer perception, enforcement measures and stakeholder sensitization. The study assumed that there was a relationship between these factors and Value added tax compliance.

2.2.1 VAT Compliance

Tax compliance is the submission a tax return within the period stipulated that accurately states the income and deductions and paying the taxes assessed and the levied taxes within the due date (Pellegrini, 2016). Value Added Tax Compliance is also a measure of the level to which individuals and corporates adhere to both indirect and direct taxes at a free will. However, it may not be easy task to measure Value Added Tax Compliance in a country since it involves even some intrinsic traits that are beyond measurability criteria (Taru, 2019). For instance, individual morale to file taxes is complex since it is difficult if they do it voluntarily or it is because of threats of penalties. Value Added Tax Compliance is important to the government, it ensures that revenue that is needed to cater for public expenditures is available. Value Added Tax

Compliance is measured in different aspects such as willingness to register for tax obligations, correct computation of taxes due, filing returns in time and payment of taxes dues within the stipulated time (Dwenger, 2016).

There is a wide spectrum of evidence on what contributes to high or low Value Added Tax Compliance in which various scholars have sought to establish circumstances under which taxpayer comply or fail to comply with tax regulations. The good things that enhance Value Added Tax Compliance are often referred to as incentives to comply while the bad things as perceived by the taxpayers are known as deterring factors (Gangl , 2017). In this respect, where incentives to comply are more than the deterring factors, it follows therefore that Value Added Tax Compliance can be high, and the reverse case is true. To conceptualize Value Added Tax Compliance, it crucial to note that it can be achieved through persuasive or coercive mechanisms.

In Kenya VAT compliance is governed by Value Added Tax Act cap 476. VAT is charged in accordance with the provision of the Act sec 5 (1). Any person who is eligible to incur tax liability is required to register under Sec 34 (1) (a), (b), and Sec 44 (1-5) requires a taxpayer to submit the returns on time. Also, section 19 requires a taxpayer to pay the tax due on time. Kenya Revenue Authority uses persuasive means aims at educating the taxpayers on the need of paying taxes while coercive factors seek to use force to enforce Value Added Tax Compliance (Mativo, 2015). As a result, coercive mechanisms may even motivate tax evasion and deter compliance if too harsh. It is important to note that Value Added Tax Compliance entails a process rather than a single observation at a point it time. This is because Value Added Tax Compliance measures the tax morale of taxpayers throughout the country about the entire of the tax system or a single tax base. It is voluntary compliance that is cost effective to

government and taxpayers (Zachary, 2017). Tax compliance pertains to the relationship between individuals and the state. Individuals who are proud to be Kenyan and have faith in both the Kenyan Revenue Authority (KRA) and the government depicted higher level of compliance than those who were not proud and did not have faith in the institutions (Otindo, 2021).

2.2.2 Taxpayer Perception

Perception is the recognition, interpretation, and response of individuals to sensory information that they get from the environment (Appah & Wosowei, 2016). It is so likely for different individuals to react differently towards the information they get which influences their responses to it. In terms of tax, the knowledge that taxpayers possess concerning the public expenditure have a significant impact on tax compliance (Appah & Wosowei, 2016). "Gadenne (2016) further argues that as the government gets more funding from grants, improved public service is realized, however, it also raises questions to the taxpayers as to whether the tax revenue paid by them is used by the government in ways that differ from their expectations. While it may not be possible to meet the expectations of the citizens, may not be met, tax compliance behaviour will normally reflect the quality of the government and the perceptions about its bodies to which the taxpayers are contributing (Korutaro, 2017).

Perceptions about how fair the system of tax is, it generally about the administrative government influences the taxpayers' intention to comply with taxes. Individuals holding positive attitudes to tax, commonly believe in equality and fairness in the tax system and its administration and thus they comply with tax. Prior research indicates that corruption in government increases the level of non-compliance by accelerating tax evasion (Cyan., 2016).Perceptions on corruption damage compliance behaviour among

taxpayers since they erode the willingness of taxpayers in contributing shares of revenue (Melgar, 2010) and nurtures beliefs of doubt in taxpayers in the associated government authority (Melgar, 2010).

Evans (2017), noted that corruption perceptions and tax non-compliance behaviour present major problems in the success of developing countries. Such studies are suggestive of commitments by the government to warrant an honest and corruption free tax administration in the pursuit of an increased tax yield. Tax compliance should thus be sustained, for instance, by a strong cooperative association between the government and citizens who are taxpayers, who eventually will lead to improved voluntary compliance" (Bertinelli, 2020)."

2.2.3 Enforcement Measures

Law plays an important role in implementing policy. Taxpayer must comply with laws and regulations regardless of their background, Tax compliance is enhanced using voluntary and enforced approaches (Blaufus, 2013) .Turner in (Youde & Lim, 2019) explained that the law is the authority of tax officials which guide them to carry out revenue collection. Legally, the tax authorities have the power to increase tax compliance and punish the illegal reductions in tax payments by conducting tax audit activities and imposing penalties. The absence of strict laws will cause the tax system to operate ineffective (Bird, 2018).

According to Tax Procedures Act 2015, tax enforcement tools are gauges applied for collection and reclamation of tax liabilities from defaulting taxpayers. These measures involve a sequence of activities on the defaulting taxpayers. They are Agency notice (Sec 42 of TPA), Distress orders (Sec 41 of TPA), Charge or security on immovable property

(Sec 40 of TPA) and court suits (Sec 39 of TPA). "Section 60 of TPA gives commissioner full and free access to any building or property and authority to cart away documents or data storage devices believed to be used in tax fraud.

Tax will work effectively, if its administrators maintain an aggressive attitude with respect to the correctness of the taxpayers 'actions, (Bird & Oldman, 1967). Some taxpayers fail to file or make mistakes through ignorance or neglect while others deliberately cheat. A passive attitude by the authorities towards these errors and falsifications will soon undermine the entire structure, since the diligent and honest taxpayers will almost in self-defence be forced to the level of the careless and dishonest. Taxpayers who comply with their obligations, must be protected by tax administrator or else compliance will not be forthcoming. Most tax administrators, policy makers and commentators agree that voluntary compliance would be greatly facilitated by the existence of a simplified tax structure."

2.2.4 Stakeholder Sensitization

Stakeholder sensitization can be explained as a way of informing or making awareness to individuals and corporates regarding tax laws (Cyan, 2017). This presses taxpayers to meet their obligation of tax to the nation. Primarily, stakeholder sensitization seeks to ensure lead to a culture of willingly fulfilment of tax obligations. In the circumstance that taxpayer learn and appreciate what ought to be done with respect to tax obligations, holding other factors constant, it is expected that tax compliance may improve (Nsor, 2015).

There are various themes of stakeholder sensitization which can be viewed on different perspectives. For instance, it can aim at motivating taxpayers to freely adhere to tax

stipulations, manipulate their mindset about their view on taxation and advocate for change in attitudes (Misch, 2011). Businesses are constantly concerned with reducing their expenses and to some extent they regard tax as such since it is an outflow. It takes deliberate efforts and timely and appropriate taxpayer information to change this kind of tax morale. Albeit the idea that has been put forward for a long time that no one pays tax willingly, with right education, voluntary fulfillment of tax obligations can be achieved (Pomeranz, 2015). And since, tax laws change now and then, changes should be communicated early enough to ensure that those complying remain as such and more taxpayers are enticed to make good their tax obligations. Information is paramount in taxation (Onu , 2016).

A wide spectrum of tools is at the disposal of revenue authorities and state departments when it comes to stakeholder sensitization. Availability of information, tax rate imposed, individual attitude towards paying taxes, compliance cost and penalties for non-compliance are some of the issues which drive any economy to full tax compliance (Ameyaw, 2016). Common of them is use of paid adverts on Television, Newspapers and Radio (Gachiku, 2015). Such adverts are aired on strategic time to reach most recipients. Also, state departments charged with mandate of tax administration can place adverts on magazines, post video on social media platforms and issue brochures to taxpayers. Notwithstanding the media listed herein, the customer service of such departments will play an important in providing real time knowledge on tax laws.

According to (Sukasi & Yunaida, 2020) concerning the effort to increase the number of taxpayers, he stated that there are factors which need to be put into consideration to increase tax compliance and awareness of tax through dissemination of tax regulations by means of counseling, billboards, moral appeal, and opening tax regulation sites that

are easily accessible by taxpayers. The tax sensitization provided to the community is intended to provide an understanding to the public of the importance of paying taxes. According to (Razmerita, 2016) a person's knowledge is influenced by factors, including education, media, and information exposure. Furthermore, an individual guidance process is needed in the social world."

2.3 Theoretical Review

According to (William, 2007), a theory is a coherent body of thought or reasoning that establishes rules and outlines the principles underlying known or observed phenomena. This research is supported by Fiscal Psychology Theory, Economic deterrence theory and Stakeholder's theory.

2.3.1 Fiscal Psychology Theory

The fiscal psychology theory posits that taxpayers are motivated to pay taxes by their attitude towards the payment of taxes, therefore, the better the attitude, the more the motivation (Schmolders, 1960). "Taxpayers' motivation to comply with tax laws relates to the taxpayer's perception and attitude of the tax system (Strumpel, 1966). The theory pays attention to psychological variables like moral values and ethical values. Tax compliance theories assume that psychological factors in addition to moral and ethical values are important to taxpayers.

Under the fiscal psychology theory, there is theory of planned behaviour which states that the behaviour of an individual is under the influence of some factors that originate from certain reasons and emerge in a planned way (Ajzen, 1991). One's behavioural intention is influenced by factors like attitude, subjective norms and perceived behavioural control that influences the individual to behave in a particular way (Nurlis,

2015). The three factors fall under the influence of behavioural, normative and the control beliefs. Taxpayers may comply even where there is probability of detection is low since the theory's focus is on morals and ethics. Under the psychology theory the emphasis is on change of the taxpayers' perception towards the tax system through trainings and sensitizing individuals and organizations on the benefits of VAT compliance" (Randolph, 2015).

2.3.2 Economic deterrence theory

Economic deterrence theory was developed by (Becker, 1968) having in mind the aspect of criminology. "Economic deterrence theory is based on the fact that the chances of one committing a crime is minimal if the punishment for that crime overweighs its benefits. "The assumption is that awareness of what is right and wrong, and the consequences of wrongdoing are known to all individuals in a society. The first step an individual does to weigh the situation on whether to obey or disobey the tax laws and calculate the gains and risks associated. Allingham and Sandom, (1972) are the founders of economic deterrence model who improved the model of expected utility of criminal activity developed by (Becker, 1968).

A taxpayer who is economically intelligent will violate the tax laws by evading payment of taxes if the amount of tax evaded is greater than the costs associated once he is caught. Therefore, the economic deterrence theory is purely based on the expected reward or benefit (Mohd, 2010). The first aspect of this model is that if the taxpayer is unwilling to take risks, then the probability to evade taxes is minimal. Secondly, the taxpayer should have the requisite knowledge and awareness of the tax system for him to gauge the likelihood of getting caught in case he commits an offence and the consequences of the tax offence. The Allingham and Sandom model allow the taxpayer

to carry out self-assessment and establish the amount of taxes to declare to the tax authority.

The decision-making process by the taxpayer involves a comparison of the expected reward of each outcome weighed against the likelihood that the particular outcome will occur. Where the probability of an audit is high then this will deter under declaration. The interpretation is that compliance levels are largely dependent on tax enforcement measures that is tax audits and penalties. In conclusion, taxpayers only pay taxes not voluntarily as loyal citizens but because they fear the sanctions associated with non-compliance. Choosing to comply with VAT is thought to be an individual decision, though crime can be committed due to systems weaknesses or failure to subject criminals to legal justice" (Maseko, 2015).

2.3.3 Stakeholders Theory

Freeman & Mc Vea, (2001) defined stakeholders as the parties that can influence or be influenced by the organizational efforts to achieve its goals. "The main stakeholders consist of those who have a contractual relationship with the organization and are influenced by the actions of organization despite having no contractual relationships. Therefore, the corporation has an indirect relationship with the community over the benefits of tax payment.

The role of taxpayers in financing development should be developed by increasing public awareness about the obligation to pay taxes. This study uses stakeholder theory, especially behavioral in organizations (Gudon, 2016). The success parameter of a company in the viewpoint of social awareness is to prioritize moral and ethical principles, namely achieving the best results without harming other groups of people.

Companies that work by putting forward moral and ethical principles will provide the greatest benefits to society. The company's social awareness in paying taxes will have an impact on tax compliance.

Freeman and McVea, (2001) suggested that a group or individual can influence and be influenced by organizational efforts in realizing goals. Contractual relations between taxpayers and the government in paying taxes indirectly affect society. In stakeholder theory known as diffuse stakeholders, all parties may be influenced by the actions of the organization, even though they do not have contractual relations with the organization (Gudono, 2016). So, higher the taxpayer's social awareness will increase the intention of tax professionals to behave compliantly.

The influence of stakeholder management on compliance behavior has been investigated in some aspects, such as the service quality provided by tax authorities. It is argued that treating taxpayers with respect, providing services, and allowing participation would likely encourage citizens' compliance with tax regulations. Service orientation of tax authorities can be perceived through education of taxpayers on recordkeeping, reporting, providing information accessibility, etc. Accordingly, empirical studies suggest that perceived service orientation of public organizations is seen to facilitate cooperation with public authorities and boost citizens' trust and confidence (Gangl, 2015)."

2.4 Empirical Literature

This section provides an overview of past studies of research variables to identify existing research gaps.

2.4.1 Taxpayer Perception on VAT Compliance

Rantelangi, (2017) conducted a study to examine the factors that influence taxpayer's perception on the tax evasion. "Among the variables examined included tax knowledge, tax morale, tax system, tax fairness, and compliance cost. The study populations comprised of individual taxpayers registered at the Primary Tax Office in East Kalimantan- Indonesia. The study employed purposive sampling technique. Analysis of this research data used PLS (Partial Least Square). The result of this study indicates that: tax knowledge, tax morale, tax system, tax fairness negatively influenced the taxpayer's perception on the tax evasion. Compliance cost positively influenced the taxpayer's perception on the tax evasion. From every negative variable, tax morale has the most significant to tax evasion, followed tax knowledge, tax system, and tax fairness.

Helhel and Ahmed (2014) investigated factors that impact the relationship between tax attitudes and compliance to tax; evaluated and ranked the various factors that reduce taxpayers' compliance levels. The study used a five-point Likert scale questionnaire, which was distributed to the taxpayers to help them understand their tax compliance opinions. The study concluded that high relative tax rates and difficult to use and comprehend tax systems were two major factors affecting the tax compliance level of the Sanaa' people of Yemen. They also pointed out that lack of continuous tax audits, little fines and penalties and misuse of tax amnesties were critical factors that most taxpayers attributed to their negative tax attitude.

Abdul–Razak and Adafula, (2013) evaluated taxpayers' attitude and how it influences tax compliance decisions in Tamale Ghana. The study adopted the use of questionnaires which were administered to operators of SMEs in Tamale. Data obtained through the

questionnaire was quantitatively analysed. The study adopted the use of descriptive and inferential statistics in analysis. The study established that people are closely connected to the amount of money they pay as taxes. The tax rates that paid in Ghana are considered to be too high. Moreover, the load of taxes that are paid directly influences the attitudes of people and this shows how they see the taxation system thus their decisions regarding compliance. The study further established that, the accountability or transparency levels by the government failed to meaningfully influence the attitudes held by taxpayers. Finally, the levels of perceived benefits realized from the supply's government products, for instance there was high physical infrastructure.

Appah and Wosowei (2016) examined the behaviour of the individual taxpayer in Nigeria and how it affected their compliance intention on tax revenue performance. The study utilized both primary and secondary materials in fulfilling its purpose. Scholarly sources were used as the source of the secondary information while the raw information was realized from seven hundred and eighty-five participants using structured questionnaires. Data collected was coded and analysed using SPSS. The outcomes showed that a crucial connection existed between the intensions to comply and the attitudes of equity. The taxpayers' intentions to comply and the variables of the moral norm; further a connection existed between the intentions to comply and penalties as well as the risks involved. The study concluded that average taxpayers' behaviour should be studied guided by their financial conditions, preferences of risks, the society's characteristics with a focus on the governance levels."

2.4.2 Enforcement measures on VAT Compliance

Felippe, (2021) sought to investigate the differences that were noted in the tax evasion rate between the Global North and South countries, specifically focusing on Brazil.

"Tax burden, audit cost, and fines were taken into consideration. This was achieved by extending and applying Graetz, Reinganun, and Wilde's model using data from tax authorities from European and Latin American countries, which produced parameters that are used for Bayesian games. The results indicated that tax evasion is directly associated with tax burden and audit cost, but the effect of fines is unclear. Overall, findings pointed to shortcomings in the tax system of Latin American countries that create the avenue for high tax evasion.

Hannatu, (2020) investigated the relationship between fairness in the tax system, detection probability and penalty magnitude with VAT compliance intention among Small and Medium Enterprises (SMEs) in developing countries. Data was gathered through the administration of 500 questionnaires of which 373 questionnaires were retrieved, thereby representing the sample size for the study. The respondents were SMEs in Nigeria. 5-point Likert Scale was used to measure the variables. Statistical Package for the Social Sciences (SPSS) was employed as the primary statistical analysis tool for the study. The result indicated that there was positive relationship between fairness in the tax system, detection probability and penalty magnitude with VAT compliance intention in developing countries. The study recommended a blend of carrot and stick approach in tackling VAT compliance intention among SMEs, as that will encourage the SMEs to remit the VAT collections and assist the policy makers to map-out policies that would ensure an effective management of VAT revenue and compliance among SMEs in developing countries.

Maurer Faculty conducted a survey in the US to determine if enforcement reduce voluntary tax compliance (Lederman, 2018). The Internal Revenue Service (IRS) expect greater compliance when the tax laws are enforced by means of sample auditing

and imposition of penalties. It is believed that the federal income tax requirement for taxpayers to self-report income is an incentive to cheat. Torgler, (2006) noted that when monitoring and penalties are intensified for noncompliance, there will be increase motivation and the taxpayers comply with taxes.

While enforcement of tax compliance is believed to generate optimal compliance, there are exceptional cases that call for moral suasion. These cases involve large corporate taxpayers whose contribution is significant exert risk and complexities to the tax system. Tax authorities across the world have special offices for the large taxpayers that help secure their compliance through persuasive rather than coercive instruments (Akhand, 2015). The treatment of the small and medium taxpayers is often based on a coercive philosophy also called deterrence or stick based approach. In this approach taxpayers are forced to conform to their tax obligations and legally punished for non-compliance (Almunia and Rodriguez, 2018).

Timothy, (2021) sought to investigate the behavioral factors of tax compliance in relation to self-assessment scheme and generation of revenue in Nigeria. 'The study was based on library research approach. The findings revealed that tax knowledge, tax audit, government spending and penalties are key factors under self-assessment scheme influencing tax compliance. However, other determinants of tax compliance behavior were ethics, attitude, reference groups, political affiliation, changes on current government policy, income level, culture, age, gender, education, efficiency of tax authority, simplicity of tax returns and administration. Therefore, the study recommends proper tax education among taxpayers as well as regular tax audit and strict penalty for tax noncompliance. Furthermore, the preponderance factors impact on tax compliance behavior should be empirically investigated using Nigeria as a case

study to determine which factors are most likely to influence tax compliance behavior under self-assessment scheme."

Karanja (2018) explored the challenges that contributes to the collection and administration of turnover tax in Kenya. The research unearthed challenges of resources in the administration of the turnover taxes and recommended tougher penalties for non-compliance. Wasilwa, (2019) proposed a more indirect method in which the Kenya Revenue Authority could subtly encourage compliance by encouraging registration, prompt settlement of tax due and filing of returns.

2.4.3 Stakeholder Sensitization programme on VAT Compliance

Taru and Mukta (2019) examined Goods and Service Tax compliance in India. The review had the object of examining the extent of awareness and perception of new tax. More so, the study sought to investigate promotional strategies affected tax compliance. Data was analyzed descriptively. Results revealed that awareness can be said to be a moderate determinant of GST compliance from the sample taxpayers in India. Further data analysis found out that promotional strategies were effective sensitization platforms which enhanced tax compliance.

Obal, (2021) examined the effect of tax administration, taxpayer education on tax compliance in Calabar, Nigeria. "It was specifically aimed at determining whether tax administration and taxpayer education (proxied by electronic taxpayer education, print media taxpayer education, and stakeholder sensitization program) affect tax compliance among registered small and medium enterprises (SMEs). Survey research design was adopted, and a self- administered questionnaire served as the means of gathering data from 213 registered SMEs. The findings indicated that electronic taxpayer education

had a significant relationship with tax compliance while the print media tax education had a significant but negative relationship on tax compliance behavior of SMEs. Furthermore, tax administration and stakeholder's sensitization programmes had a non-significant effect on tax compliance behavior of SMEs. This had policy implications for the management of Cross River Board of Internal Revenue Service in the bid to increase the fortunes of the state through income tax.

Olaoye and Ayodole (2017) did research with the aim of providing an empirical evidence on how information technology affected taxation situation in Nigeria. 'Data was obtained from professionals from Southwest Nigeria States. Analysis of data was done descriptively and in content analysis. Upon data analysis, it was revealed that online tax filing with proper and timely sensitization enhance tax compliance. The authors indicated that seminars and sensitization efforts on adoption of any new tax administration system would foster tax compliance.

Kira, (2016) undertook a review of perceptions on tax revenue sourcing in Dodoma, Tanzania. Examining perception of Electronic Fiscal Devices with regard to fulfilment of tax obligations formed the goals of the inquiry. Data was collected and analyzed descriptively. Findings led to the conclusion that use of EFDs was a great step towards enhancing tax compliance among the respondents. In addition, results indicated that use of electronic mechanisms saved time for processing returns thus saving on costs. However, the rate of sensitization was low and this hampered adoption of the tools which potentially lowered the level of tax compliance.'

Mwihaki (2018) reviewed the iTax tax system aiming to examine how the system affected the adherence of tax obligation. 'Businesses were sampled from Nakuru town,

where structured questionnaires were employed to harness firsthand data. Results indicated that with iTax system working and taxpayer payer adequately sensitized, tax compliance was bound to improve. Further, fines and penalties were found to be a major deterring factor since the respondents were afraid of non-compliant due to hefty penalties.'

Karanja, (2018) 'examined turnover taxes challenges at the Kenya Revenue Authority. The explanatory variables were perceptions, officers trust in the levy and facilitation mechanisms. Facilitation was used in lieu of sensitization. Firsthand data was obtained from structured questionnaires from one hundred and forty-seven respondents working at the KRA. Data was analyzed descriptively and principally it was revealed that facilitation was a significant ingredient of tax compliance. Also, respondents indicated that they had experienced more positive responses from the taxpayer when they sensitized them on tax laws."

2.5 Critique of Literature

There are various studies conducted by various researchers which are relevant to this study which provide a pool of literature, although these studies are similar, they have some shortcomings. "A study by (Abdul–Razak A. C., 2013) on evaluating taxpayers' attitude and its influence on tax compliance decision in Tamale, Ghana targeting general income tax. The finding on the level of government accountability and transparency did not significantly impact taxpayers' attitude while a study conducted by (Helhel Y. A., 2014) on factors affecting tax attitude and tax compliance in Yemen suggested that tax compliance is affected by low level of government accountability and transparency.

The study conducted by Lederman (2018) to determine if enforcement reduce voluntary tax compliance revealed that there is greater tax compliance when tax laws are enforced by auditing and imposition of penalties and taxpayer self-assessment encourages taxpayers to cheat. However, study conducted by Felippe (2021), indicated that tax evasion is directly associated with tax burden and audit cost, but the effect of fines is unclear. However, the study by Demin, (2021) on tax compliance revealed that tax administration must combine coensive and stimulating tools.

The study conducted by Taru, (2019) on Consumer Awareness and Perception towards Goods and Service Tax Implementation in India revealed that it is the responsibility of the government to commit itself in this regard and take up the responsibility of providing information to the tax payers and the level of awareness is not significantly different based on gender, age, qualification, income and profession. This was supported by Olaoye and Ayode (2017) who evidenced that seminars and sensitization efforts by the government foster tax compliance. However, the study conducted by Kira (2016) revealed that the rate of sensitization in the use of electronic fiscal devices perception was low."

2.6 Research Gaps and Literature review summary

The review of past literature on the relationship between taxpayer perception, enforcement measures, stakeholder sensitization and VAT compliance indicated several gaps. The study has revealed contextual gaps that have been conducted in other countries. It contains conceptual gaps where the studies have considered either of conceptual variables or linkages in isolation or combination with other variables not part of the study. The study also highlights methodological gaps where different research methods were used. The gaps have been summarized in table 2.1

Table 2.1: Research Gaps and literature Review Summary

"Author and Year	Focus of the Study	Findings	Study Gap
Rantelangi (2017)	Factors that Influence the Taxpayers' Perception on the Tax Evasion Targeting individual taxpayers-Income tax in Indonesia	The result of this study indicates that: tax knowledge, tax morale, tax system, tax fairness negatively influenced the taxpayer's perception on the tax evasion. Compliance cost positively influenced the taxpayer's perception on the tax evasion	There was a contextual gap because the study's focus was on Indonesia The Study focused on tax morale, tax system, tax knowledge, compliance cost and tax fairness as independent variables hence conceptual gap.
Abdul–Razak and Adafula, (2013)	Evaluating taxpayers' attitude and its influence on tax compliance decisions in Ghana.	The rates of income taxes in Ghana are generally perceive be high. Furthermore, the burden of taxes paid affects the attitudes of individuals and this informs how they evaluate the tax system and consequently their compliance decisions.	There was a contextual gap because the study's focus was on Ghana The study focused on tax burden, understanding of tax laws and government accountabilities as independent variable, hence conceptual gap.
Demin (2021	Tax Compliance and its Enforcement Instruments in Russia	The study revealed that tax administration must combine not only the tools of coercive influence but also stimulating tools	Used secondary data which revealed a methodological gap. There was a contextual gap because the study's focus was on Russia
Felippe Clemente (2021)	Brazilian Evidence on Tax Evasion and Enforcement in Brazil	The results show that tax evasion is directly associated with tax burden and audit cost, but the effect of fines is unclear.	Used secondary data which revealed a methodological gap. There was a contextual gap because the study's focus was on Brazil. The study focused on tax burden, audit cost and fines as independent variables hence conceptual gap.
Hannatu (2020)	VAT Compliance among SMSs in Developing Countries to implement sustainable development goals in Nigeria	The result indicates there is positive relationship between fairness in the tax system, detection probability and penalty magnitude with VAT compliance intention in developing countries	There was a contextual gap because the study's focus was on Nigeria. The study focused on fairness in the tax system, detection probability and penalty magnitude hence conceptual gap.

Timothy (2021)	Factors affecting tax compliance behavior under self-assessment scheme in Nigeria	It was revealed that tax knowledge, tax audit, government spending and penalties are the consensus factors under self-assessment scheme influencing tax compliance	Used secondary data which revealed a methodological gap. There was a contextual gap because the study's focus was on Nigeria. The study focused on tax knowledge, tax audit, government spending and penalties as independent variables, hence conceptual gap.
Taru and Mukta (2019)	Consumer Awareness and Perception Towards Goods and Service Tax Implementation in India	Results revealed that awareness can be said to be a moderate determinant of GST compliance from the sample taxpayers in India. Further data analysis found out that promotional strategies were effective sensitization platforms which enhanced tax compliance	Used exploratory which revealed a methodological gap There was a contextual gap because the study's focus was on India The study focused on level of GST awareness as independent variables, hence conceptual gap.
Obal (2021)	Effect of tax administration and taxpayer education on tax compliance behavior in Nigeria	The findings indicated that electronic taxpayer education had a significant relationship with tax compliance. Furthermore, tax administration and stake holder's sensitization programs had a non-significant effect on tax compliance behavior of SMEs.	There was a contextual gap because the study's focus was on Nigeria The study focused on electronic taxpayer education, print media tax education tax administration and stakeholder's sensitization programs as independent variables, hence conceptual gap
Kira (2016)	Perception of Electronic Fiscal Devices regarding fulfilment of tax obligations formed the goals of the inquiry in Tanzania	Use of EFDs was a great step towards enhancing tax compliance among the respondents. However, the rate of sensitization was low and this hampered adoption of the tools which potentially lowered the level of tax compliance	There was a contextual gap because the study's focus was on Tanzania. The study adopted a cross sectional research design hence methodology gap."

2.2.8 Conceptual Framework

The Conceptual framework is a scheme of variables that a researcher carries out to achieve the identified objectives. A variable is a measure of characteristics that takes different values between subjects (Mugenda & Mugenda, 2003). "Independent variable are variables that a researcher manipulates to determine the influence on another variable (Kombo, 2009). The dependent variable tries to indicate the total influence that derives from the influence of the independent variable (Mugenda & Mugenda, 2003). In this study, independent variables are, taxpayer perception, enforcement measures and stakeholder sensitization while the dependent variable is VAT Compliance. The mathematical model for the relationship between the independent and dependent variables is depicted in figure 2.1."

Independent variables   **Dependent Variable**
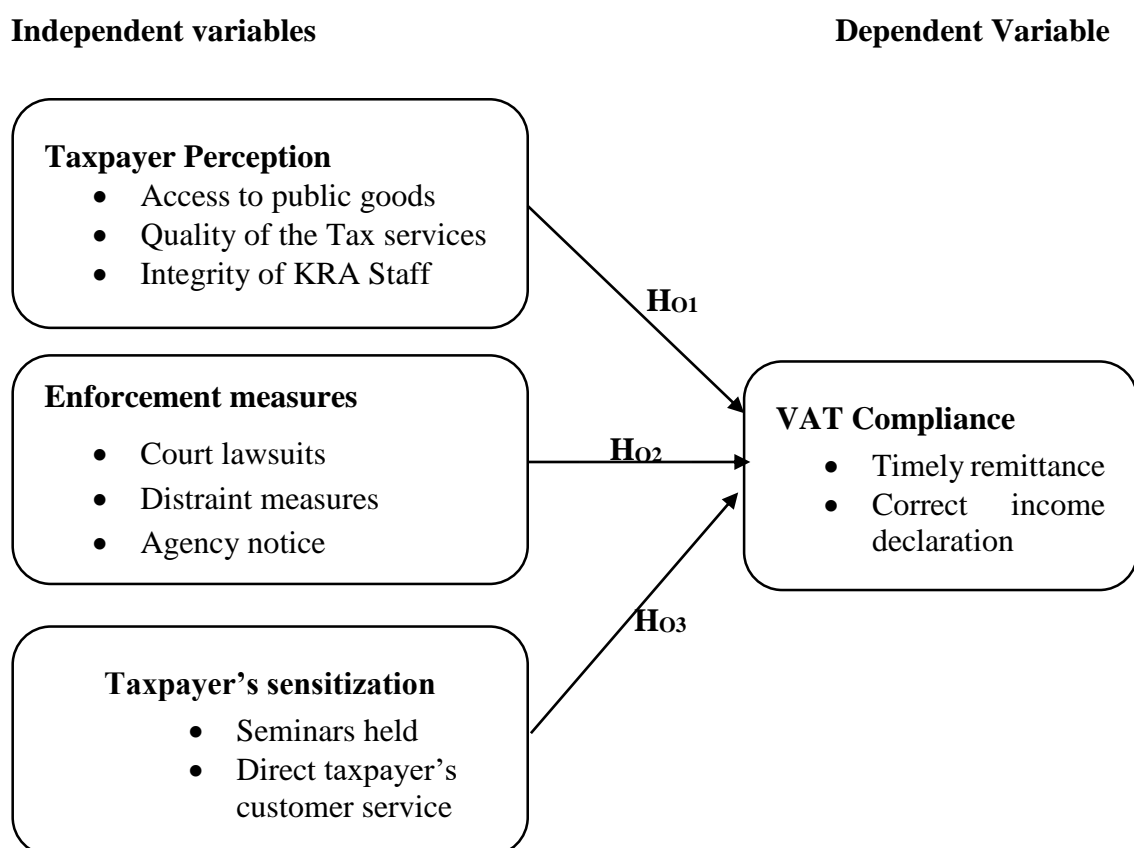
Figure 2:1. Conceptual Framework

Source: (Researcher, 2021)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the method that was used to collect the necessary data and the tools that were used to analyse it. It includes the research design, target population, sampling, and sampling technique. "It also discussed the data collection instruments used, data collection procedure and piloting aimed at determining the reliability and validity of research instrument. The chapter ended with a discussion on data analysis and presentation which was adopted in this study."

3.2 Research Design

A research design is a theoretical framework within which analysis is carried out (Kothari & Garg, 2014). "According to Kombo and Tromp (2009), a research design holds all elements in a research project together. It is used to structure the research to show how all the significant parts of the research project will work together. When the issue is under investigation, the research design provides guidelines for approaching it (Nyanamba, 2017). Its main goal is to ensure that the information obtained allows the study to respond to the survey questions as unequivocally as possible. This study employed explanatory approach as it is the most effective in testing the relationship between the different independent factors; taxpayer perception, enforcement measures, and stakeholder sensitization and the dependent parameter: VAT Compliance."

3.3 Target Population

According to Engel, (2010), a population is defined as all the items under consideration in any field of inquiry. The study targeted 4053 owners or Managers of wholesalers in South of Nairobi County. Only KRA VAT registered wholesalers as at 2020/2021 were

considered for the study. The unit of analysis was licenced wholesales while the unit of observation was owners/managers. The choice of owners/managers was justified because they are the ones responsible in paying VAT.

Table 3.1: Target Population

Category	Population	Percentage of Pop.
Clothing and Textiles	123	3
Electricity power &&machinery	116	3
Motor Vehicle Spare parts	653	16
Households and General	2371	58
Food and Beverages	232	6
Computers and electronics	196	5
Hardware	362	9
	4053	**100**

Source: Kenya Revenue Authority (2021)

3.4 Sample Size and Sampling Technique

Sampling technique is the process through which the entities in a population are identified and selected (OECD, 2004). According to (Kothari & Garg, 2014), Stratified sampling enables the participation of all components that make up a study population "This study used stratified sampling through which 7 strata were used to classify the wholesale businesses according to their level of activities. From these strata, it was possible to get a representative sample from each individual stratum and enabled to cover all the wholesaler's business that operate within the South of Nairobi County. Random sampling was used to choose respondents within the stratum.

A sample size is the sub-set of the large population (Cooper & Schindler, 2009). The sample size of the was ascertained using Yamane's (1967) formula."

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

Where: N = Population size

n = sample size

e = Margin error of the study

Sample size therefore was

$$= \frac{4053}{1+4053(0.05)^2} = \frac{4053}{1+4053(0.0025)} = = \ 364 \ \text{Respondents}$$

The sample was distributed proportionally as illustrated in table 3.2.

Table 3.2: Sample Size

Category	Population	Sample Size
Clothing, Textiles and footwear	123	11
Electricity power & machinery	116	11
Motor Vehicle Spare parts	653	58
General Households	2371	211
Food and Beverages	232	22
Computers and electronics	196	18
Hardware	362	33
Total	**4053**	**364**

Source: (Researcher, 2021)

3.5 Data Collection

3.5.1 Data collection Instruments

The primary data was collected using a structured questionnaire. A questionnaire refers to a series of questions that are aimed at fulfilling the collective purpose of a study and they are completed by study respondents (Brace, 2018). It also refers to a list of questions (closed or open-ended) aimed at realizing specific raw data from the field that was the population of interest to the study. The use of questionnaire was best suited due to its ability to gather facts from respondents without alterations of their first-hand opinions on the area of study, it allowed the respond to give answers without being influenced and it was cost effectiveness in acquiring information from the target population as it covered

a huge geographical area. The rational for using questionnaire was that each respondent was asked the same set of questions that provided efficient way of collecting responses prior to analysis (Saunders, 2003). The design of the questions had a demographic section and main sections having a five- point Likert scale where 1= Strongly disagree and 5= Strongly agree. A five-point Likert scale was preferred because it was simple to understand and the responded takes less time and effort to complete the questionnaire. Also, the respondents have choices without becoming overwhelmed. The sections were divided based on the objectives of the study. All the respondents were required to fill the questionnaire. The collection of data was done systematically and closely monitored.

3.5.2 Data Collection Procedure

This is the roadmap of the data collection component of the research process. First, the researcher obtained an introduction letter from Moi University to collect data. "After receiving the letter from Kesra, the researcher obtained other research permits from National Commission for Science, Technology, and Innovation (NACOSTI) and Nairobi County Government respectively to conduct the survey. After ascertaining the reliability of the questionnaire, the rest were administered to the respondents after seeking their consent to participate. The respondents were briefed about the purpose of the study, how they were expected fill the questionnaires and any other questions that might arise during the exercise were clarified. The questionnaires were administered to the respondents using the drop and pick method during official working hours. Blumberg (2014), stated that a self-administered survey method is appropriate when it is important for the respondent to have adequate time to carefully consider their responses. The respondents who had not filled the questionnaires during picking, were given three more days to complete."

3.6 Pilot Testing

A pre-test was carried out on Wholesale businesses located in West of Nairobi County. According to the rule of thumb, 1-10% of the respondents were used to establish a pre-test (Adrian & Gallagher, 2007). Consequently, 36 respondents were used to test consistency and reliability of the research instruments. "The data obtained was coded and analysed in SPSS. During the pilot testing, irrelevant, confusing, or ambiguous questions were identified, and the questions were rephrased without losing content. The reliability of the questionnaire was determined by subjecting it to a pilot study in west of Nairobi county, Kenya.. The pilot results are presented in Table 3.3;"

Table 3.3: Reliability Results

Variables	Alpha value	Number of	conclusion
Taxpayer perception	0.858	6	reliable
Enforcement measures	0.956	4	reliable
Stakeholder sensitization	0.982	6	reliable
Value Added tax compliance	0.723	4	reliable

Source: Research Data (2021)

The pilot results indicated that the reliability of Taxpayer perception was 0.858. "Using Cronbach's alpha test of reliability; the reliability of the enforcement measures was 0.956; the reliability of the stakeholder sensitization was 0.982; the reliability of value added tax was 0.723. The study results revealed that all the variables gave an alpha test value of greater than 0.70, therefore all the items were regarded reliable."

3.6.1 Reliability

Reliability means the consistence, steadiness, or steadfastness of the information. At whatever point a researcher measures a variable, the person in question needs to be certain that the estimation gives reliable and steady outcomes (Wikman, 2006).The

questionnaire was exposed to generally reliable quality examination with an inward consistency. The coefficient of inward consistency was estimated by utilizing Cronbach alpha. Inward consistency quantifies the connections between different things on a comparative. "Cronbach Alpha coefficients of above 0.7 was the cut–off reliability for this study at 95% confidence level and 5% level of significance. The core resolution of the test-retest research was to check on the appropriateness and the simplicity of the questions on the objects that were designed, significance of the information, the language that was utilized and the content of the validity of the objects from the response given."

3.6.2 Validity

Validity is the extent to which an instrument is designed to measures (Remenyi, 2015). Content validity was used to ascertain the questionnaire's validity and was determined by using exploratory factor analysis matrix. "To guarantee legitimacy of the instrument, the questionnaires were given to experts in the field of study for comments on the suitability and representativeness of questions. The input from field experts were incorporated into the study to ensure that the content was valid."

3.6.3 Assumptions of Regression

When using the regression model, there are assumptions must be made to the model to determine the relationship between the independent and dependent variables (Osborne & Waters, 2014). These assumptions must be met before inferences are drawn and if not the results may not be valid and therefore it may result in type 1 or type 11 error or under or overestimation of significance level (Wheeler & Tiefelsdorf, 2005)." Therefore, the assumptions have to be pretested for a valid result. Prior to data analysis, assumptions for normality were checked together with homoscedasticity, linearity, autocorrelations, and multicollinearity."

3.7 Measurement of research variables

The measurement of research variables is shown in Table 3.4.

Table 3.4: Measurement of research Variables

Variable	Indicators	Source	Measurement Scale	Data collection instrument	Type of analysis
Independent Taxpayer Perception	Access to public goods	Ahmed (2014)	5- point Likert scale	Questionnaire	Descriptive Statistics
	Quality of Tax services	Kairu (2018)			Correlation analysis.
	Integrity of KRA staff	Kira (2016			Regression Analysis.
Independent Enforcement Measures	Court lawsuits	Timothy (2021)	5- point Likert scale	Questionnaire	Descriptive Statistics
	Distraint Measures	Hannatu (2020)			Correlation analysis.
	Agency notice	Wasilwa (2019)			Regression Analysis.
Independent Stakeholder sensitization			5- point Likert scale	Questionnaire	Descriptive Statistics
	Seminars held	Olaoye (2017)			Correlation analysis.
	Direct taxpayer's customer service	Obal (2021)			Regression Analysis.
Dependent VAT Compliance	Timely remittance	Appah (2016)	5- point Likert scale	Questionnaire	Descriptive Statistics
	Correct Income Declaration	Wafula (2018)			Correlation analysis.
					Regression Analysis.

Source: (Researcher, 2021)

3.8 Data Analysis and Presentation

Data analysis involves the data gathering, modelling, and transforming with the aim of identifying the usefulness of information, suggesting conclusions, and supporting decision making (Fitcher, 2005). "The collected data was edited, coded, tabulated, and analyzed using descriptive and inferential statistics in the Statistical Package for Social Science (SPSS). Quantitative data was analyzed using real descriptive measured statistics, which included the frequency, the mean, the standard deviation, and percentage calculations. Inferential statistics, such as Analysis of Variance was used to analyze qualitative data (ANOVA). The study was also conducted multiple regression analysis to develop a mathematical model that connected the independent and dependent factors."

Linear regression model equation

The regression model was used to establish the link between the independent variable and the dependent variable as follows.

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

Where: **Y** = VAT Compliance

X_1 = Taxpayer Perception

X_2 = enforcement measures

X_3 = Stakeholder Sensitization

β_0 = Constant term

$\beta_1, \beta_2, \text{and} \beta_3$ = regression coefficient of three independent variables

ε = error term

3.9 Ethical Considerations

This study was reviewed and approved by NACOSTI and Moi University by obtaining consent and permit to collect data. For study participants to participate voluntarily, prior permission was required. All data collected during the study and analysis tool used were kept confidential by the researcher. The resources were assigned unique numbers to protect respondents' privacy and not be labelled with their names. No respondent was coerced, and they were allowed to withdraw during data collection without prior notice. The data collected from study subjects were password-protected, ensuring that only approved individuals had access to the privileged information gathered from them. The study was purely made for academic purpose.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction

The chapter gives the results by evaluating data reliability and presenting the summary statistics for research whose objective was determine factors affecting Value Added Tax compliance amongst wholesalers in South of Nairobi County, Kenya.

4.3 Response Rate

The sample size of 364 questionnaires were distributed to wholesalers in South of Nairobi County, Kenya. Table 4.1 below shows the response rate.

Table 4.1: Response Rate

Response	Number	Percentage
Not respondent	79	22
Returned and filled questionnaire	285	78
Total	**364**	**100**

Source: Research Data (2021)

364 questionnaires were distributed to the respondents where 285 questionnaires were fully filled and returned which represented 78% while (22%) did not respond. "The response rate of 78% was considered adequate for data analysis. This could be supported by Kothari (2014) who stated that the response rate of 60% and above is good while over 70% was very good. Based on these assertions, this implies that the response rate for this study was adequate, thus, to fulfill the main goal of the study. Figure below illustrate the level of response rate."

Response Rate

22%

78%
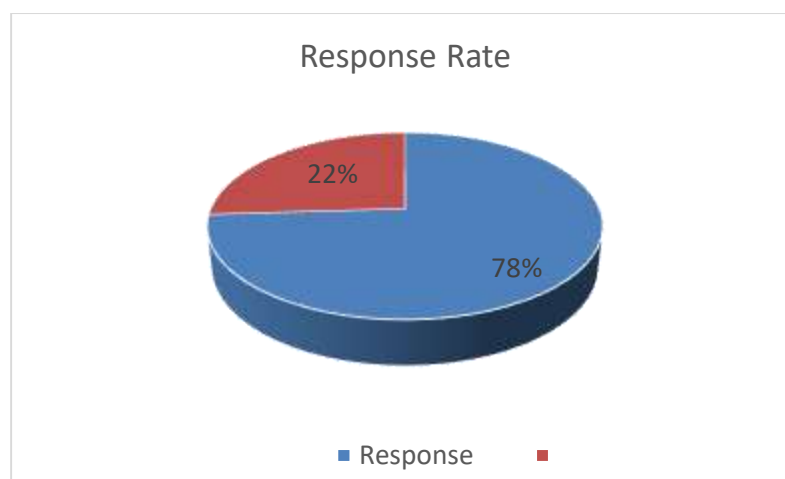
■ Response ■

Figure 4.1: Response Rate

Source: Research Data (2021)

4.4 Demographic Characteristics

The study also implored the respondents to state the period in the business. Table 4.2 reveal that majority 24.5% were stayed for 3-5 years, 24.2% had stayed for less than 3 years, 19.6% had stayed between 11-15 years, 18.2% had stayed 6- 10 years.13.3% had stayed above 15years. The result depicts that majority of the respondent were in business between 3-5years and have been dealt with the KRA for a rather longer period than young ones; thus the older the business operator may better understand the tax laws and consequently may be better position to evaluate the tax liability.

The level of education of respondents who participated in the study was also examined. The results presented showed that (31.2%) respondents had undergraduate degree as their highest academic level, with (28.1%) indicating that their highest level of education was post graduate. (21.4%) stated that their highest level of education was certificate education, diploma level was (11.2%) while others were representing 6.6%. Lastly high school level was (1.4%). The study established that the respondents had formal education

and thus they could respond to the questionnaires on concerning VAT compliance without need of an interpreter. Also, It necessary to evaluate education background of taxpayer because educated people are more capable of comparing the benefit derived from the government in relation to the amount they contribute to the government.

The study sought to know if respondents have attended any formal taxation training organized by KRA. "Results revealed that (81.1 %) had attended training while (18.9%) had not attended any training. The results demonstrate that respondents were well informed of taxation. The study sought to if the respondents have ever been audited by KRA for the last five years. Results revealed that (48.1%) had been audited while (51.9%) were not audited. The results demonstrate that majority of respondent had not been audited.

This area of the study, sought to know the annual turnover of the business. The findings show that majority 56.1% of businesses turnover were above 5,000,000 followed by 21.4% which was between 2M – 5M, 20.3% was between 500,000-2M, while 2.1% was less than 500,000. From these findings, most of the trader's annual turnover was above 5,000,000 annually; therefore they had experiences and could appreciate the findings of these study."

Table 4.2: Demographic Characteristics

Characteristics		Percent (%)
Business existence	less than 3yrs	24.2
	3-5	24.5
	6-10	18.2
	11-15	19.6
	Above 15yrs	13.3
	Total	**100**
Education level	High school	1.4
	Certificate	21.4
	Diploma	11.2
	Undergraduate	31.2
	Postgraduate	28.1
	Others	6.6
	Total	**100**
Training	Yes	81.1
	No	18.9
	Total	**100**
Audit	Yes	48.1
	No	51.9
	Total	**100**
Turnover	less 500,000	2.1
	500.000-2M	20.3
	2M-5M	21.4
	Above 5M	56.1
	Total	**100**

Survey Data (2021)

4.5.2 Exploratory Factor Analysis

The exploratory factor analysis matrix gives loading that is the correlation between each variable and each factor. A factor is an underlying dimension that account for several observed variables (Mugenda and Mugenda , 2003). The cells result from the Table 4.3 reveal factor loadings which gives values over 0.5 and none is more than 0.964 implying linear relationship, interval or near interval data lack of high multi-collinearity. (Barry,

2013) suggested that any factor loading below 0.4 is weak and those between 0.5 and 0.6 are moderate. While values which are less than 0.3, the results of the factor analysis probably will not be very useful in the research. Thus, from results of the all the questionnaire were able to meet a significant value in the research findings.

Table 4.3 Factor Analysis

	TP	EM	SS
Taxpayer perception			
Usage of public funds ….	0.685		
Transparency and accountability……	0.864		
Government provides quality services…	0.752		
Quality of services in return of taxes	0.728		
Relations KRA staff and taxpayers….	0.948		
The probabilities of being detected…	0.701		
Enforcement measures			
Supplied with a court suit…		0.654	
KRA have put distraint measures...		0.732	
Agency notices are frequently used…		0.840	
Lawsuits due to noncompliance….		0.902	
Stakeholder Sensitization			
KRA seminars improve my knowledge…			0.785
Road shows have improved my knowledge…			0.641
Filing assistance has educated…			0.964
Support center's makes service accessible…			0.650
Use third parties help in tax information…			0.887
Direct calls from KRA staff…			0.960

Extraction Method: Principal Component Analysis

Survey Data (2021)

4.5 Diagnostics tests

4.5.1 Test of Normality

Multiple regression assumes that the data under test is normally distributed (Osborne & Waters, 2014). "It is assumed that errors are normally distributed, and that a plot of the values of residuals will approximate a normal curve (Keith, 2006). Non-normally distributed variables can distort relationships and significance tests (Osborne & Waters, 2014). There are several ways of testing normality such as Shapiro-Wilk, Kolmogorov-

Smirnov, Lilliefors and Anderson Darling. Shapiro-Wilk test was used as it is the most powerful normality test (Razali & Wah, 2011). The results showed that all the variables were above 0.05 (p > 0.05) hence confirming data normality with the evidence of taxpayer perception with 0.61. enforcement measures with 0.87, stakeholder sensitization with 0.77. The study's data set was subjected to a normality test and the results are shown in Table 4.4."

Table 4.4: Tests of Normality

	Kolmogorov smirnow		Shapiro-Wilk	
	Statistics	sig	Statistics	sig
VAT Compliance	0.054	0.000	0.789	0.93
Taxpayer perception	0.212	0.000	0.901	0.61
Enforcement Measures	0.240	0.002	0.935	0.87
Stakeholder sensitization	0.178	0.000	0.814	0.77

Source: Research Data (2021)

4.5.2 Homoscedasticity test

Homoscedasticity tests if the variance or spread of errors from the regression line is constant. According to Lani (2010), 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 1.100412 p value >0.05. The test results concluded that the assumption for homoscedasticity was not violated."

Table 4.5: Homoscedasticity test

F-statistic	1.100412	Prob. F(5,1)	0.4191

Source: Research Data (2021)

4.5.3 Linearity test

The link between the dependent and independent variables was determined using linearity tests and it was established that it is linear. "The assumption for linearity 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 4.6: Linearity test

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
Value Added Tax*	Between Groups	(Combined)	2.128	82	.025	1.371	.151
		Linearity	.004	1	.004	.043	.706
		Deviation from Linearity	2.921	202	.014	1.541	.135
	Total		2.925	285			

Source: Research Data (2021)

The deviation from linearity p value was 0.135 >0.05. "The results from table 4.10 concluded that the assumption for linearity was not violated."

4.5.4 Autocorrelation test

The reason for conducting this test was to determine the independence of the values of the residuals as well as ensuring that the observations are independent from one another and uncorrelated. (Marshall, 2018), explained that the Durbin-Watson test is conducted to indicate the level of autocorrelation. The statistic's value ranges from 0 to 4. Non-autocorrelation is shown by a number near 2; positive autocorrelation is indicated by a value near 0; and negative autocorrelation between independent variables is indicated by a value near 4. Results from the Durbin-Watson test showed the Durbin-Watson result of 2.1078 which is between 1.5 and 2.5, this indicated no autocorrelation exists in the data set."

Table 4.7: Autocorrelation test

Model	Durbin-Watson
1	2.1078

Source: Research Data (2021)

4.5.5 Multicollinearity Test

Multicollinearity is point where there is high correlation among the independent variables (Keith, 2006). "The researcher is able to interpret regression coefficients as the effects of the independent variables when there is low collinearity (Keith,2006).In order to test for multicollinearity, Varience inflation factor (VIF) was computed using statistical packages for social science (SPSS). Multicollinearity increases the standard errors of the coefficients and thus makes some variables statistically not significant while they should otherwise be significant (Osborne & Waters, 2014).

Bowerman and Connell (2006), stated that lower levels of VIF are more better while higher levels of VIF are known to affect adversely the result associated with a multiple

regression analyses. The authors argued that VIF above 2.50 start to indicate relatively high levels of multicollinearity. The Variance Inflation Factor test in the study regression model ranged between 1.012 and 1.897. These values were lower than the 2.5 level suggested by (Allison, 2009) as an indicator of muliticollinearity; therefore, multicollinearity was not a problem on this analysis. Thus the study findings were able to fulfill the threshold mainly because Table 4.12 shows that the VIF of the study were all less than 2."

Table 4.8: Multicollinearity Test

<div align="center">Coefficients^a</div>

Model	Collinearity Statistics	
	Tolerance	**VIF**
(Constant)		
Taxpayer Perception	**0.952**	**1.897**
Enforcemnt Measures	**0.789**	**1.012**
Stakeholder Sensitization	**0.802**	**1.125**

a.   Dependent Variable: VAT COMPLIANCE
Source: Research Data (2021)

4.6 Descriptive Statistics

The findings are derived from a Likert scale in the questionnaires. "The respondents were supposed to indicate their level of agreement or otherwise with a given statement. The descriptive statistics was done based on each independent variable/objective."

4.6.1 Taxpayer perception

The first objective of the study was to determine the effect of taxpayer perception on Value Added Tax compliance amongst wholesalers in South of Nairobi County, Kenya. The results from a 5-point Linkert scale questionnaire are shown in table 4.9.

Table 4.9: Taxpayer perception

Tax Awareness	Mean	Std. D.
We Perceive in usage of public funds influences the willingness to pay tax in Kenya	3.61	.445
We Perceive there is a level of transparency and accountability in the use of public funds in Kenya.	4.02	.601
We Perceive it is the responsibility of the Government to provide quality services to its citizens.	3.43	.401
We Perceive the Government provides quality services in return of taxes paid in Kenya.	4.77	.513
We Perceive the relations between KRA staff and taxpayers is positive	3.97	.4.31
We Perceive that the probabilities of being detected by the tax authority for not declaring the exact income that we receive are low.	4.28	0.676
Grand Mean	**4.013**	**0.527**

Source: Research Data (2021)

The descriptive findings show that we perceive in usage of public funds influences the willingness to pay tax in Kenya as indicated by a mean of 3.61 accompanied by standard deviation of 0.445. Concerning that we perceive there is a level of transparency and accountability in the use of public funds in Kenya (mean=4.02; standard deviation =0.601). Also, the respondents agreed that we perceive it is the responsibility of the Government to provide quality services to its citizens had a mean of (mean=3.43; standard deviation =0.401). We perceive the Government provides quality services in return of taxes paid in Kenya by a (mean 4.77 standard deviation of 0.513). We perceive the relations between KRA staff and taxpayers is positive (mean=3.97; standard deviation =0.431).

Lastly, we perceive that the probabilities of being detected by the tax authority for not declaring the exact income that we receive are low with (mean=4.28; standard deviation =0.676). There was not much discrepancy on the responses they gave."

Generally, the mean score of 4.013 of respondents concluded that there was influence of taxpayer perception and VAT compliance among wholesales in South of Nairobi Kenya.

4.6.2 Enforcement Measurement

The second objective of the study was to establish the effect of enforcement measures on Value Added Tax compliance amongst wholesalers in South of Nairobi County, Kenya. The results from a 5-point Linkert scale questionnaire are shown in table 4.14.

Table 4.10: Enforcement measures

Tax knowledge	Mean	Std. Dev.
We have been supplied with a court suit due to noncompliance VAT related issues	4.25	.547
KRA have put distraint measures due to compliance related offenses	4.12	.484
Agency notices are frequently used by KRA officers to enforce compliance by wholesalers	3.36	.897
Lawsuits due to noncompliance has made many wholesalers to be compliant.	4.48	.503
Grand mean	**4.053**	**0.608**

Source: Research Data (2021)

The descriptive findings show that we have been supplied with a court suit due to noncompliance VAT related issues mean of 4.25 accompanied by a standard deviation of 0.547. KRA have put distraint measures due to compliance related offenses (mean=4.12; standard deviation =0.484). Agency notices are frequently used by KRA officers to enforce compliance by wholesalers (mean=3.36; standard deviation =0.897). Lawsuits due to noncompliance has made many wholesalers to be compliant had a (mean=4.48; standard deviation =0.503).

Generally, the mean score of 4.053 of respondents concluded that there was influence of enforcement factors and VAT compliance among wholesales in South of Nairobi Kenya

4.6.3 Stakeholder Sensitization

The third objective of the study was to establish the effect of stakeholder sensitization on Value Added Tax compliance amongst wholesalers in South of Nairobi County, Kenya. The results from a 5-point Linkert scale questionnaire are shown in table 4.15.

Table 4.11: Stakeholder Sensitization

	Mean	Std. Dev
KRA seminars improve my knowledge of tax enabling me to comply	4.24	.400
KRA roadshows have improved my knowledge of tax laws	3.30	.617
Direct tax filing assistance has educated us on tax filing	3.91	.824
Establishment of tax support centres makes customer service accessible	4.88	.542
Use of third parties (auditors and tax agents) to disseminate tax information improves my understanding of taxation	3.70	.706
Direct calls from KRA staff makes me aware of approaching deadlines	4.26	.518
Grand mean	**4.05**	**0.601**

Source: Research Data (2021)

According to the respondents, KRA seminars improve my knowledge of tax enabling me to comply mean of 4.24 accompanied by standard deviation of 0.400. KRA roadshows have improved my knowledge of tax laws mean of 3.30 accompanied by standard deviation of 0.617. Direct tax filing assistance has educated me on tax filing mean of 3.91 and a standard deviation of 0. 824. Establishment of tax support centers makes customer service accessible mean of 4.88 accompanied by standard deviation of 0.542. "Use of third parties (auditors and tax agents) to disseminate tax information improves my understanding of taxation mean of 3.70 and a standard deviation of 0. 706. Direct calls from KRA staff makes me aware of approaching deadlines with a mean of 4.26 accompanied by standard deviation of 0.518.

Generally, the mean score of 4.05 of respondents concluded that there was influence of stakeholder sensitization and VAT compliance among wholesales in South of Nairobi Kenya.

4.6.4 VAT compliance

The dependent variable was VAT compliance. "The descriptive statistics from the responses based on 322 respondents are shown table 4.16. The results show the means and standard deviations about questions on VAT compliance.

Table 4.12: VAT compliance

VAT compliance	Mean	Std. Dev
We mostly file our returns accurately	4.25	.322
We mostly file our returns on time	3.66	.558
We always remit our VAT to KRA in time	4.10	.315
We always do correct VAT self-assessment	3.33	.534
Grand mean	**3.835**	**0.432**

Source: Research Data (2021)

The findings show that most wholesalers file their returns accurately. This is indicated by a high mean of 4.25 accompanied standard deviation of 0.322. There was no much discrepancy about the findings. Also, the findings show that the wholesalers mostly file returns on time as indicated by a mean of 3.66 accompanied standard deviation of 0.558. And whether we always remit my VAT to KRA in time indicated by a mean of 4.10 accompanied standard deviation of 0.315. While we always do correct VAT self-assessment indicated by a low mean of 3.33 accompanied standard deviation of 0.534.

Generally, the mean score of 3.835 of respondents concluded that there was influence of VAT compliance among wholesales in South of Nairobi Kenya

4.7 Correlation Analysis

After performing descriptive analysis, "correlation analysis was done to determine the association between independent and dependent variables. "Table 4.17 presented a pair wise result of the variable correlated which were independent variables and dependent variable.

Table 4.13: Correlations matrix

		VAT compliance	Taxpayer perception	Enforcement measures	Stakeholder sensitization
VAT compliance	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	285			
Taxpayer perception	Pearson Correlation	.223**	1		
	Sig. (2-tailed)	.004			
	N	285			
Enforcement measures	Pearson Correlation	.329**	.301	1	
	Sig. (2-tailed)	.001	.006		
	N	285	285		
Stakeholder sensitization	Pearson Correlation	.358**	.213**	.379**	1
	Sig. (2-tailed)	.000	.000	.001	
	N	285	285	285	

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

Source: Research Data (2021)

There was a positive and significant correlation between taxpayer perception and VAT compliance at r=0.223 and p=0.004<0.05. Also, enforcement measures had a significant association (r=0.329, p=0.001<0.05) with VAT compliance. Stakeholder sensitization had positive and correlation of 0.358 with VAT compliance which was found to be significant at a p=.000<0.05. The association between the independent variables were weak, an indication that there was no multi collinearity among the independent variables. They could therefore be used to study the effect of independent variables on dependent variable.

4.8 Regression Analysis

Regression analysis involves the distribution value of a model summary with one random multivariate as any other variable held constant. "The multivariate regression model is generally used to establish whether a relationship exist between variables. This regression is specified with x value and y value of variables under study. The equation is expressed in form of mathematical values linking variables. This mathematical equation is used to explain the relationship while other variables were adjusted with random variable to predict the variations in dependent variables."

4.8.1 Model Summary

The model summary consists of R. value, R square value, Adjusted R Squared Value, and a standard error of the estimate. The values obtained were recorded in table 4.18.

Table 4.14: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.754[a]	.568	.559	.6897

a. **Predictors**: (Constant), taxpayer perception, enforcement measure and stakeholder sensitization

Source: Research Data (2021)

Regression model summary shows that the correlation coefficient of R was 0.754 and R square was 0.568. An adjusted R squared of .559 shows that the model contributes to 55.9% of the VAT compliance on VAT compliance while the remaining 44.1% can be explained by other variables which were not part of this study.

4.8.2 Analysis of Variance

The analysis of variance was done to generate the f- statistic which is used to test significance of R. "That is, ANOVA was conducted to test goodness of fit in the model. The results are shown in table 4.15."

Table 4.15: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	11.587	1	11.587	42.540	.000[b]
1	Residual	22.349	284	0.078		
	Total	**33.936**	**285**			

a. Dependent Variable: VAT compliance

b. Predictors: (Constant), taxpayer perception, enforcement measures and stakeholder sensitization

Source: Research Data (2021)

Table 4.15 showed the p value of F value (42.540) was 0.000 <5% which implied that the model was statistically significant at 5%. The independent variables (taxpayer perception, enforcement measures and stakeholder sensitization) were significant to improve the VAT compliance. The model summary was fit to predict the variations between variables.

4.8.3 Regression Coefficients

A regression analysis was done to test combined effect of the independent variables (taxpayer perception, enforcement measures and stakeholder sensitization) to the dependent variable (VAT compliance). The results were then presented in table 4.16 below.

Table 4.16: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.387	.089		4.348	.008
Taxpayer perception	.314	.061	.201	5.147	.000
Enforcement measures	.253	.028	.268	9.035	.003
Stakeholder sensitization	.421	.053	.415	7.943	.001

a. Dependent Variable: VAT Compliance

Source: Research Data (2021)

Regression equation:

$$Y = 0.387 + 0.314\,X_1 + 0.253\,X_2 + 0.421X_3$$

Taxpayer perception had a beta coefficient (β_1) of 0.314 which implies that a unit change in taxpayer perception leads to an increase of VAT compliance by 0.314 and was statistically significant at ($p=0.000<0.05$). Enforcement measures had a beta coefficient (β_2) of 0.253 which implies that a unit change in Enforcement measures leads to an increase of VAT compliance by 0.253 and was statistically significant at ($p=0.003<0.05$). Stakeholder sensitization had a beta coefficient (β_3) of 0.421 which implies that a unit change in stakeholder sensitization leads to an increase of VAT compliance by 0.421 and was statistically significant at ($p=0.001<0.05$).

4.8.4 Test of Hypotheses

The results first hypothesis Ho_1: Taxpayer perception has no significant effect on Value Added Tax compliance amongst wholesalers in South of Nairobi County. The study results on Table 4.16 rejected the hypothesis as evidence of $\beta_1=0.314$, ($p=0.000<0.05$). This implies that taxpayer perception has a significant relationship with VAT

compliance. The statement is supported by the t-test of 5.147 and therefore null hypothesis was rejected."

The findings second hypothesis Ho_2: enforcement measures have no significant effect on Value Added Tax compliance amongst wholesalers in South of Nairobi County. The findings result on Table 4.16 rejected the hypothesis as evidence of β_2=0.253(p=0.003<0.05). This implies that enforcement measures have a significant relationship with VAT compliance. The statement is supported by the t-test of 9.035 and therefore null hypothesis was rejected.

The findings third hypothesis Ho_3: stakeholder sensitization has no significant effect on Value Added Tax compliance amongst wholesalers in South of Nairobi County. The findings result on Table 4.16 rejected the hypothesis as evidence of β_3=0.421, (p=0.001<0.05). This implies that stakeholder sensitization has a significant relationship with VAT compliance. The statement is supported by the t-test of 7.943 and therefore null hypothesis was rejected.

The Summary of the study hypothesis that were tested is presented in table 4.17.

Table 4.17: Hypothesis Testing summary.

Hypothesis	Criteria	Finding	Conclusion
H₀1: Taxpayer perception has no significant effect on Value Added Tax compliance amongst wholesalers in South of Nairobi County	P-Values (P< 0.05)	(P= 0.000, <0.05)	Reject the hypothesis
H₀2: Enforcement measures have no significant effect on Value Added Tax compliance amongst wholesalers in South of Nairobi County	P-Values (P< 0.05)	(P= 0.003, <0.05)	Reject the hypothesis
H₀3: stakeholder sensitization has no significant effect on Value Added Tax compliance amongst wholesalers in South of Nairobi County	P-Values (P< 0.05)	(P= 0.001, <0.05)	Reject the hypothesis

Source: Research Data (2021)

4.9 Discussion of the Findings

The discussions based on the findings from each of the three objectives was done and compared with other empirical research done in this area of VAT compliance. The discussions are done for both descriptive and regression findings.

4.9.1 Taxpayer Perception and VAT Compliance

The first objective of the study was to determine the effect of taxpayer perception on Value Added Tax compliance amongst wholesalers in South of Nairobi County. The descriptive findings show that there is a level of transparency and accountability in the use of public funds in Kenya and the relations between KRA staff and taxpayers is positive. The regression analysis established a significant positive relationship between taxpayer perception and VAT compliance. The findings of the current study agree with earlier findings by Appah and Wosowei (2016) who examine the behaviour of the individual taxpayer in Nigeria and how it affected their compliance intention on tax revenue performance The outcomes showed that a crucial connection existed between the intensions to comply and the attitudes of equity. The taxpayers' intentions to comply and the variables of the moral norm; further a connection existed between the intentions to comply and penalties as well as the risks involved. The study concluded that average taxpayers' behaviour should be studied guided by their financial conditions, preferences of risks, the society's characteristics with a focus on the governance levels.

4.9.2 Enforcement Measures and VAT Compliance

The second objective of the study was to establish the effect of enforcement measures on Value Added Tax compliance amongst wholesalers in South of Nairobi County. The descriptive findings show that respondents agreed more on that they have been supplied with a court suit due to noncompliance of VAT related issues. The regression analysis

established a significant positive relationship between enforcement measures and VAT compliance The findings of the current study agree with (Karanja, 2018) who explored the challenges that accompany the collection and administration of turnover tax in Kenya. The research unearthed challenges of resources in the administration of the turnover taxes and recommended tougher penalties for non-compliance

4.9.3 Stakeholder sensitization and VAT Compliance

The third objective of the study was to determine the effect of stakeholder sensitization on Value Added Tax compliance amongst wholesalers in South of Nairobi County. "The descriptive findings show that respondents agreed on the direct calls from KRA staff makes them aware of approaching deadlines. The regression analysis established a significant positive relationship between stakeholder sensitization and VAT compliance. The findings of the current study agree with (Mwihaki, 2018) undertook a review of itax tax system with the intention of examining how the system impacted on tax obligation adherence. Businesses were sample from Nakuru town where structured questionnaires were employed to harness firsthand data. Results indicated that with Itax system working and taxpayer payer adequately sensitized, tax compliance was bound to improve."

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings as per specific objectives of the study, "drawn conclusions, and the recommendations made from the study including the areas suggested for further study to enrich the knowledge relevant under the study.

5.2 Summary of the Findings

The overall objective of this study was determining the factors that affect the compliance of Value Added Tax amongst wholesalers in South of Nairobi County, Kenya. The specific objectives were to determine the effect of taxpayer perception on Value Added Tax compliance amongst wholesalers in South of Nairobi County. To establish the effect of enforcement measures on Value Added Tax compliance amongst wholesalers in South of Nairobi County. To establish the effect of stakeholder sensitization on Value Added Tax compliance amongst wholesalers in South of Nairobi County.

The first objective was to determine the effect of taxpayer perception on Value Added Tax compliance amongst wholesalers in South of Nairobi County. From descriptive statistics, the average mean score of taxpayer perception based on the Linkert scale was 4.013 implying that there is influence taxpayer perception and VAT compliance. Correlation analysis showed that taxpayer perception and VAT compliance are positively and significantly associated. In addition, the Regression analysis shows there was a positive significant relationship between taxpayer perception and VAT compliance with evidence of (β_1) of 0.314 and (p=0.000<0.05).

The second objective was to establish the effect of enforcement measures on Value Added Tax compliance amongst wholesalers in South of Nairobi County. From descriptive statistics, the average mean score of enforcement measures based on the Linkert scale was 4.013 implying that there is influence of enforcement measures and VAT compliance. Correlation analysis showed that enforcement measures and VAT compliance are positively and significantly associated. In addition, the Regression analysis shows there was a positive significant relationship between enforcement measures and VAT compliance with evidence of (β_2) of 0.253 and (p=0.003<0.05).

The third objective was to establish the effect of stakeholder sensitization on Value Added Tax compliance amongst wholesalers in South of Nairobi County. From descriptive statistics, the average mean score of stakeholder sensitization based on the Linkert scale was 4.05 implying that there is influence of stakeholder sensitization and VAT compliance. Correlation analysis showed that stakeholder sensitization and VAT compliance are positively and significantly associated. In addition, the Regression analysis shows there was a positive significant relationship between tax knowledge and VAT compliance with evidence of (β_3) of 0.421 and (p=0.001<0.05).

5.3 Conclusions

The study concluded that the taxpayer perception positively affected the compliance of VAT among the wholesalers in South of Nairobi County. The study findings show that respondents perceive that the probabilities of detection by the tax authority for not declaring the exact income that they receive are low.

The study concluded that enforcement measures have a positive effect on Value Added Tax compliance amongst wholesalers in South of Nairobi County. The study findings

show that respondents agreed that Lawsuits due to noncompliance has made many wholesalers to be compliant.

On Stakeholder sensitization the study concluded that, stakeholder's sensitization has a positive effect on Value Added Tax compliance amongst wholesalers in South of Nairobi County. The study findings show that respondents agreed KRA seminars improve my knowledge of tax enabling me to comply and Establishment of tax support centers makes customer service accessible.

5.4 Limitations of the Study

Due to the sensitivity of the information, the respondent may have an imaginary fear of giving the information. This limitation was countered by assuring the respondents that information was purely for academic purposes and would be treated with a lot of confidentiality. An introduction letter from the Moi University was attached to the questionnaires to affirm confidentiality.The study was also limited by the availability of the owners or managers of wholesalers in South of Nairobi County who were not available during office hours to reply to the study research questionnaires due to Corona virus pandemic. To mitigate this problem, the researcher gave a lengthy period of data collection, the researcher made numerous phone calls to increase the response rate.

5.5 Recommendations

5.5.1 Policy Makers

The study concluded that the compliance of VAT among the wholesalers in South of Nairobi County was positively affected by taxpayer perception. The study therefore recommends that the government should ensure efficient utilization of revenue generated for the benefit of its people so that the citizen can have more confidence in them and

support their administration by being VAT compliant.

The study concluded that enforcement measures have a positive effect on Value Added Tax compliance amongst wholesalers in South of Nairobi County. The study therefore recommends KRA should review its policies on court sanctions, fines and penalties on taxpayers and strictly enforce the deterrence sanctions since tax deterrence sections influence tax compliance level by wholesalers in south of Nairobi Kenya.

Also, the study concluded that concluded that, stakeholder's sensitization has a positive effect on Value Added Tax compliance amongst wholesalers in South of Nairobi County. The study therefore recommends that KRA should emphasize on VAT awareness of taxpayers as this will enhance their compliance levels.

5.5.2 Contribution to practice

The study adds to the body of information on the factors affecting Value Added Tax compliance amongst wholesalers. It tends to support relationship between taxpayer perception, enforcement measures and stakeholder sensitization on value added tax compliance. The result contributes to strengthen the literature by confirming the Fiscal Psychology Theory, Economic deterrence theory and Stakeholder's theory and the finding also confirmed that the results contribute more to compliance

5.5.3 Future Research

The present research was based on assessing the factors affecting VAT compliance among wholesalers in South of Nairobi with specific consideration to taxpayer perceptions, Enforcement measures and stakeholder's sensitization. The investigation successfully sampled 285 respondents via the use of structured questionnaires. However, the study was limited to three determinant variables as above that might give little

information. South of Nairobi County on its own has certain features that are unique to the rest of other towns in Kenya making it not viable to generalize the findings with other areas." The study findings show that the predictor variables used explain only 55.9% of variations in dependent variable meaning that there are still other variables affecting the Value Added Tax compliance amongst wholesalers in South of Nairobi County. "Therefore, there is need to undertake other studies related to the same topic with wide considerations to other determinant like technology and online filing."

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APPENDICES

Appendix I: Questionnaire

Kindly answer the questions to the best of your ability. I assure you that any information provided by you will be confidentially treated and utmost care will be accorded to it and utilization will be for reasons of education only.

SECTION A: BACKGROUND INFORMATION

Kindly answer all the questions by ticking in the boxes or writing in the spaces provided.

1. How long have you been in business?

   Less than 3 years [   ]   3-5 years [   ]   6 -10 years [   ]

   11-15 years [   ]   More than 15 years [   ]

2. What is your level of education?

   High School Certificate [   ]   Certificate [   ]

   Diploma [   ]   Undergraduate [   ]

   Under Graduate Degree [   ]   Post Graduate Degree [   ]

   Other [   ]

3. Have you attended/passed any formal taxation course/training organized by KRA or university or any other?

   Yes [   ]   No [   ]

4. Have you ever been audited by KRA for the last Five years?

   Yes [   ]   No [   ]

5. What is your average annual turnover of your business?

   Less than Kshs 500,000 [   ]   500,000-2,000,000 [   ]

   2,000,000-5,000,000 [   ]   Above 5,000,000 [   ]

SECTION A: VAT COMPLIANCE

Kindly state your level of agreement or disagreement with the following statements by putting a tick against that which best describes your position.

The scale ranges from Strongly Agree (5), Agree (4), Uncertain (3), Disagree (2) and Strongly Disagree (1)

No.	Statement	1	2	3	4	5
1.	We mostly file our returns accurately					
2.	We mostly file our returns on time					
3.	We always remit our VAT to KRA in time					
4.	We always do correct VAT self – assessment,					

SECTION B: THE EFFECT OF TAXPAYER PERCEPTION

Kindly state your level of agreement or disagreement with the following statements by putting a tick against that which best describes your position.

The scale ranges from Strongly Agree (5), Agree (4), Uncertain (3), Disagree (2) and Strongly Disagree (1)

No.	Statement	1	2	3	4	5
1.	It is perceive that usage of public funds influences the willingness to pay tax in Kenya					
2.	We perceive there is a level of transparency and accountability in the use of public funds in Kenya.					
3.	We perceive it is the responsibility of the Government to provide quality services to its citizens.					

4.	We perceive the Government provides quality services in return of taxes paid in Kenya.					
5.	We perceive the relations between KRA staff and taxpayers is positive					
6.	We perceive that the probabilities of being detected by the tax authority for not declaring the exact income that I receive are low.					

SECTION C: THE ENFORCEMENT MEASURES

Kindly state your level of agreement or disagreement with the following statements by putting a tick against that which best describes your position.

The scale ranges from Strongly Agree (5), Agree (4), Uncertain (3), Disagree (2) and Strongly Disagree (1)

No.	Statement	1	2	3	4	5
1.	We have been supplied with a court suit due to noncompliance VAT related issues					
2.	KRA have put distraint measures due to compliance related offenses					
3.	Agency notices are frequently used by KRA officers to enforce compliance by wholesalers					
4.	Lawsuits due to noncompliance has made many wholesalers to be compliant					

SECTION D: STAKEHOLDER SENSITIZATION

Kindly state your level of agreement or disagreement with the following statements by putting a tick against that which best describes your position.

The scale ranges from Strongly Agree (5), Agree (4), Uncertain (3), Disagree (2) and Strongly Disagree (1)

No.	Statement	1	2	3	4	5
1.	KRA seminars improve my knowledge of tax enabling me to comply					
2.	KRA roadshows have improved my knowledge of tax laws					
3.	Direct tax filing assistance has educated me on tax filing					
4.	Establishment of tax support centres makes customer service accessible					
5.	Use of third parties (auditors and tax agents) to disseminate tax information improves my understanding of taxation					
6.	Direct calls from KRA staff makes me aware of approaching deadlines.					

Thank you For Your Time"

Appendix II: List of Taxpayers (Wholesale)

NO.	1D NO.	Activity	NO.	ID NO.	Activity
1	00624N	Clothing, Textiles & Footwear	40	22632T	Moto Vehicle Spare Parts
2	057643G	Clothing, Textiles & Footwear	41	22132T	Moto Vehicle Spare Parts
3	06712V	Clothing, Textiles & Footwear	42	22668E	Moto Vehicle Spare Parts
4	06714V	Clothing, Textiles & Footwear	43	22803J	Moto Vehicle Spare Parts
5	06765V	Clothing, Textiles & Footwear	44	23574L	Moto Vehicle Spare Parts
6	06722V	Clothing, Textiles & Footwear	45	24129S	Moto Vehicle Spare Parts
7	08531S	Clothing, Textiles & Footwear	46	27847A	Moto Vehicle Spare Parts
8	08765S	Clothing, Textiles & Footwear	47	27867A	Moto Vehicle Spare Parts
9	09825S	Clothing, Textiles & Footwear	48	27877A	Moto Vehicle Spare Parts
10	10379P	Clothing, Textiles & Footwear	49	27877B	Moto Vehicle Spare Parts
11	11490N	Clothing, Textiles & Footwear	50	28775Y	Moto Vehicle Spare Parts
12	11753Z	Electricity power & Machinery	51	29876C	Moto Vehicle Spare Parts
13	12655U	Electricity power & Machinery	52	29876N	Moto Vehicle Spare Parts
14	12896A	Electricity power & Machinery	53	29876T	Moto Vehicle Spare Parts
15	13119U	Electricity power & Machinery	54	29876W	Moto Vehicle Spare Parts
16	13567S	Electricity power & Machinery	55	29877A	Moto Vehicle Spare Parts
17	13573K	Electricity power & Machinery	56	29877G	Moto Vehicle Spare Parts
18	13579R	Electricity power & Machinery	57	29877P	Moto Vehicle Spare Parts
19	16658L	Electricity power & Machinery	58	29877Q	Moto Vehicle Spare Parts
20	17772U	Electricity power & Machinery	59	29877Z	Moto Vehicle Spare Parts
21	20984S	Electricity power & Machinery	60	29879A	Moto Vehicle Spare Parts
22	22219W	Moto Vehicle Spare Parts	61	30278N	Moto Vehicle Spare Parts
23	22621T	Moto Vehicle Spare Parts	62	30917T	Moto Vehicle Spare Parts
24	22622Y	Moto Vehicle Spare Parts	63	31591Q	Moto Vehicle Spare Parts
25	22623R	Moto Vehicle Spare Parts	64	31669B	Moto Vehicle Spare Parts
26	22624D	Moto Vehicle Spare Parts	65	32914R	Moto Vehicle Spare Parts
27	22625X	Moto Vehicle Spare Parts	66	32923E	Moto Vehicle Spare Parts

28	27626Z	Moto Vehicle Spare Parts	67	32932S	Moto Vehicle Spare Parts
29	22626Z	Moto Vehicle Spare Parts	68	32941Y	Moto Vehicle Spare Parts
30	22607Q	Moto Vehicle Spare Parts	69	32950Z	Moto Vehicle Spare Parts
31	22627Q	Moto Vehicle Spare Parts	70	32959Y	Moto Vehicle Spare Parts
32	42628S	Moto Vehicle Spare Parts	71	32968X	Moto Vehicle Spare Parts
33	22628S	Moto Vehicle Spare Parts	72	32977Q	Moto Vehicle Spare Parts
34	22629C	Moto Vehicle Spare Parts	73	32986Z	Moto Vehicle Spare Parts
35	20629C	Moto Vehicle Spare Parts	74	32995A	Moto Vehicle Spare Parts
36	22630G	Moto Vehicle Spare Parts	75	33004Y	Moto Vehicle Spare Parts
37	22030G	Moto Vehicle Spare Parts	76	33013X	Moto Vehicle Spare Parts
38	22031U	Moto Vehicle Spare Parts	77	33022W	Moto Vehicle Spare Parts
39	22631U	Moto Vehicle Spare Parts	78	33031Y	Moto Vehicle Spare Parts

79	33040Z	Moto Vehicle Spare Parts	122	43563Y	Household Goods
80	33049G	Moto Vehicle Spare Parts	123	43664D	Household Goods
81	33058G	Household Goods	124	43981D	Household Goods
82	33067F	Household Goods	125	44123A	Household Goods
83	33076R	Household Goods	126	44125D	Household Goods
84	33085Z	Household Goods	127	44132W	Household Goods
85	33094Y	Household Goods	128	44133X	Household Goods
86	33103X	Household Goods	129	44134Y	Household Goods
87	33112Q	Household Goods	130	44135Z	Household Goods
88	33121Q	Household Goods	131	44136S	Household Goods
89	33130P	Household Goods	132	44137G	Household Goods
90	33139O	Household Goods	133	44138H	Household Goods
91	33148N	Household Goods	134	44139J	Household Goods
92	33157M	Household Goods	135	44140K	Household Goods
93	33166L	Household Goods	136	44141L	Household Goods
94	33175K	Household Goods	137	44142M	Household Goods
95	33184J	Household Goods	138	44143N	Household Goods
96	33193I	Household Goods	139	44144O	Household Goods
97	33202H	Household Goods	140	44145P	Household Goods
98	33211G	Household Goods	141	44146Q	Household Goods
99	33220F	Household Goods	142	44147R	Household Goods
100	33229E	Household Goods	143	44148S	Household Goods
101	33238D	Household Goods	144	44149T	Household Goods

102	33247C	Household Goods	145	44150U	Household Goods
103	33256B	Household Goods	146	44151X	Household Goods
104	33265A	Household Goods	147	44152Y	Household Goods
105	33272G	Household Goods	148	44153X	Household Goods
106	33329R	Household Goods	149	44154Z	Household Goods
107	33562Z	Household Goods	150	44215Q	Household Goods
108	33671C	Household Goods	151	44324B	Household Goods
109	33869X	Household Goods	152	44628P	Household Goods
110	34136D	Household Goods	153	46126F	Household Goods
111	37566F	Household Goods	154	46980T	Household Goods
112	38568D	Household Goods	155	48775K	Household Goods
113	38775J	Household Goods	156	50076J	Household Goods
114	40177L	Household Goods	157	51657P	Household Goods
115	41665S	Household Goods	158	51666W	Household Goods
116	41875H	Household Goods	159	53564G	Household Goods
117	42702I	Household Goods	160	54216R	Household Goods
118	54231S	Household Goods	161	54278S	Household Goods
119	54234H	Household Goods	162	54279X	Household Goods
120	54236E	Household Goods	163	54280P	Household Goods
121	54236R	Household Goods	164	54281A	Household Goods
165	54240Q	Household Goods	208	54282B	Household Goods
166	54241F	Household Goods	209	54283C	Household Goods
167	54242M	Household Goods	210	54284D	Household Goods
168	54243A	Household Goods	211	54289A	Household Goods
169	54243S	Household Goods	212	54290D	Household Goods
170	54244T	Household Goods	213	54291S	Household Goods
171	54245Y	Household Goods	214	54292D	Household Goods
172	54246U	Household Goods	215	54293U	Household Goods
173	54247I	Household Goods	216	54294T	Household Goods
174	54247Q	Household Goods	217	54295Y	Household Goods
175	54248N	Household Goods	218	54296A	Household Goods
176	54249N	Household Goods	219	54297L	Household Goods
177	54250M	Household Goods	220	54298S	Household Goods
178	54251D	Household Goods	221	54376Z	Household Goods
179	54252D	Household Goods	222	54432E	Household Goods
180	54253P	Household Goods	223	54463A	Household Goods
181	54254X	Household Goods	224	54475S	Household Goods
182	54255Z	Household Goods	225	54533G	Household Goods
183	54256Y	Household Goods	226	54635W	Household Goods
184	54257F	Household Goods	227	55562L	Household Goods
185	54258S	Household Goods	228	57239D	Household Goods
186	54259T	Household Goods	229	61654J	Household Goods
187	54260D	Household Goods	230	61659P	Household Goods
188	54261P	Household Goods	231	61662D	Household Goods

189	54267Q	Household Goods	232	61667X	Household Goods
190	54267S	Household Goods	233	62298N	Household Goods
191	54268A	Household Goods	234	62539Y	Household Goods
192	54269A	Household Goods	235	62540Z	Household Goods
193	54269B	Household Goods	236	62541Y	Household Goods
194	54270H	Household Goods	237	62542A	Household Goods
195	54271D	Household Goods	238	62543B	Household Goods
196	54272D	Household Goods	239	62544V	Household Goods
197	54272S	Household Goods	240	62545V	Household Goods
198	54273V	Household Goods	241	62546C	Household Goods
199	54274S	Household Goods	242	62547D	Household Goods
200	62548F	Household Goods	243	66543G	Household Goods
201	62549Q	Household Goods	244	67298W	Household Goods
202	62550W	Household Goods	245	67321B	Household Goods
203	62575N	Household Goods	246	67332W	Household Goods
204	62576M	Household Goods	247	70783X	Household Goods
205	62577L	Household Goods	248	70884Z	Household Goods
206	62578K	Household Goods	249	70985B	Household Goods
207	62579J	Household Goods	250	71086D	Household Goods
251	62580H	Household Goods	294	71187F	Computers and Electronics
252	62581G	Household Goods	295	71288H	Computers and Electronics
253	62582F	Household Goods	296	71369L	Computers and Electronics
254	62583D	Household Goods	297	71660E	Computers and Electronics
255	62584Q	Household Goods	298	71793A	Computers and Electronics
256	62585W	Household Goods	299	71995X	Computers and Electronics
257	62586E	Household Goods	300	72197Z	Computers and Electronics
258	62587R	Household Goods	301	72399A	Computers and Electronics
259	62588T	Household Goods	302	72500X	Computers and Electronics
260	62589Y	Household Goods	303	72601E	Computers and Electronics
261	62590U	Household Goods	304	73005A	Computers and Electronics
262	62591I	Household Goods	305	73570A	Computers and Electronics
263	62592O	Household Goods	306	76352K	Computers and Electronics
264	62593P	Household Goods	307	76894B	Computers and Electronics
265	62594A	Household Goods	308	79874E	Computers and Electronics

266	62595S	Household Goods	309	81551H	Computers and Electronics
267	62596D	Household Goods	310	81552T	Food and Beverage
268	62597F	Household Goods	311	81553A	Food and Beverage
269	62598G	Household Goods	312	81554S	Food and Beverage
270	62599H	Household Goods	313	81555T	Food and Beverage
271	62600J	Household Goods	314	81556X	Food and Beverage
272	62601K	Household Goods	315	81557Z	Food and Beverage
273	62602L	Household Goods	316	81558E	Food and Beverage
274	62603Z	Household Goods	317	81559E	Food and Beverage
275	62604X	Household Goods	318	81560Q	Food and Beverage
276	62605C	Household Goods	319	81561P	Food and Beverage
277	62606V	Household Goods	320	81562S	Food and Beverage
278	62607B	Household Goods	321	81563Y	Food and Beverage
279	63565U	Household Goods	322	81564O	Food and Beverage
280	64238R	Household Goods	323	81565B	Food and Beverage
281	64285F	Household Goods	324	81566X	Food and Beverage
282	69053W	Household Goods	325	81567U	Food and Beverage
283	69672A	Household Goods	326	81568D	Food and Beverage
284	69975G	Household Goods	327	81569A	Food and Beverage
285	70480R	Household Goods	328	81570L	Food and Beverage
286	70581S	Household Goods	329	81571Z	Food and Beverage
287	70682T	Household Goods	330	81572C	Food and Beverage
288	81573V	Household Goods	331	91348U	Food and Beverage
289	81574B	Household Goods	332	91656A	Hardware
290	81670U	Household Goods	333	92096Y	Hardware
291	81775B	Household Goods	334	92608N	Hardware
292	82904E	Computer and Electronics	335	92609M	Hardware
293	84286D	Computer and Electronics	336	92610P	Hardware
337	87432Z	Hardware	351	92611L	Hardware
338	87623Q	Hardware	352	92613N	Hardware
349	87775A	Hardware	353	92876K	Hardware
340	881155F	Hardware	354	93106A	Hardware
341	88375E	Hardware	355	94131S	Hardware
342	88663F	Hardware	356	976523K	Hardware
343	88675Z	Hardware	357	98261S	Hardware
344	88715Q	Hardware	358	98276Q	Hardware
345	88725V	Hardware	359	985432S	Hardware
346	88775A	Hardware	360	98721D	Hardware
347	88775F	Hardware	361	99662W	Hardware
348	88775H	Hardware	362	O7543S	Hardware
349	89562K	Hardware	363	O7543Q	Hardware
350	89575C	Hardware	364	89773C	Hardware

Appendix III: Letter of Introduction to Targeted Institutions

Alex Kebaso Ombati,
Moi University,
P.O. Box 63056   00200
Nairobi.

15th November 2021,

Dear Sir/Madam,

RE: DATA COLLECTION

I am undertaking a Master of Tax and Customs degree at the Moi University. My research study is on the **Factors affecting Value Added Tax compliance among wholesalers in South of Nairobi County, Kenya**.

You were selected to participate in this study and your co-operation will be highly appreciated. 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,

Alex Kebaso Ombati"

Appendix IV: KESRA Permit

REF: KESRA/NBI/036

10th Setember 2021

TO: WHOM IT MAY CONCERN

RE: REQUEST FOR RESEARCH PERMIT

ALEX KEBASO OMBATI- REG. NO.: KESRA105/0076/2019

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: *FACTORS AFFECTING VALUE ADDED TAX COMPLIANCE AMONGEST WHOLESALES SOUTH OF NAIROBI COUNTY, KENYA*

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

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

Thank you.

Dr. Mariam Nekesa, PHD,
Head Academic Research
KESRA

Appendix V: NACOSTI Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 807642

Date of Issue: 01/October/2021

RESEARCH LICENSE

This is to Certify that Mr.. Alex Kebaso Ombati of Moi University, has been licensed to conduct research in Nairobi on the topic: FACTORS AFFECTING VALUE ADDED TAX COMPLIANCE AMONGEST WHOLESALES IN SOUTH OF NAIROBI COUNTY, KENYA for the period ending : 1/October/2022.

License No: NACOSTI/P/21/13128

807642

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY &
INNOVATION

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Appendix VI: Plagiarism Report

FACTORS AFFECTING VALUE ADDED TAX COMPLIANCE AMONG
WHOLESALERS IN SOUTH OF NAIROBI COUNTY, KENYA.

ORIGINALITY REPORT

16%	15%	3%	8%
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