FACTORS AFFECTING TAX DEBT COLLECTION IN KENYA REVENUE AUTHORITY

BY

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

MOI UNIVERSITY

2022

DECLARATION

Declaration by Candidate

This project is my original work and has not been submitted for the award of a Master's Degree in any other University. No part of this project is to be reproduced without the consent of the author and/or Moi University

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DEDICATION

I dedicate this project to God Almighty my creator, my strong pillar, my source of inspiration, wisdom, knowledge and understanding. He has been the source of my strength throughout this program and on His wings only have I soared. I also dedicate this work to my family that has been a source of encouragement and support throughout my studies and whose encouragement has ensured that I give it all it takes to finish that which I had started. To my children Katanu, Katana and Kavita who have understood me even in times when I could not be there for them as I gave my all towards completing my project. You at times sat there and listened as I presented to you my project and you gave me your corrections and sought for clarifications where you thought I was not clear. Though you took this as a fun activity, for me it was a chance to build my confidence. Thank you and may God bless you all.

ACKNOWLEDGEMENT

This work would not have been possible without the great support I got from my supervisors and great encouragement, push and support (both financial and emotional) from friends Jemimah and Francis who ensured I complete my project. I am especially indebted to Dr. Bruce Ogaga, Dr. Daniel Kirui and also Dr. Anthony Osambo for their extensive personal and professional guidance throughout my project. I am grateful to KRA for the great support and the KRA debt staff who helped in responding to the questioners. More thanks to all those with whom I have had the pleasure to work during this project. I appreciate my Deputy Commissioner Daniel Kagira who has exposed me to various functions and processes within and outside KRA. This exposure has enabled me to broaden my scope of knowledge and as a result be able to identify an area I could use for my research project.

ABSTRACT

There is growing concern about the Kenya Revenue Agency's ability to manage the tax debt. This is indicated by the high level of tax arrears that are currently owed to these institutions and the many companies that have collapsed with so many taxes owed. This shows that tax administration still needs to be improved to deal with the ever-increasing tax arrears. Therefore, this study aimed to determine the factors that influence the collection of tax obligations by the Kenya Tax Authorities. Its specific objectives are to determine the impact of taxpayer data quality, preventive measures, monitoring of taxpayer compliance, and access to information on tax debt collection in Kenya's Inland Revenue. The theories that underlie this research are prevention theory, agency theory and moral hazard theory. This study uses an explanatory research design and the target group is 371 debt handlers from corporate taxpayer accounts. All respondents are counted. Primary data was collected through giving questionnaires. Descriptive statistics including percentages, averages and standard deviations are used. Pearson's correlation analysis was performed to establish the relationship between the research variables. Multiple linear regression is used to test the effect of the independent variables on the dependent variable. Regression of coefficients showed that payer data quality (β=0.253, p=0.000), deterrence measures (β=0.306, p=0.000), taxpayer compliance monitoring (β=0.345, p=0.000), and information access (β=0.138, p=0.001) had a positive and significant effect on tax debt collection. The study concluded that validation of taxpayer's data during registration enhances tax debt collection. The study concluded that deterrence measures had a positive and also significant relationship on tax debt collection. Further, conducting compliance checks on tax payers by KRA has helped in reducing default rate. Also, raising of audit assessments on tax payers reduces tax debt. The study came to the conclusion that taxpayers' ability to access tax information is a critical factor in their willingness to pay taxes, and that it is impossible to imagine effective turnover tax collection in the absence of adequate taxpayer information. KRA management should provide accurate information to the tax payers; should facilitate the validation of data collected from the tax payers; should use deterrent measures on defaulters. The government should allow KRA managers to deactivate pins of the tax defaulters. The KRA management should ensure easy access of tax information to the tax payers. The study also suggests that in order to increase tax collection, KRA management should make sure that tax payers have access to third-party information. The study findings make significant contribution to theory, policy, and practice in the field of tax administration. Since the R square was not 100%, it means that other additional factors could enhance the model for tax debt collection in Kenya Revenue Authority. Future studies could therefore focus on other factors that affect tax debt collection in Kenya Revenue Authority such as use of technology, and tax knowledge.

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ABBREVIATIONS

ACFE	Association of Certified Fraud Examiners
AEOI	Automatic Exchange of Information
EACCMA	East African Community Customs Management Act
EOIR	Exchange of Information on Request
FTA	Free-Trade Agreement
GDP	Gross Domestic Product
HMRC	Her Majesty's Revenue and Customs
ICO	International Commissioner's Office
IMF	International Monetary Fund
ITO	International Tax Office
KRA	Kenya Revenue Authority
MRA	Mauritius Revenue Authority
NACOSTI	National Commission for Science, Technology and Innovation
NAO	National Audit Office
NTSA	National Transport and Safety Authority
OECD	Organisation for Economic Co-operation and Development
TAT	Tax Appeal Tribunal
TCB	Tax Compliance Bureau
UK	United Kingdom
US	United States
VAT	Value Added Tax

OPERATIONAL DEFINITION OF TERMS

Deterrence measures Are policies to discourage tax evasion behavior and include imposition of penalties and fines and legal or criminal sanctions (Ebraico & Rua, 2015)

Information Access is the ability to identify, obtain and make use of database or information effectively (Schultzová, 2017).

Tax debt collection This is recovery of outstanding debt by Kenya Revenue Authority (KRA, 2018). It is measured using filling of returns before due date, payment of taxes before tax due date and correct tax declaration.

Taxpayer compliance monitoring This is consistent building up of the taxpayer's database even during compliance checks and audits (Cvrlje, 2015)

Taxpayer data quality These are the measures taken by tax revenues to bring into their tax bracket new taxpayers. The quality of data captured about the registered taxpayers will greatly impact on their compliance levels (Schneider, Raczkowski & Mroz, 2015).

CHAPTER ONE

INTRODUCTION

1.0 Overview

This chapter presents the research background, problem formulation, main objectives, specific objectives, research hypotheses, meaning and scope of research.

1.1 Background of the Study

Taxes payable are those that should have been paid but weren't. Capital, penalties, and interest make up tax debt and must be paid. All fines and interest charged become taxes due and must be paid (Bozdoğan & Şimşek, 2018). A tax liability arises when the taxpayer has made a self-assessment but has not paid all or part of the tax payable, a subsequent assessment is made of income that the taxpayer has not disclosed in his previous self-assessment, or the possibility of an assessment not being made if the taxpayer has not carried out a self-assessment and the tax payable remains undisputed and has not been paid 30 days after the issuance of the stipulation letter. Debt also arises from interest and penalties imposed for not filing or paying on time. Bad data entry that causes problems in the general ledger and incorrect debt reporting in the system can also result in tax liabilities. The tax authorities must establish a debt management strategy in order to verify tax debts and collect them (Okoye, 2019).

Organization for Economic Co-operation and Development (OECD, 2017) defined tax debt to be the amount of tax due for payment inclusive of the interest and penalties. According to the OECD, tax liability arises from two factors, first, the attitude of the taxpayer towards non-compliance, and second, the inability of the tax authorities to contact taxpayers before payments are due and, if necessary, to assist them in understanding and fulfilling payments obligation. There is also a third category of tax debt that is usually categorized as invalid which arises as a result of oversight of the

taxpayer or the tax officers. This debt requires validation so as to reconcile the taxpayer's ledger and only remain with the validated debt. On the other hand, debt management refers to the operations aimed at reducing the debt stock. Effective debt management is said to exist whenever the costs for debt management are minimum. Tax debts can arise from public sector debtors or company and individual debtors. Hybka (2018) argues that a number of factors have been cited as the determinants of increasing tax debts ranging from tax debt collection powers, the qualifications of the collection staff as well as their number, use of IT or the number of withholding taxes. Other factors that have been considered as key are the, level of compliance and their readiness to meet obligations.

All government tax administration agencies have strategies of managing tax debt which has been particularly enabled by technology. In the United Kingdom, Her Majesty's Revenue and Customs (HRMC) has enhanced its collection capabilities through adjustments to the Pay-As-You-Earn (PAYE) system. If taxes due to multiple sources of income are not paid or there are payment difficulties, HMRC may change a person's PAYE code in the future (Dunleavy, 2018). This means payments are automatically deducted from earnings for the coming year using a sliding scale of coding limits for those with an annual income of over £30,000. The borrower also has the option to pay off the debt in full to avoid changing the PAYE code. In addition, the newly introduced "Dynamic Coding" will use new technologies to charge additional debt and modernize existing coding processes. This allows changes to the PAYE code year, making it possible to begin collecting delinquent payments in the current fiscal year rather than waiting until the following year (Dunleavy, 2018).

Taxpayer data quality entail measures taken by tax revenues to bring into their tax bracket new taxpayers. The quality of data captured about the registered taxpayers will

greatly impact on their compliance levels (Schneider, Raczkowski & Mroz, 2015). Deterrence measures refer to policies to discourage tax evasion behavior and include imposition of penalties and fines and legal or criminal sanctions (Ebraico & Rua, 2015). Taxpayer compliance monitoring is consistent building up of the taxpayer's database even during compliance checks and audits (Cvrlje, 2015). Information access is the ability to identify, obtain and make use of database or information effectively (Schultzová, 2017).

In South Africa, the Equiclick mobile app makes it easy for debtors to pay off their debts through a responsive website. This initiative has made online payments much easier. In 2017, Italy also introduced the Equipay ATM system. With this tool, debtors can check their tax balance and make payments directly at an ATM. This payment option may be more convenient for those who may have more limited internet access (Pogge & Mehta, 2017).

One of the proposals to manage tax debt is through introduction of rehabilitation fund as indicated in the income tax Act of Kenya (Mpango, 2016). To safeguard revenue and reduce incidences where large taxpayers are assessed huge taxes then end up unable to pay, the government should introduce a fund like the rehabilitation fund which can be used by the government to cover itself in such cases. A rainy-day fund, also known as a fiscal stabilization fund, is a special pool of money set aside by states at the right time to help them weather economic downturns. Where the taxpayer decides to wind up without any liability, the fund is returned to him in full but as taxable income. This fund should be managed by the Treasury which will use the accumulated funds to start a Business Payment Support Service. The tax authority should come up with a turnover threshold above which all taxpayers above the threshold will be required to contribute to the fund. Big corporations like Safaricom might generate huge tax debts on being

audited which might prove difficult for them to pay but with the Rainy-Day fund in place the burden is eased.

In recent times, Kenya has seen a great increase in the number of big companies collapsing with too much debt and most of it is government taxes. A report by the Kenya Association of Manufacturers (2017) indicated that the top five retailers in Kenya, that is Nakumatt, Tuskys, Naivas, Uchumi and Chandarana supermarkets jointly owed their suppliers in excess of KSh309 million in debts with Nakumatt and Uchumi accounting for 73% of the debt. In a span of two years, the same had increased to Kshs. 40 billion in the year 2018.

Tax Working Group (2018) classified tax indebted taxpayers into the disorganized, can't pay and won't pay groups. The study claims that confused or indifferent taxpayers who are near to voluntary compliance but have an apathetic attitude toward enhancing their tax compliance or feel anxious to try and comply are described as disorganized taxpayers. They might not grasp tax regulations well or may not have well-developed corporate procedures. There may come a time when your company (or the business owner) needs an accountant or tax advisor. These taxpayers occasionally file timely returns but pay taxes after the due date, but a warning from the tax authorities usually suffices to get them to comply. If the tax authorities support and train them and provide assistance to improve the skills and knowledge of taxpayers, it will be easier for them to comply.

The term "can't pay" refers to a taxpayer who is incapable of paying his taxes due to financial constraints. These taxpaying citizens desire to pay their taxes but lack the means to do so. These taxpayers are probably operating enterprises that are either permanently bankrupt or have had a temporary setback (due to a new competitor or a

subpar harvest, for example). There may be a number of additional creditors for the business owner who are not fully aware of the bankruptcy of the company. The proper course of action is for the tax authorities to take proactive action from the outset and communicate clearly with the entrepreneur about business continuity. Since these taxpayers are unable to pay their initial tax obligations, imposing fines on them is unlikely to promote compliance (Tax Working Group, 2018).

Tax Working Group (2018) indicates that the third group consists of the won't pay. They are considered risk takers, competitive or default taxpayers who have the means to meet their tax obligations but choose not to. Any attempt to collect these debts is subject to challenge and often willfully evasive and fraudulent. These taxpayers tend to file inaccurate tax returns by not giving employees PAYE deductions, most likely they are demanding refunds they are not entitled to. These taxpayers need more effort and resources to effectively convert them into compliant taxpayers. The behavior of this group is important to note because their actions, if developed, will damage the fairness and integrity of the tax system and the perception of taxpayers towards the fairness and integrity of the tax system. The most effective way to deal with this group is prevention through increased visibility of their commercial activities, civil and, in serious cases, criminal prosecution, which can result in prison terms. This can be achieved through carrying out periodical audits to avoid pile up of debt, this group also need to provide a security for their debts whenever they request for extended payment plans.

High debt levels forced the government to reduce the budget deficit from 7.2 percent to 3 percent in accordance with the East African Community agreement. From this budget of 3.02 trillion, internal revenue will account for Sh 2.2 trillion of the total budget, which the Kenyan Ministry of Finance expects to collect Sh 1.9 trillion from ordinary taxes and other adjustments (KRA, 2020). Despite the scale of the adjustment, there

remains a huge and unsustainable gap between expenditure and revenue, which is being filled by government grants and loans. Since the greatest source of financing for the national budget comes from the ordinary taxes, there is a need for better ways of managing tax debt within Kenya Revenue Authority so as to realize higher revenues through reduced tax debt (Gitaru, 2017).

KRA in its seventh Corporate Plan identifies Strengthening Debt and Accounts Management as one of the strategies aimed at reducing the debt to revenue ratio in line with international best practice levels. The trend presented in (Appendix III) reveal that KRA has had challenges in managing tax debt despite the fact that tax revenue has been increasing over the years. While tax revenue has been increasing, the trends in tax debt collected has been unsteady. This confirms that the tax debt management has had a challenge in Kenya thus supporting the need for this study.

Many financial authorities have created more efficient and affordable deleveraging policies and methods in response to mounting pressure from donors like the IMF and World Bank. This will be accomplished through raising tax revenue, and one way to do this is to close the tax gap and practice sound debt management. The tax gap in the United Kingdom is 6.0%, one of the lowest in the entire globe. That is the difference between what is owed and what HMRC actually collect. However, some of the policy actions in developing economies have not yielded the required results (Ibrahim et al., 2018).

In addition, in response to growing budget deficits, many countries, including Kenya, have made efforts to create sustainable and productive systems to finance and sustain government spending without resorting to deficit spending and borrowing. The Kenya Revenue Authority (KRA) has long maintained that its initiatives encourage greater

income tax compliance among the general population, both through prevention and by helping the taxpayer, but has never been able to measure this effect, much less confirm its reality (Kanyi, 2019). Consequently, much emphasis is placed on increasing tax revenues by broadening the tax base and less emphasis is placed on reducing tax liability. This research sought to identify the factors that affect the collection of tax debt from the Ministry of Finance of Kenya in order to recommend policy measures for improvement.

On the best practices to embrace to aid in increasing the tax revenue and at the same time substantially reduce the debt portfolio with minimal costs of collection. This research will also inform the management of best practices to adopt which don't negatively affect the taxpayers yet they yield promising results in terms of improved compliance.

As a measure to raising the current tax revenue collected, one of the main areas of focus is reducing tax debt. This study will explore some of the practices used by revenue bodies such as checking the quality of taxpayer's data, use of enforcement measures, closer taxpayer monitoring as well as information sharing. In many countries, the amount of outstanding taxes owed is higher than the IMF's allowable/recommended debt level. Improving tax compliance is an important part of any tax authority, and that includes achieving the best assessed possible level of tax collection and reimbursement. Since paying taxes is one of the four pillars of compliance, non-compliance occurs when tax payments are delayed and a refund is required (Bhandari, et al., 2016).

Tax collection is the final and downward link in the chain that begins with registration. The more the tax administration can get taxpayers to pay what they earn, the lower the debt. Tax administrators should make paying taxes a part of the normal course of

business and as close as possible to the event giving rise to the obligation to eliminate or reduce the risk of non-payment or delay. Therefore, laws and practices consistent with this principle are essential to prevent tax debts from arising and thereby avoid the need for enforcement action. Good payout performance can be supported in a number of ways, including tax deductions, proper ex-ante assessment, and finally, compliance risk management as a monitoring and enforcement strategy that focuses on preventing violations (Lee & Werner, 2018).

According to Hanlon et al. (2018), data collecting, decision analysis, automated enforcement, self-service, and call management are some of the debt management techniques utilized by developed nations. A plethora of data held by numerous government entities can improve gathering efforts. This includes information on the employer, data from checks that tax authorities have received, account numbers from electronic debit and refund transactions, addresses from driver's licenses, and even data from energy bills. Governments have a far more thorough picture of debtors since they can centralize data from numerous entities (including state and local governments).

A further effective method is automation of erroneous capture attempts. Although there are numerous authorities with the authority to pursue foreclosures and collect debts, the procedure is time-consuming and frequently inefficient. Usually, past tax returns, past payments to or from the debtor, data matching with financial institutions, bank interest statements, and other data sources give government collection agents access to information about the debtor's bank account. Additionally, employer withholding forms and communication with other governmental organizations are frequently used to gather employment information. The automation of unintentional behavior depends on this data sharing (Schultzová, 2017).

Kondo (2019) argued that another tax debt management practice to be adopted to manage the tax debt is continuous tax payer monitoring. This is because some taxpayers are clearly reluctant to fulfill their tax obligations and this poses a risk to any tax authority in terms of the possibility of an increase in tax violations. Debt is easier to collect when it's new than when it has taken some time. The tracking of non-fillers and stop-fillers is key component of widening the tax base and boosting tax yield. Non-filers should be identified after every tax filling season and default assessments on persons failing to comply issued with reminders. This should be followed by enhanced enforcement through use of penalties and prosecution. The interest and penalties should be so severe so as to discourage default.

A law passed by the Kenyan Parliament, Chapter 469 of the Laws of Kenya, which took effect on July 1st, 1995, formed the Kenya Revenue Agency (KRA). The Authority is in charge of estimating, obtaining, and accounting for all revenues in accordance with particular statutes, assisting the Minister of Finance with issues pertaining to the administration of revenues, and carrying out other duties associated with revenues as may be required by the Secretary. In carrying out its duties, KRA is responsible for enforcing 17 tax laws, the most significant of which are the Value Added Tax (VAT) Act (Cap. 476) 2013 and the East African Community Customs Administration Act (EACCMA) 2004 Taxation Act (Cap. 470), as well as the 2015 Tax Procedures Law and Excise Tax Law (in terms of revenue interests).

Over 96% of the government's regular revenue comes from the Kenya Revenue Agency, which is the major government collection agency, according to Karanja (2018). In their Fifth Corporate Plan, KRA promised to update its debt management plan with a 22% annual debt reduction target. focuses on debt recovery from court

cases, cleaning up data, consolidating debt management into one department, and measures to remove problematic loans from the records (Karanja, 2018).

The agency is divided into the following departments to handle revenue collection and other support tasks: Kenya School of Tax Administration, Internal Revenue Department, Business Support Services Department, Strategy, Innovation and Risk Management, Legal Services and Coordination Board, Intelligence and Strategy Division Operations, Investigation, and Enforcement. A commissioner oversees each agency.

Performance is the rate of attainment of set targets that are aligned to the desired outcome. This target consists of objective and subjective indicators. Performance drivers are influenced by company goals. It is a key dimension of an organization's operations that is critical to achieving its goals. According to the report published in KRA's 8th business plan, the total revenue development during the 7th business plan period was Ksh 4,849.3 billion against the plan period target of Ksh 4,899.3 billion. It assumes a deficit of 50 billion and a performance of 99% with an average growth of 5.4%. This corresponds to a turnover/GDP ratio of 15.8%. The projected cumulative actual impact of macroeconomic fluctuations is Kshs 83.1 billion, accounting for 37.8 percent of the deficit. The difference in real GDP growth rates over the plan period resulted in a loss of revenue of Ksh 101.1 billion. This shows the need to relook at the practices within KRA geared towards debt reduction.

1.2 Statement of the Problem

California and other jurisdictions with rising income demands cannot continue to disregard rising taxes on uncollected use. It is against the fairness and neutrality norms

to not collect usage tax. Better collection techniques could prevent the need to enact new taxes or raise existing tax rates as use tax is an old tax (Kudrle, 2018).

The tax authorities have faced a difficult payments environment since the start of the economic and financial crisis in 2007. At the end of 2013, it is estimated that the governments of the OECD owed nearly two-thirds of the $1 trillion in unpaid taxes. The overall undisputed tax due for Free Trade Agreement (FTA) members typically surpasses 12% of all net revenues, or more than six weeks' worth of tax receipts. Forum on Tax Administration, (January 2012). In some countries like Kenya, it is even larger (Ndumia, 2015).

Cherogony (2019) argues that the tax reform in Kenya does not address the administrative capacities of the KRA at all, for example in relation to tax collection, but instead focuses on expanding the tax base and increasing revenue pending the introduction of an appropriate modern system mechanisms to ensure all taxes are collected when due. Large tax arrears at KRA, which are currently at Kshs 0.2 trillion, serve as evidence of this (KRA, 2018). This demonstrates the need for further improvement in tax administration to decrease tax arrears and increase tax collection.

As per the Parliamentary Budget Office Policy Paper (Series No. 2/2010), although the country has great potential and resource capacity, low levels of compliance and tax evasion result in a narrow tax base and high enforcement costs. Therefore, taxes are imposed on sectors that are easily taxable such as public workers, while imposing levies on small businesses is difficult (Bett, 2018). Tapping into this group of taxpayers can increase revenue collection significantly. With the budget deficits rising in Kenya, whereby KRA (2020) figures reveal that out of the 3.02 trillion budget, domestic revenue was supposed to account for only Sh1.9 trillion. Kenya Revenue Authority only

managed to collect Sh1.6 out of the expected Sh1.9 trillion from ordinary taxes and other adjustments (KRA, 2020) as a result of high cost of tax collection thus creating a very large and unsustainable gap. In that regard, there is a need to find out the factors affecting Tax debt collection within KRA.

KRA has been unable to meet its target over time. Even more worrying is the high ratio of debt to revenue ratio which now stands at 56% which is above the World Bank and IMF recommended ratio of 10%. The situation is aggravating in Kenya considering the high number of companies collapsing owing state taxes. The current study was motivated by the above knowledge gaps and sought to determine factors affecting tax debt collection in KRA.

1.3 Objectives of the Study

1.3.1 General Objective

To establish the factors affecting tax debt collection in Kenya Revenue Authority.

1.3.2 Specific Objectives

The specific objectives of the research were;

i. To determine the effect of taxpayer data quality on tax debt collection in Kenya Revenue Authority
ii. To establish how deterrence measures affect tax debt collection in Kenya Revenue Authority
iii. To access the influence of taxpayer compliance monitoring on tax debt collection in Kenya Revenue Authority
iv. To evaluate how access to information affects tax debt collection in Kenya Revenue Authority

1.4 Research Hypotheses

The study sought to test the following null hypotheses:

H_{01}: Taxpayer data quality has no effect on tax debt collection in Kenya Revenue Authority

H_{02}: Deterrence measures have no significant effect on the tax debt collection in Kenya Revenue Authority

H_{03}: Taxpayer compliance monitoring has no significant influence on tax debt collection in Kenya Revenue Authority

H_{04}: Information access has no significant effect on tax debt collection in Kenya Revenue Authority

1.5 Significance of the Study

Due to the effect, it has on government companies, public revenue collection is a crucial component of tax administration and policy in any economy. Being the main means of distributing government financing, it serves as any government's fuel. For any government to meet its growth performance and the expectations of its citizens, it must increase its financial depth without incurring high recurring costs. There is a growing need for governments to raise large amounts of revenue through taxes to meet the projected increase in financial spending for the country. To do so, there is a need to prevent the buildup of debt through boosting voluntary compliance and at the same time reduce the accrued debt.

This research was therefore timely in providing an analysis on how and to what extent various factors within KRA can be adopted to enhance tax debt collection. From the outcomes of the research KRA can use the recommendations to enhance their tax debt management. The study can as well be adopted by other revenue authorities facing the

same problem of increased debt portfolio to know how better to manage their debt. Financial and lending Institutions as well as suppliers who sell on credit can as well benefit from the recommendations of this study which can be incorporated in their credit control policies. This study also opens an avenue for future studies to focus on the less researched topic of tax debt management.

1.6 Scope of the Study

The main objective of the study was to determine the factors affecting tax debt collection at KRA. Specifically, the study sought to establish the extent to which taxpayer data quality, deterrence measures, taxpayer compliance monitoring and information access contributes to KRA debt levels. The study used primary data collected from debt officers in corporate taxpayer accounts management division. The target population was the 371 debt officers from corporate taxpayer accounts management division. A census of all the respondents was done. The research covered a period of five years from 2017 to 2021.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

An overview of the pertinent literature on the research issue supplied by various researchers, scientists, analysts, and authors is provided in this chapter. The empirical literature is used by the authors to describe the various subtopics mentioned in the research objectives. Overall, this section includes a conceptual overview, theoretical framework, empirical verification, and conceptual framework. The literature reviewed presented the research gaps of the study.

2.1 Concepts of the Study

2.1.1 Tax Debt Collection

Achievement is the extent to which the goals set in harmony with the desired results are achieved. This target consists of objective and subjective indicators. Performance drivers are influenced by company goals. It is a key dimension of an organization's operations that is critical to achieving its goals. KRA has set out the KPIs to measure performance. One of the KPIs is expansion of taxpayers' bracket.

The company plans to utilize automation and savings methods to lower collecting costs. This amount, however, climbed from 1.22% in 2016–17 to 1.44% in 2017–18 as a result of greater funding for programs to raise revenue. The corporation aims to achieve an 80 percent customer satisfaction level. However, instead of reaching the desired 80 percent, the customer satisfaction index increased from 65 percent in 2014–15 to 71.9 percent in 2016–17. Increased presence of our personnel in Huduma centers, effective settlement of taxpayer complaints, adherence to our basic values by staff, and the deployment of service centers all contribute to improved performance (KRA, 2018).

However, for the purposes of this study, the metric used to measure KRA's debt management performance is related to the level of debt reduction.

2.1.2 Taxpayer Data Quality

The greatest challenge faced by most organizations leave alone revenue bodies is having wrong information or insufficient data about their clients. All information required during taxpayer registration should be provided and authenticated before capturing. When dealing with companies, where possible, a system link should be established with registrar of companies. This will help in getting all the information needed on the company seeking registration including the directors, their physical address, postal address, and telephone numbers. The information provided by the taxpayer should be matched with that received from the registrar and all parties maintain any variations queried to ensure correct information. This will aid in eliminating briefcase companies which are formed to take advantage of business opportunities and which never come out to file their returns or meet their tax obligations (Schneider, et al., 2015).

The United Kingdom saw the need to come up with ICO (International Commissioner's Office) which is UK's independent body set up to uphold information rights. This was because they knew the importance of maintaining accurate data. ICO has come up with an Act, which governs everything about information. Principle 4, which addresses the accuracy of personal data, serves as an illustration. Everyone has a responsibility under the Personal Data Protection Act to ensure the accuracy of the personal data they process or disclose. Additionally, it ought to be updated as necessary. The criterion in Principle 3 that personal data must be adequate is directly related to this one. Individuals (individuals and legal entities) can fulfill this need by making sure that personal data is accurate (Koessler, et al., 2016).

In the local context, all taxpayers should be given an identifier number, which should replace the Pin number. This unique identifier number should be able to pull all the existing information about the taxpayer since it is linked with other agencies to give a single view of the individual or the company. Link with other agencies for information e.g. immigration, police, registrar of companies, NTSA, Land registrar, other revenue bodies, banks etc. If implemented properly, The Huduma Number will go a long way in giving KRA a single view of the taxpayer.

Many tax administrations have problems with the integrity and reliability of taxpayer account balance data. Some problems can be attributed to data entry, including the posting of tax returns and/or payments to the wrong account, the use of reimbursement to ignore error messages and the posting of inaccurate information to the account, the use of the wrong return dates and tax identification numbers, and translation errors. Another issue could be that the taxpayer has received the SPT and gotten a receipt, but the SPT has not yet been transmitted to the tax account or that the taxpayer has a paper copy of the SPT in their file. On the other hand, there might be a record in the tax return but no printout exists. The complete taxpayer file might be lost in other circumstances. Payment issues can be comparable (Jacobs, et al., 2016).

Due to the previously mentioned issues, the taxpayer balance system was unreliable, which required collection agents to take a lot of time verifying and correcting account balances before contacting taxpayers about their arrears. A very typical method is to send each taxpayer a unique notification or statement for verification in order to check the account balance, or to request supporting paperwork within a specified time frame in order to dispute the amount. This procedure is often overseen by a collection agency, however in order to deal with disputed figures and expedite settlement, the agency uses a specific auditing program. If there is a change, the new account balance is determined

by check. When taxpayers offer documented evidence, such as payments made that are not reflected in the computer system, such as receipts, the debt collection department is responsible for adjusting account balances. In order to prevent the tax administration from becoming overburdened with disputed balances, notices under this program must be sent out in a fair number. Dealing with the biggest balances first is recommended. More importantly, states are quickly implementing e-filing and e-payment in order to address many of the aforementioned issues (Jacobs et al., 2016).

The following data need to be updated continuously; bank accounts-for they help enforcement when it comes to placing agency notices, Suppliers details for they help in future while tracing taxpayer's location in case of change in location or opening new branches, Customers/Creditors/Tenants- this information help enforcement in placing agency notices with them to recover unpaid taxes, Assets e.g. Vehicle registration numbers, plot numbers, machinery in use and other assets which can be distressed/ caveated/charged to secure the taxes and eventually sold/auctioned to recover the taxes where the taxpayer is non-committal on clearing the debt as well as real time update of assessments and return changes in the system. In many instances, taxpayers do not agree on the assessments raised by audit or compliance units and hence opt to object to those assessments. In such cases, the (TAT) handles the cases and if any of the parties is not satisfied, the case proceeds to the courts. For the parties to be able to properly present their case and stand a chance of winning, all records must be accurate and up-to-date (Venter, 2014). In such instances where the taxpayer has objected to the demanded taxes, KRA should suspend the raised taxes in the system until the case is fully resolved. These taxes in dispute should not be part of the total debt portfolio.

As in India, all high-income individuals are required to submit a statement of assets and liabilities along with their returns to ensure that reporting requirements cover

accounting for offshore assets as well as the structure of their family business structure (Chadha & Sharma, 2015). Another good way of building up the taxpayer's database is adopting Mauritius Revenue Authority (MRA) "claim a receipt" culture. In their campaign, they create awareness among its population about the necessity of claiming a receipt for all purchases of goods and services. To maximize the efficiency of their campaign, they coupled it with a "VAT lucky draw scheme" where the public is encouraged to send particulars of their VAT receipts to MRA, either through MRA website or via SMS and submitting relevant details of the receipts such as date of purchase, Pin numbers and VAT paid. A VAT lucky draw will be taking place quarterly where 10 prizes (money) will be offered for each quarter draw. This is aimed at helping MRA build on third party information database (Venter, 2014).

2.1.3 Deterrence Measures

Economic compliance theory's central tenet is that taxpayers do not pay taxes because they are afraid of being found out and penalised (Castro et al., 2018). Governments all around the world have discovered strategies to boost tax income in order to encourage tax compliance. Taxpayer identification and registration, services for and training of taxpayers, filing and payment control, refunds, verification, and enforcement are just a few of the numerous connected tasks that are included.

Based on the economic theory advanced by Allingham and Sandmo, tax deterrent (1972). Allingham and Sandmo model tax compliance behavior as a utility-maximizing choice in their work, where taxpayers assess the advantages of tax evasion versus exposure (paying the correct tax plus interest and penalties). Audits, the levying of fines and sanctions, and the imposition of legal or criminal penalties are some enforcement techniques with varying degrees of efficacy. One of the best ways to prevent tax evasion is through tax audits. How many taxpayers are chosen for the audit and how thorough

the audit is can both affect the audit level. By dividing the total number of taxpayers by the number of taxpayers who were examined, it is simple to get the first component. Since the second component is harder to quantify, it is typically measured with the first component to demonstrate the scope of tax audits for useful comparisons (Slemrod, 2016).

The assessment of a fine as a corrective measure will be based on how the taxpayer feels about it. Fines can be viewed as payback for activity that hurts society in a synergistic environment, but in an antagonistic one, they can be part of a cops-and-robbers game. Imposing penalties on negligent taxpayers is an enforcement measure against egregious tax evasion. Different tax authorities impose different penalties around the world. According to Nicoleta (2011), persons who aim to avoid taxes are subject to harsher penalties than those who do not.

Additionally investigated as a disincentive to non-compliance are criminal penalties. The Economic Model of Crime by criminologist Gary S. Becker, published in 1968, is heavily referenced in the economic model of tax evasion from a criminal perspective. This approach is applicable because Becker discovered that tax evasion, which is synonymous with tax compliance, is the most prevalent white-collar crime (ACFE, 2010). According to Becker (1968), committing a crime is the result of a deliberate, utility-maximizing decision-making process in which the perpetrator assesses the pros and cons.

Ebraico et al. (2015) showed that the key variable that affects the effectiveness of tax debt collection is the extent of the collection authority available to tax administration. Some steps to improve tax collection include providing time for payment, for example by allowing taxes payable to be deferred, making payment arrangements taking into

account the taxpayer's special financial circumstances and ability to pay, and obtaining information from third parties. For example, credit bureaus can provide tax authorities with information about the solvency of a tax debtor by arranging for the confiscation of debtor assets. With these powers, tax authorities can collect debts by seizing and selling debtor assets, offsetting the cost of the tax credit. Using this authority, instead of paying a tax credit to the tax debtor, the tax authority uses the amount or part thereof to offset the debt by obtaining a lien.

The OECD Tax Glossary defines a lien as “an encumbrance on property represented as security for the payment of a debt, judgment, mortgage or tax”. The tax administration can seize debtors' assets to force them to pay their debts. Foreclosure of assets is usually preceded by collection of liens. Liens are removed once the debt is paid, withholding the tax-free payments that the state owes to the debtor. In this way, taxes can halt payments made to tax debtors by other governmental entities with money delivered to them to pay back taxes and file for bankruptcy. Tax claims typically take precedence over claims from private creditors. Tax authorities often have the power to initiate bankruptcy proceedings against defaulting taxpayers to recover amounts owed. Another method includes imposing tax obligations on company directors. In some jurisdictions, tax authorities have the power to detain directors of corporations jointly and severally for the corporation's tax debt, restrict the debtor's overseas travel to prevent taxpayers from leaving the jurisdiction without paying their tax debt, and close business -/termination of licenses. Licensing and business are taxpayer assets that can be confiscated.

2.1.4 Taxpayer Compliance Monitoring

Cvrlje (2015) argues that there is a need to keep building up the taxpayer’s database even during compliance checks and audits. In every step of dealing with a taxpayer

regardless of how compliant and cooperative they seem, it's prudent to note that they have the potential of becoming non-compliant any time if exposed to or faced by certain hard/harsh business environments. Revenue bodies as well as business entities need to be aware of such possibilities and prepare accordingly to avoid or minimize the shocks associated with their non-compliance.

Like the MRA (Mauritius Revenue Authority), the KRA should set up a tax risk management unit at the local level that is specifically focused on the systematic identification, assessment, and assessment of tax compliance risks in the four major areas of registration, filing of tax returns, filing of accurate tax returns, and timely tax payments. This will enable KRA evaluate performance of each taxpayer hence coming up with their risk profiles. There are many cases of assessments raised but no update in the system or assessments objected and not stood over. When such data is not reflected in the system, it provides a challenge during enforcement. All steps should be followed when raising assessments. There are also instances where taxpayers apply for amendments on their returns, which after approval need to be immediately updated in the system. All taxpayer payments should as well at all times remain updated. All taxpayer's credits and debits must at all times remain correct since this is the basis on which a taxpayer compliance level is determined.

Introduction of a flat rate of tax and do away with all other taxes (VAT, CORP, PAYE, IT) can also be a way of dealing with non-compliant briefcase taxpayers and make it final tax. This will make government to get revenue upfront and reduce the effort spend following the brief case taxpayers.

Recently we have seen many corporations shutting down with many unpaid taxes. These taxes did not come up in a single day but build up over time. With proper taxpayer

monitoring and frequent compliance checks, such occurrences would be prevented. It is better to put a taxpayer out of business or under bankruptcy early as an intervention measure than to let them stay in business and later shut down with a lot of debt owed in taxes. With proper monitoring of taxpayers, such taxpayers would be flagged down and enforcement measures instituted to recover the taxes owed.

HMRC has the responsibility to minimize the tax gap by implementing a promote, prevent, respond strategy to address the gap. Drive compliance by incorporating it into systems and processes so that clients complete tasks correctly the first time; Detect errors, stop fraudulent claims, personalize online services, automate calculations, and prevent breaches at or near the point of delivery. Respond to non-compliance by identifying the areas that pose the greatest risk and by taking decisive action against those who consciously try to game the system.

In New Zealand, a substantial amount of emphasis is placed on prevention of delinquencies, both in filing and in payment. This is the most cost-effective aspect of the overall compliance effort. In considering the compliance aspects of tax administration, many tax administrations combine responsibility for delinquent accounts (arrears) and delinquent returns (non-filer/stop filer). This is compatible with efforts to improve overall compliance and establish a holistic approach to taxpayer compliance. In the PARE concept, prevention of delinquencies is primary to any compliance improvement. It is also compatible with early detection efforts. This can be seen from the diagram (Appendix VI).

2.1.5 Information Access

Another effective approach is automating efforts at compulsory collection. There is a great need and urgency in tracking of international financial flow, and transactions

carried out by taxpayers, with the view of ascertaining payment of applicable taxes. This can be attained through working in collaboration with other tax jurisdictions and agencies having access to information that can be shared for tax purpose as well as extending its tax treaty networks and agreements for exchange of information (Schultzová, 2017).

Just like the UK ICO, Kenya has to adopt a data sharing code. This is a code of laws issued after being approved by the British Foreign Secretary and submitted to Parliament. This guide explains how data protection laws apply to the transfer of personal data. It provides practical advice for any organization in the public, private or third sector that shares personal data, including systematic data sharing agreements and ad hoc or one-time requests for sharing of personal data.

Adopting the best practices in the Code helps organizations collect and disclose personal information in ways that are lawful, fair, transparent and consistent with the rights and expectations of the individuals with whom the information is shared. This will aid revenue authorities in handling transfer-pricing audits fast and conclusively thereby reducing incidences of tax evasion (Nyaga *et al*, 2016). AEOI will make it possible to reveal tax evasion that was not before known. This would advance worldwide efforts to boost openness, cooperation, and accountability between financial institutions and tax authorities and enable governments to recoup lost tax payments from non-compliant taxpayers.

KRA established the International Tax Office in order to do this. The likelihood of tax evasion is decreased by the new international standard for Automatic Exchange of Information (AEI). It allows information about overseas bank accounts to be shared with the tax authorities in the account holder's home country. Each year, without having

to make a specific request, participating jurisdictions using AEOI send and receive predetermined information (Nyaga et al, 2016). AEOI will make it possible to reveal tax evasion that was not before known. This would advance worldwide efforts to boost openness, cooperation, and accountability between financial institutions and tax authorities and enable governments to recoup lost tax payments from non-compliant taxpayers.

By encouraging taxpayers to declare all pertinent information and promoting the voluntary disclosure of hidden assets, AEOI will also produce secondary advantages. The current standard of exchange of information on demand (EOIR) will also become even more crucial in light of the fresh information from AEOI. To prevent international tax evasion, the two standards—AEI and EOIR—complement each other and cooperate. This increases the effectiveness of tax administration activities (Nyaga et al, 2016). KRA needs to have access to information from registrar of persons and companies, from the land's registry, from registrar of motor vehicles, data from registrar of sim cards, immigration, from Kenya Power and Lighting Company, data from Central Bank on all the opened accounts etc. This data should be easily accessible to authorized persons where recovery or enforcement needs to take place.

2.2 Theoretical Framework

The researcher needs to be knowledgeable with the theory that pertains to his field of study since theory offers a broad explanation of an event (Garg & Kothari, 2014). Which statistical variables to measure are chosen by the researcher with the help of the theoretical framework. Thus, the theoretical literature aids in choosing an appropriate study design, offers a broad framework for data analysis, and enables researchers to identify research variables clearly (Ngumi, 2013). Deterrence theory, agency theory, and moral hazard theory are the theories that guide this research.

2.2.1 Deterrence Theory

Deterrence theory by Scott and Grasmick (1981) was the main theory anchoring this study. The theory provides a framework for this research because non-compliance is implicitly defined as unlawful tax evasion. The deterrence hypothesis examines how penalties or the possibility of penalties affects criminal or undesirable conduct. The underlying assumption is that people engage in activities that maximize benefits and reduce costs; tax amnesty is one example of such an activity (Nagin, Cullen & Jonson, 2018). If the sanctions are likely to be sufficient and the costs are large enough to outweigh the benefits of taking the action, then the action will not be taken. Many different sorts of criminal conduct, including tax evasion, are studied using deterrence theory as a foundation. However, further work must be done in order to postulate or even prove links before it can be called a theory.

The theory is relevant to the current study in explaining the role of deterrence measures on tax debt collection. It categorizes tax evasion as a punishable crime. Dissuasive action is a way to prevent violations. It is therefore expected that taxpayers will use measures such as tax amnesties to avoid escalating preventive measures. Non-compliance can therefore be treated as a punishable offence according to the theory hence its relevance to the study.

2.2.2 Agency Theory

Agency theory was presented by Jensen and Meckling in 1970. The agent-principal problem is presented, and it is said that in order to avoid the negative effects of relying too much on contractual connections, enterprises frequently integrate vertically, even at the sacrifice of efficiency. Agency theory argues that tax policy makers and administrators should be cautious when presuming that agents or vendors would

occasionally represent the government and collect taxes as such in the context of this study.

The theory also best explains the reason for having consistent monitoring of the tax payers because of information asymmetry. According to Jensen and Meckling (1970), it can be challenging to categorize as habitual the actions of those who make voluntary contributions to the success of a group or association.

This theory states that the less informed party must demand information that follows the behavior of more knowledgeable players (Nwaobia, Ogundajo, & Theogene, 2016). The need to conduct taxpayers audit as well as monitoring is motivated by this theory. The contribution of the audit to the taxpayer, as well as the consistency of the monitoring of the taxpayer, is measured by the possibility that the auditor will uncover errors in the taxpayer's report due to information asymmetry between the taxpayer and the auditor caused by the willingness of the taxpayer to report it. In light of this, the theory is in favor of the monitoring variable of taxpayer compliance in this investigation.

2.2.3 Moral Hazard Theory

The term "moral hazard" was first used by Arrow (1963). Due to the moral hazard issue, the borrower is motivated to forgo payments unless there are repercussions for missed payments on future loan applications. According to Alary and Goller (2001), lack of access to a borrower's credit history promotes moral hazard and this can lead to lenders charging penalty interest rates, which ultimately leads to a crash in credit markets.

Klein (1992) asserted that the sharing of credit information encourages borrowers to uphold their contractual commitments. Because defaulting on a loan would result in being "blacklisted," which essentially indicates that they won't be able to obtain formal

loans in the future, borrowers are more likely to do so. Both instances demonstrate that default carries a severe cost in the form of increased future interest rates or credit exclusion. Sharing knowledge is a method for reducing the risk that borrowers may engage in moral hazard (Padilla & Pagano, 2000). In this research, information sharing will be considered as one of the tax debt managements tools that can hence KRA performance. The Moral Hazard Theory, thus underpins the concept of information access in this study.

2.3 Empirical Review

The section presents a review of other studies conducted on the same theme. The section focuses on the global context, regional as well as local studies to guide in identification of research gaps.

2.3.1 Taxpayer Data Quality and Tax Debt Collection

An OECD study (2013) presents seven years' worth of international comparative data on several areas of the administration of the tax system in 52 industrialized and developing nations (2005 to 2011). The data was gathered through a poll of tax authorities in 34 OECD and 18 non-OECD nations. The results show that many tax authorities' management information systems for collecting claims have flaws. For instance, almost a third of tax authorities failed to report the amount of tax that was collected as a result of collection efforts, and about 40% failed to report the number of unpaid debtors/cases at the end of 2011.

According to a UK NAO study (Comptroller and National Audit Office, 2012), HM Revenue & Customs (HMRC) started implementing a revised debt management strategy in 2009–2010 with the goal of more effectively targeting collection activities and increasing the potential for increasing recovery, increasing acquisition speed, and

decreasing costs. By offering greater support before a taxpayer's tax debt is due and engaging with them more efficiently to address problems and pay off debts without the need for frequent contact, the plan also aims to prevent taxpayers from going into debt. The department wanted to improve their collection process by using a campaign-based approach, better understanding taxpayer behavior, expanding its customer contact channels, particularly by phone, improving its information system, and improving the quality of information on debt balances in order to implement this revised approach.

Bowen, Morara, and Mureithi (2009) conducted a study to identify business challenges faced by small and micro enterprises in Nairobi, Kenya. Using a descriptive research design, the study conducted a survey to find out among other challenges the challenge of debt management. The correlation findings established that management of debts was a major challenge among the enterprises and one of the practices used to solve this problem was use of negotiation on payment terms and rates. Using the strategy, some of the SMEs indicated an improvement in their performance.

2.3.2 Deterrence Measures and Tax Debt Collection

The Department of Tax Discovery and Enforcement was found to have prosecuted taxpayers with possible tax evasion insufficiently, according to an audit by the Michigan Tax Compliance Bureau. By using an audit of tax returns, payments, or audits, their statute permits the Department of Finance to assess tax liability and alert taxpayers (McTavish, 2013). The agency's failure to track taxpayers who have failed results in increased tax liability that would otherwise be limited in the early stages of detection.

In contrast to the exogenous punitive treatment, in which the researcher applied the punishment, Tyran (2012) found that average tax compliance was higher with the

endogenous punitive treatment, in which subjects could accept or reject the proposed punishment. Legitimacy is the primary factor behind why people exhibit increased tax compliance when given the option to select a penalty. Penalties that are accepted have higher compliance rates than those that are rejected.

In order to ascertain the effect of coercive action on corporate VAT receipts in the category of large corporate taxpayers in Kenya, Ndumia (2015) carried out a study. The Kenya National Bureau of Statistics and the Kenya Revenue Service both provided secondary data for this study. The effect of enforcement actions on VAT revenue for businesses in Kenya's large corporate taxpayer category was assessed using regression analysis. As an enforcement measure, the audit's scope, fines, and criminal penalties are considered. In accordance with the study's findings, imports contribute differently to VAT revenue than do businesses classified as major corporate taxpayers do when it comes to factors like inspection rates, fines imposed, criminal consequences, and other factors. The study discovered that while criminal sanctions had a negative effect on VAT revenues for these businesses, the breadth of inspection, sanctions, and import contributions to VAT receipts had favorable effects on corporate VAT receipts for large corporate taxpayers.

In his study on tax compliance, enforcement, and taxpayer services in Kenya, Nyaga (2014) attempts to investigate how enforcement practices and taxpayer services affect tax compliance. The aggregate variables in this study reflecting tax audits, fines, criminal consequences, and taxpayers are subjected to a straightforward regression analysis. The self-employed taxpayer list sample framework was used for the period 2003-2012. Nyaga discovered that whereas tax revenues, taxpayer services, and criminal sanctions are inversely associated to tax compliance, inspections and sanctions are positively related.

2.3.3 Taxpayer Compliance Monitoring and Tax Debt Collection

Slemrod, Blumenthal, and Christian (2001) studied how Minnesota taxpayers reacted to the possibility of an audit after conducting a controlled trial. They chose a sample of 1,724 taxpayers and informed them through letter that their tax returns would be examined and contrasted with those of a control group who had not received the letter. They saw that, on average, the treatment group's low- and middle-income taxpayers paid more in taxes than they had the year before. This therefore explains the importance of effective monitoring in tax performance.

To ascertain the impact of debt management technologies on tax collection at the Kenya Tax Agency, Cherogony (2019) carried out a study. This objective is accomplished by employing descriptive analysis, correlation analysis, and regression analysis to examine secondary data. The findings indicate a favorable correlation between revenue collection, GDP, and debt collection. The findings also indicate a bad correlation between the rate of income collection and inflation. Additionally, the regression model revealed that GDP was statistically significant but debt collection and inflation rates were not. It is determined that, even though debt collection does not significantly contribute to revenue collection, employing tools to efficiently reduce debt portfolios and keep track of outstanding taxes will boost equity and encourage taxpayer compliance.

Moodley, Ward and Muller (2017) argued that among South Africa firms, one of the most commonly used debt management strategies was the use of agency firms in collection as well as litigation as the last resort. The authors argue that creditors should use litigation as a last resort to recover uncollectible claims and when there is a serious breach in the payment agreement, which causes undue delay and legal action is required to enforce collection.

2.3.4 Access to Information and Tax Debt Collection

Studies on the effectiveness of enforcement tactics as a disincentive to non-compliance have produced conflicting findings. For instance, one experiment found that warning taxpayers to check their upcoming tax returns increased compliance with the law only for low- and middle-income taxpayers while decreasing it for high-income taxpayers. Another experiment found that providing inaccurate information increased compliance with the law. Additionally, additional studies demonstrate higher audit probabilities reduce tax evasion and boost tax collection (Dwenger, Kleven, Apostle & Rincke, 2016).

According to Woniak, Graa, and Corchado (2014), banks manage credit risk through a variety of strategies, including loan sales, syndicated loans, loan insurance, loan securitization, and credit derivatives. Banks' usage of credit risk management procedures is crucial. It's critical for financial institution workers to comprehend the risks involved in banking transactions as well as the dangers that come with running their businesses and to which they are exposed.

In their study, Pike and Cheng (2011) examined the decisions, procedures, and late payments made by UK businesses in the area of credit management. This study aims to examine the types of firms most likely to enter into specific external structured credit management arrangements; and identify contextual and credit policy decisions that affect loan terms and debt service delays. This study finds that specialized intermediaries and negotiations are not very common in large firms. However, those firms that had such arrangements in place were better placed in their debt position than those that did not.

Ogundipe, Idowu and Ogundipe (2012) argued that due to the increasing debts among the manufacturers in Nigeria, better debt management strategies had been put in place. Some of the practices were extension of the period, revising the terms, improving the collection practices and using technology. With the introduction of the practices, it was established that the profitability of those firms improved significantly.

2.4 Research Gaps

The chapter presented a literature review of the main study themes. Specifically, a theoretical framework was discussed to present the Deterrence Theory, which is relevant to the research in explaining the role of deterrence measures on tax compliance by arguing that enforcement measures are a means to deter non-compliance. There was also discussion of the Agency theory, which support the need to conduct taxpayer's audit as well as taxpayer monitoring.

The theory contends that the likelihood that the auditor will find errors in the taxpayer's reports due to information asymmetry between the taxpayer and the auditor caused by the taxpayer's willingness to report the same determines the value of an audit to the taxpayer as well as consistent monitoring of the taxpayer. The theoretical review further presented the New Public Management Theory, which presents the need for effective public service delivery to the citizens. There was also presentation of the empirical literature review where the critique established knowledge gaps along the methodology, concept and context. The study hence focused on filling these knowledge gaps.

The studies presented in the empirical review of this study have presented contextual, conceptual and methodological knowledge gap, which motivates this study. The study conducted by Ndumia (2015) on the effects of enforcement measures on corporate VAT income for Kenya's major business taxpayers demonstrates a conceptual knowledge

gap because it solely considers enforcement actions. Furthermore, it focused on VAT tax while this study focuses on tax debt management.

In addition, conceptual understanding gaps are noted in Nyaga's (2014) research on tax compliance, tax enforcement, and taxpayer services in Kenya as a result of the major emphasis on tax enforcement and its effects on tax compliance. This study further seeks to not only look at enforcement measures, but also other tools such as taxpayer data quality, information sharing and monitoring. Due to the added use of control variables like GDP and inflation, a study by Cherogony (2019) to examine the impact of debt management techniques on tax revenues in Kenyan financial services has a conceptual knowledge gap. The study also presents a methodological knowledge gap by adoption of secondary data only while this study used primary data.

Other studies, such as those conducted by the Michigan Office of Tax Compliance Bureau in 2013 and the OECD in 2013, which gathered comparative data on various aspects of the tax system and its administration in 52 developed and developing countries over a seven-year period (2005 to 2011), as well as Slemrod, Blumenthal, and Christian in 2001 on the reactions of taxpayers to an increased likelihood of being audited—evidence from a controlled experiment in Minnesota—provide context. No much study has been done on ways of managing the tax debt amongst revenue bodies unlike in financial organizations and other firms under credit control and management. Table 2.1 shows the summary of empirical literature review and research gaps.

Table 2.1: Summary of Empirical Literature Review and Research Gaps

Author and year	Topic	Findings	Model Used	Knowledge Gap	Conclusion/s
Ndumia (2015)	Effect of enforcement actions on Kenyan major corporate taxpayer enterprises' value-added tax revenue	According to the study, audit rates, fines, and the amount of imports contributing to VAT income all had a positive effect on the amount of money these businesses earned from Value Added Tax whereas criminal sanctions had a negative effect.	Regression analysis	Mixed findings (positive and negative effects)	This study aimed to shed light on how deterrence techniques affect the recovery of tax debt.
Nyaga (2014),	Relationship between taxpayer service and enforcement practices for tax compliance	An audit, a penalty, and tax compliance are all negatively correlated with tax income, taxpayer service, and criminal sanctions.	Regression analysis	Mixed findings (positive and negative effects)	This study aimed to shed light on how deterrence techniques affect the recovery of tax debt.
Cherogony (2019)	Impact of debt management tools on Kenya Revenue Authority's ability to collect money	A correlation that is positive between revenue collection, GDP, and debt collection	Regression analysis	Conceptual gap since the study did not focus on tax debt collection	This study focused on tax debt collection
Slemrod, Blumenthal and Christian (2001),	Taxpayers' reactions to a higher likelihood of an audit: data from a Minnesota controlled experiment.	They saw that, on average, the treatment group's low- and middle-income taxpayers paid more in taxes than they had the year before.	Comparative analysis	Contextual gap since the study was conducted in Minnesota	This research was conducted in Kenya.
Bowen, Morara and Mureithi (2009)	To determine how small and micro businesses in Nairobi, Kenya, manage their business difficulties.	The correlation findings established that management of debts was a major challenge among the enterprises	Correlation analysis	Conceptual gap since the study did not focus on tax debt collection	This study focused on tax debt collection
Pike and Cheng (2011)	An analysis of UK late payments, credit management policy decisions, and practices companies	The study discovered that negotiation and specialized intermediaries are not particularly common in big businesses.	Descriptive analysis	Contextual gap since the study was conducted in UK	This research was conducted in Kenya.

2.5 Conceptual Framework

A hypothetical model that describes the model under study and the relationship between the dependent and independent variables is known as the conceptual framework (Mugenda, 2008). According to Garg and Kothari (2014), the independent variable, also referred to as the explanatory variable, is the variable that the researcher is attempting to explain and is thought to be the cause of changes in the dependent variable. In order to define concepts, map study topics or conceptual scopes, formalize linkages between concepts, and find gaps in the literature, researchers will use the conceptual framework (Poteete et al., 2010). A visual representation of the study's variables may be found below. In this study, the independent variables are tax payer data quality, deterrence measures, taxpayer compliance monitoring and information sharing while the dependent variable is debt collection.

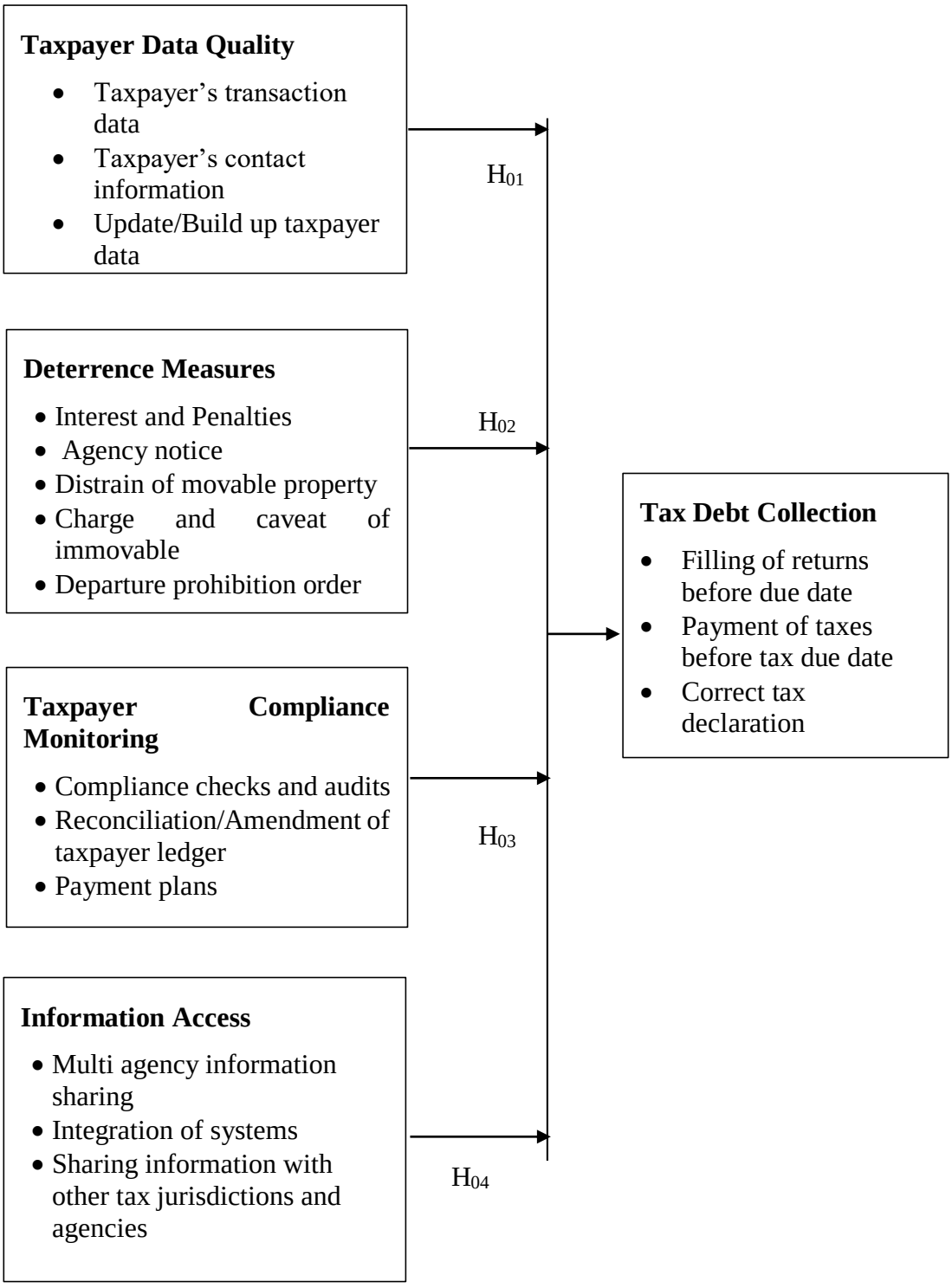

Figure 2.1: Conceptual Framework

Source: Author (2019)

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter introduces the research methodology used by the research to achieve the research objectives. This chapter introduces the research design, target group, data collection, data processing and analysis.

3.1 Research Design

The research design describes the technical processes appropriate to the research. This was accomplished by taking into account the study's research and sample design, data collecting and fieldwork, and the sort of data analysis used (Sekaran & Bougie, 2010). The explanatory research design was used in this study. This design aims to identify the root cause of a specific event. It explains how one variable affects another (Gray 2013). The study's design was suitable because it aimed to identify the variables influencing KRA's debt collection.

3.2 Target Population

According to Zikmund, Babin, Carr, and Griffin (2010), the term "population" refers to every element in a given field of research. The corporate taxpayer account manager's debtors are the study's intended audience. According to KRA 8th corporate plan, there are 371 debt officers at corporate taxpayer accounts management division. Table 3.1 indicates the distribution of the target population.

Table 3.1: Target Population

Category	Population
Debt officers	371
Total	**371**

Source: KRA (2022)

3.3 Sampling Design

A sampling design is a framework or road map used to guide the selection of research samples (Soloff et al., 2005). It provides a basic plan and methodology for sample selection. In this study, survey of all debt officers was done since the number was manageable. Therefore, all the 371 debt officers from the corporate taxpayer accounts management division were included in the study.

3.4 Data Collection Instrument

The primary data collection strategy is effective because the researcher's main goal is to extract raw data (original data) directly from the study population. Surveys are used to gather primary data. When a questionnaire is set out in a logically methodical fashion, responses are often spontaneous. A questionnaire, according to Kothari (2012), is a measurement tool that requests answers to a number of questions or statements. This study uses structured questions (closed) to collect quantitative primary data.

3.5 Data Collection Procedure

The data collection process is essential for data collection and producing relevant data for analysis (Groves, 2009). The questionnaire was given out in a drop-and-pick manner. It was able to ensure that all questionnaires sent to respondents were collected by maintaining a record of issued and received questionnaires. The questionnaire was distributed on my own with the aid of three assistants. To increase the response rate, respondents were given sufficient time to answer the questionnaire. Data collection exercise took two weeks.

3.6 Pilot Testing

Testing is carried out with the aim of uncovering design flaws and improper control of external or environmental conditions. Instrument pre-testing allows refinement before final testing (Cooper & Schindler, 2003).

In order to determine the validity and dependability of the instrument used to gather the necessary data for the study, a pilot test was undertaken. Combo and Tromp (2009) describe pilots as repetition and repetition of primary studies. Mugenda (2008) explains that trials help researchers see whether the questionnaire gives the expected results. According to Koul (2009), pilot trials are preliminary tests or small-scale counterparts of larger studies. Trials also serve to evaluate methods, data collection technologies, data quality measures for sample access, and other research-related elements in advance of larger studies rather than to test research questions and hypotheses.

The Mombasa District KRA debt officials were randomly chosen as respondents for the pilot test, which used 37 questionnaires. The final sample was not composed of respondents. This prevents response bias if they happen to complete the same questionnaire as participants in the primary study. Typically, trials should make up 5% to 10% of the intended sample (Cooper & Schindler, 2011). The percentage assumed in this study is 10%, an acceptable percentage according to Cooper and Schindler's (2011) threshold.

3.6.1 Reliability of the Research Instrument

The degree to which any experiment or measuring procedure yields the same results after several tries is known as its reliability. This is the tendency toward consistency that occurs with repeated measurements of the same problem. To ensure accurate portrayal, instruments must be more dependable. Any measurement is valid if it can

measure what it is supposed to measure. The repeatability or internal consistency of the questionnaire can be used to define reliability (Schumacher & Macmillan, 2010). The internal consistency approach, which measured reliability, was assessed using Cronbach's alpha. An acceptable reliability coefficient is one of 0.70 or above (Cooper & Shindler, 2011).

3.6.2 Validity of the Research Instrument

The extent to which an instrument adequately captures the construct domain or the core of the domain being measured is known as its content validity (Mugenda, 2008). The content validity of the instrument was assessed before to data collection utilizing the body of literature that was available. The pre-testing procedure involves both specialists and researchers in HR. The questionnaire's organization, readability, ambiguity, and completeness were to be reviewed by experts. The last tool contains their views. Initial testing of the meter before further data collection is validated. This study uses factor analysis to ensure that statements measuring study variables are appropriate for detecting structure in principal component analysis. Construct validity was tested by factor analysis. A Kaiser-Meyer-Olkin (KMO) value above 0.5 is considered valid.

3.7 Measurement of the Variables

The variables were measured to allow for quantitative analysis. Tax debt collection was measured using filling of returns before due date, payment of taxes before tax due date, and correct tax declaration (KRA, 2018). Taxpayer data quality was measured using taxpayer’s transaction data, taxpayer’s contact information, and update/build up taxpayer data (Schneider, Raczkowski & Mroz, 2015). Deterrence measures were measured using interest and penalties, agency notice, distrain of movable property, charge and caveat of immovable, and departure prohibition order (Ebraico & Rua,

2015). Taxpayer compliance monitoring was measured in terms of compliance checks and audits, reconciliation/amendment of taxpayer ledger, and payment plans (Cvrlje, 2015). Access to information was measured using multi agency information sharing, integration of systems, and sharing information with other tax jurisdictions and agencies (Schultzová, 2017).

3.8 Data Analysis and Presentation

Data must be handled and analyzed in an organized and coherent manner since research questions cannot be answered solely by looking at numerical data due to the size of the amount of data collected in a study. Statistical approaches are typically used to examine quantitative data. A wide range of methodologies, from straightforward processes like averaging to complicated and sophisticated ones, are used in statistical analysis. With the use of numerical numbers entered into the SPSS software version 22, the data was first cleaned, sorted, and coded.

The first step is descriptive analysis, which presents the average and percentage of numerous study points. Regression analysis, analysis of variance (ANOVA), and Pearson correlation were all used. The correlation between variables is shown by Pearson's coefficient of correlation, while the random link between variables is evaluated using regression analysis. The impact of the independent factors on the dependent variable is assessed using multiple linear regression models. The multiple regression model was laid as below.

$$\mathbf{Y= \beta_0+ \beta_1 X_1+ \beta_2 X_2+ \beta_3 X_3+ \beta_4 X_4+ \varepsilon}$$

Where:

Y = Tax debt collection

$X_{1=}$ Taxpayer data quality

X_2 = Deterrence measures

X_3= Taxpayer compliance monitoring

X_4 = Information access

ε is error term

β_0 represents the constant

$\beta_{1,\,2,3,4}$ are regression coefficients

Hypothesis testing allows researchers to draw conclusions about population parameters by using data from a research sample. Existing relationships between variables are constructed using p-values (Cooper & Shindler, 2011) with a significance level of 5%. We reject the null hypothesis if the p-value is less than the conventional p-value (0.05), and vice versa (Gathenya, 2012).

3.9 Regression Assumptions

The data was examined for breaches of the linearity, multicollinearity, heteroscedasticity, and normalcy assumptions (Field, 2009).

3.9.1 Linearity Test

The relationship between the independent and dependent variables must be linear for linear regression to be valid. Additionally, as linear regression is sensitive to the effects of outliers, it is crucial to look for them (Creswell & Plano-Clark, 2006). Using a scatter plot, the linearity assumption is validated. The residuals along with the y values are plotted in a scatterplot. Standard residuals are represented on the horizontal x-axis after Y values are acquired on the vertical y-axis. The assumption of linearity is satisfied if the scatterplot exhibits a linear pattern (rather than a curved one).

3.9.2 Normality Test

One of the presumptions of the traditional linear regression model is that the error terms, indicated by the symbol (0, 2), must have a normal distribution with a zero mean and constant variance. The dependent variable is affected by additional factors that are not accounted for in the model, and these additional elements are captured by the error term. However, it is thought that the ignored variables have a negligible influence and are, at most, random. The error term has to be regular in order to use OLS (Gujarati, 2004). The Kolmogorov-Smirnov test is used in this study to determine if the error term is normal or not.

3.9.3 Multicollinearity Test

According to the multicollinearity assumption, there shouldn't be a lot of correlation between the independent variables. The inflation variance component was used in research to examine multicollinearity (Cooper & Schindler, 2008). Ignoring imperfect multicollinearity results in high standard errors whereas ignoring perfect multicollinearity results in indeterminate regression coefficients and infinite standard errors. The variance inflation factor is used in this study's multicollinearity test (VIF). A VIF score above 10 denotes a multicollinearity issue, while one below 10 indicates no multicollinearity (Thompson et al., 2017).

3.9.4 Homoscedasticity Test

The assumption of homoscedasticity must be maintained in any regression analysis. If the assumptions are violated, the researcher risks getting wrong results due to increased standard errors (Parra-Frutos, 2013). Homoscedasticity was tested using scatter plot.

3.10 Ethical Considerations

Recommendation letters come from universities. The researcher also obtained permission from NACOSTI before starting the data collection process. The researcher explained the purpose of the research to the respondents. Participation in this research is voluntary. Anonymity is guaranteed because respondents are not required to provide their names in the questionnaire. The researcher explains to the participant that this study is conducted solely for academic purposes and that any information submitted will be kept private.

CHAPTER FOUR

DATA ANALYSIS RESEARCH FINDINGS AND DISCUSSIONS

4.0 Introduction

The analysis, results, and interpretation of the data are included in this chapter. Tables, charts, and diagrams are used to illustrate the results together with textual explanations. The themes that reflect the goals of the research are used to group the analyzed data.

4.1 Response Rate

This section presents response rate based on the questionnaires distribution.

Table 4.1: Response Rate

Response	Frequency	Percentage
Successful	274	73.85%
Not successful	97	26.15%
Total	**371**	**100%**

Source: Research Data (2022)

Out of 371, 274 questionnaires were correctly filled. The overall return rate was 73.85% as shown in Table 4.1. Babbie (2004) asserted that a rate above 60% is a good response for the study. Therefore, a response rate of 73.85% implied a successful response rate.

4.2 Demographic Information

This section contains the demographic information of the respondents. This included; gender of respondents, number of years, department working, designation and division.

Table 4.2: Demographic Information

Variable	Category	Frequency	Percent
Gender	Male	151	56
	Female	123	44
	Total	**274**	**100**
Number of years	Less than one year	11	4
	1 to 2 year	16	5.8
	3 to 5 years	43	15.7
	6-10 years	184	67.2
	More than 10 years	20	7.3
	Total	**274**	**100**
Designation	Assistant Manager and above	54	19.7
	Supervisors	87	31.8
	Officers	88	32.1
	Support staff	45	16.4
	Total	**274**	**100**

Source: Research Data (2022)

Table 4.2 shows that majority of the respondents 151 (56%) were male while 123(44%) of the respondents were female. This implied that majority of the respondents were men. The results showed that majority 184(67.2%) of the respondents had worked at KRA for 6 – 10 years, 43(15.7%) had worked for 3 – 5 years, 20(7.3%) had worked in KRA for more than 10 years, 16(5.8%) had worked for 1 – 2 years, while only 11(4%) had worked for less than one year. This implied that majority of the debt officers had worked in KRA for 6 – 10 years and thus understood tax debt collection at KRA. Results showed that majority 88(32.1%) of the respondents were officers, 87(31.8%) were supervisors, 54(19.4%) were assistant managers, while 45(16.4%) were support staff. This implies that different groups were interviewed in this study. This was important in obtaining varying opinions about the subject.

4.3 Descriptive statistics of Variables

Descriptive analysis was done for all the independent, dependent variables as shown below. In order to interpret the study results objectively, 5 and 4 (strongly agree and

agree) were grouped together as agree, 2 and 1 (disagree and strongly disagree) were grouped as disagree while 3 was neutral.

4.3.1 Descriptive Analysis for Taxpayer Data Quality

In order to measure taxpayer data quality, five questions were posed to the respondents in which they were to show the extent of disagreement or otherwise to the statements. The results were presented in Table 4.3.

Table 4.3: Taxpayer Data Quality

Statement	Mean	Std. Dev
KRA provides accurate information to the taxpayers in their ledgers	3.57	1.25
KRA validates taxpayer's data during registration with that from the registrar of persons and companies before capturing the same in its database.	3.56	1.27
KRA queries any variations in information captured about a tax payer during registration	3.54	1.22
KRA effectively builds up taxpayer registration data over time from various sources	3.68	1.22
KRA Pin is linked to other government agencies databases for a holistic view of the taxpayer income.	3.56	1.32

Source: Research Data (2022)

Results showed that majority of the respondents agreed with the statement that KRA provides accurate information to the taxpayers in their ledgers (mean=3.57, std=1.25). This implied that provision of accurate information enhanced tax debt performance. Further results showed that majority of the respondents agreed with the statement that KRA validates taxpayer's data during registration with that from the registrar of persons and companies before capturing the same in its database (mean=3.56, std=1.27). This infers that validation of tax payer's data helped KRA to recover its debts. Results showed that majority of the respondents agreed that KRA queries any variations in information captured about a tax payer during registration (mean=3.54, std=1.22). This

infers that KRA officials are keen to notice any errors in the information offered by tax payers.

Further findings revealed that the majority of respondents (mean=3.68, standard deviation=1.22) agreed that KRA effectively accumulates taxpayer registration data over time from a variety of sources. This infers that updating of tax payers' information makes debt collection process efficient. In addition, results showed that majority of the respondents agreed that KRA Pin is linked to other government agencies databases for a holistic view of the taxpayer income (mean=3.68, std=1.22). This implies that linking KRA pin with other government agencies enables KRA to collect the tax effectively.

4.3.2 Descriptive Analysis for Deterrence Measures

In order to measure deterrence measures, seven questions were posed to the respondents in which they were to show the extent of disagreement or otherwise to the statements.

Table 4.4: Deterrence Measures

Statement	Mean	Std.Dev
KRA use of agency notice leads to reduction of the debt portfolio.	4.25	1.32
KRA use of movable and immovable properties as security for recovery of owed taxes leads to reduction of tax debt.	4.08	1.25
The barring of taxpayers from travelling outside the country by KRA leads to reduction of tax debt.	4.22	1.28
KRA taking taxpayers who default leads to reduction of the tax debt.	4.06	1.34
KRA imposition of interest and penalties on defaulters leads to improved tax debt collection.	4.18	1.21
KRA withdrawal of TCCs on defaulter taxpayers leads to improved tax collection.	4.2	1.26
KRA deactivation of pins/cancellation of obligation on defaulter taxpayers leads to improved debt collection.	4.18	1.19

Source: Research Data (2022)

The results showed that majority of the respondents agreed that KRA use of agency notice leads to reduction of the debt portfolio (Mean=4.25, std.dev=1.25). This infers that agency notice helps in tax debt recovery. Further results showed that majority of

the respondents agreed with the statement that KRA use of movable and immovable properties as security for recovery of owed taxes leads to reduction of tax debt (Mean=4.08, std.dev=1.25). Results also revealed that majority of the respondents agreed with the statement that the barring of taxpayers from travelling outside the country by KRA leads to reduction of tax debt (Mean=4.22, std.dev=1.28).

Further results showed that majority of the respondents agreed that KRA taking taxpayers who default leads to reduction of the tax debt (Mean=4.06, std.dev=1.34). This infers that tax payers take KRA threats seriously which enables them to repay the tax debt. Results also revealed that majority of the respondents agreed with the statement that the KRA imposition of interest and penalties on defaulters leads to improved tax debt collection (Mean=4.18, std.dev=1.21). This infers that this deterrence measure helps in tax debt collection.

The majority of respondents, according to the data (Mean=4.20, std.dev=1.26), believed that the KRA's withdrawal of TCCs from defaulter taxpayers had boosted tax collection. Finally, results revealed that majority of the respondents agreed with the statement that the KRA deactivation of pins/cancellation of obligation on defaulter taxpayers leads to improved debt collection (Mean=4.18, std.dev=1.19). This infers that this deterrence measure helps in tax debt collection.

4.3.3 Descriptive Analysis for Tax Payer Compliance Monitoring

In order to measure tax payer compliance monitoring, eleven questions were posed to the respondents in which they were to show the extent of disagreement or otherwise to the statements. The results were presented in Table 4.5.

Table 4.5: Tax Payer Compliance Monitoring

Statement	Mean	Std.Dev
Conducting compliance checks on tax payers by KRA has helped in reducing default rate	4.15	1.15
Reconciliation of tax payer ledger by KRA has helped in reducing the amount of debt	4.09	1.19
KRA generation of report on non-compliant taxpayers help in tax debt collection.	3.64	1.24
Raising of audit assessments lead to reduction of tax under-declarations.	3.89	1.4
Automating the tax collection process within KRA has helped in tax collection	3.88	1.3
KRA tax collection systems have made it easier for taxpayers to remit their taxes.	3.82	1.34
System generated reminders and defaulter notices lead to improved tax collection.	4.01	1.21
Call to tax defaulters by KRA staff has improved debt collection.	3.37	1.4
Reminders to taxpayers before payment plan installment due date has helped improved tax debt collection.	3.53	1.32
KRA giving extended payment plans on defaulter taxpayers leads to improved tax collection	3.59	1.45
KRA granting of waivers of Interest and Penalties on default taxpayers leads to reduction of the tax debt.	3.66	1.17

Source: Research Data (2022)

Results showed that majority of the respondents agreed that conducting compliance checks on tax payers by KRA has helped in reducing default rate (mean =4.15, std.dev =1.15). This infers that conducting compliance checks enabled KRA to identify the debt defaults which enhanced debt tax collection.

Further results showed that majority of the respondents agreed that reconciliation of tax payer ledger by KRA has helped in reducing the amount of debt (mean=4.09, std.dev =1.19). This infers that tax payer ledger reconciliation enabled KRA officials to collect the tax from the tax payers. In addition, majority of the respondents agreed that KRA generation of report on non-compliant taxpayers help in tax debt collection (mean =4.15, std.dev =1.15). Further results showed that majority of the respondents agreed

that raising of audit assessments lead to reduction of tax under-declaration (mean=3.89, std.dev =1.40).

Results also showed that majority of the respondents agreed that automating the tax collection process within KRA has helped in tax collection (mean =3.88, std.dev =1.30). This infers that automation made tax collection process more efficient thus collection of more tax. Further results showed that majority of the respondents agreed with the statement that KRA tax collection systems have made it easier for taxpayers to remit their taxes (mean =3.88, std.dev =1.30). This infers that use of technology made tax collection process more efficient thus collection of more tax.

Results also showed that majority of the respondents agreed that system generated reminders and defaulter notices lead to improved tax collection (mean =4.01, std.dev =1.21). In addition, results showed that majority of the respondents agreed that call to tax defaulters by KRA staff has improved debt collection (mean =3.37, std.dev =1.40). This infers that making good follow ups on tax defaulters enhances tax performance and minimizes tax debt.

Further results showed that majority of the respondents agreed that reminders to taxpayers before payment plan installment due date has helped improved tax debt collection (mean =3.53, std.dev =1.32). This infers that making good follow ups on tax defaulters enhances tax performance and minimizes tax debt. In addition, results showed that majority of the respondents agreed that KRA giving extended payment plans on defaulter taxpayers leads to improved tax collection (mean =3.59, std.dev =1.45). This implied handling loan defaulters with courtesy enables them to make the tax payments. Further results showed that majority of the respondents agreed with the statement that KRA granting of waivers of Interest and Penalties on default taxpayers

leads to reduction of the tax debt (mean =3.66, std.dev =1.17). This infers that waiver motivated the defaulters to pay the taxes.

4.3.4 Descriptive Analysis for Information Access

In order to measure information access, five questions were posed to the respondents in which they were to show the extent of disagreement or otherwise to the statements. The results were presented in Table 4.6.

Table 4.6: Information Access

Statement	Mean	Std.dev
Information access by KRA officers from other government systems improves tax debt collection	3.91	1.35
Access of taxpayer information from other tax jurisdictions affects tax debt collection.	3.82	1.25
Having an office dedicated for information sharing helps in tax debt recovery.	3.59	1.25
Having access of third-party information improves tax collection	3.8	1.28
Easy access to taxpayer information within KRA departments helps improve tax debt collection.	3.71	1.32

Source: Research Data (2022)

Results showed that majority of the respondents agreed that information access by KRA officers from other government systems improves tax debt collection (mean=3.91, std.dev=1.35). This infers that offering tax information to tax payers enhanced tax performance. Further results showed that majority of the respondents agreed that access of taxpayer information from other tax jurisdictions affects tax debt collection (mean=3.82, std.dev=1.25). This infers that ensuring that tax payers have adequate information on tax enhances tax performance.

In addition, results showed that majority of the respondents agreed that having an office dedicated for information sharing helps in tax debt recovery (mean=3.59, std.dev=1.25). This infers that ensuring that tax payers have adequate information on tax enhances tax performance. Further results showed that majority of the respondents

agreed that having access of third-party information improves tax collection (mean=3.80, std.dev=1.28). This implies that information access positively affects tax debt collection.

In addition, results showed that majority of the respondents agreed that easy access to taxpayer information within KRA departments helps improve tax debt collection (mean=3.71, std.dev=1.32). This infers that ensuring that tax payers have adequate information on tax enhances tax performance.

4.3.5 Descriptive Analysis for Tax Debt Collection

In order to measure tax debt collection, 3 questions were posed to the respondents in which they were to show the extent of disagreement or otherwise to the statements.

Table 4.7: Tax Debt Collection

Statement	Mean	std.dev
KRA has recorded improved tax collection due to timely filling of returns in the past 5 years	3.5	1.32
KRA has recorded improved tax collection as a result of timely payment of taxes in the past 5 years	3.82	1.2
KRA has recorded improved tax collection from correct tax declaration in the past 5 years	4.03	1.28

Source: Research Data (2022)

Results showed that majority of the respondents agreed that KRA has recorded improved tax collection due to timely filling of returns in the past 5 years (Mean=3.50, std.dev=1.32). This infers that timely filling of returns by tax payers was a clear indication of tax debt reduction. Further results showed that majority of the respondents agreed that KRA has recorded improved tax collection as a result of timely payment of taxes in the past 5 year (Mean=3.82, std.dev=1.20). This infers that timely payment of taxes was a clear indication of tax debt reduction. Further results showed that majority of the respondents agreed that KRA has recorded improved tax collection from correct

tax declaration in the past 5 years (Mean=4.03, std.dev=1.23). This infers that correct tax declaration was a clear indication of tax debt reduction.

Figure 4.1 shows tax debt collection by KRA in last 5 years.

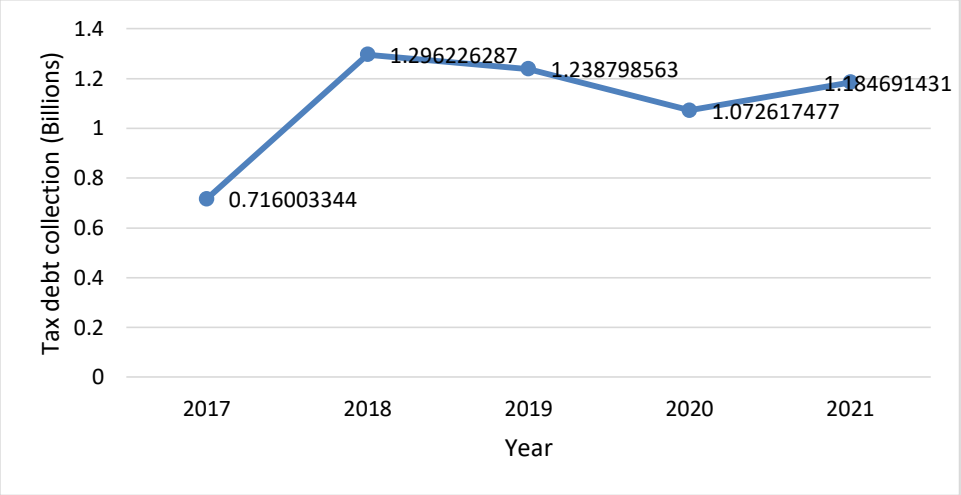

Figure 4.1: Tax Debt Collection

Source: Research Data (2022)

The findings above indicate fluctuations in the amount of tax debt collection by KRA throughout the study period. The lowest tax debt collection was recorded in 2017 and the highest in 2018. Between 2019 and 2021, the graph indicates fluctuations in tax debt collection.

4.4 Reliability Analysis

Results from reliability tests were used to evaluate the variables' internal consistency as determined by the five-point Likert scale. Each and every Likert scaled item's reliability coefficients were calculated, and the findings are shown in Table 4.8.

Table 4.8: Reliability Tests

Variable	Cronbach's Alpha	Number of items	Comment
Taxpayer data quality	0.872	5	Suitable
Deterrence measures	0.888	7	Suitable
Taxpayer compliance monitoring	0.872	11	Suitable
Information Access	0.868	5	Suitable
Tax Debt collection	0.728	3	Suitable

Source: Research Data (2022)

All of the scaled items, according to Table 4.8, were above the value of 0.7. All of the variables were deemed sufficient for this investigation because they all met the reliability level of 0.7 and above. This construct measure dependability level exceeds the Cooper and Schindler threshold by a significant margin (2011).

4.5 Validity test using Factor Analysis

Factor analysis was conducted to determine validity of the questionnaire. In order to check if the items used to measure factors affecting tax debt collection were correlated, KMO test was done and the findings are displayed Table 4.9.

Table 4.9: Kaiser-Meyer-Olkin Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		**0.811**
Bartlett's Test of Sphericity	Approx. Chi-Square	6747.66
	df	465
	Sig.	0.000

Source: Research Data (2022)

The results in Table 4.9 show that the KMO value of 0.811 is above the recommended minimum threshold of 0.5. These statistics show that the statements used to measure research variables are appropriate for factorization. In addition, the results show that the Bartlett roundness test produces a chi-square statistic of 6747.66 with 465 degrees of freedom and a p-value of 0.000. These statistics indicate that the statements made to measure the research variables are sufficient to differentiate structures in principal

component analysis. Based on the results of the factorizability test, this study confirms that further factor analysis can be carried out as shown in Table 4.10. Communalities were done to determine the factor loading of the statements.

Table 4.10: Factor Loadings/Communalities

Variable		Extraction
Taxpayer Data Quality	KRA provides accurate information to the taxpayers in their ledgers	0.792
	KRA validates taxpayer's data during registration with that from the registrar of persons and companies before capturing the same in its database.	0.644
	KRA queries any variations in information captured about a tax payer during registration	0.815
	KRA effectively builds up taxpayer registration data over time from various sources	0.748
	KRA Pin is linked to other government agencies databases for a holistic view of the taxpayer income.	0.785
	KRA use of agency notice leads to reduction of the debt portfolio.	0.711
	KRA use of movable and immovable properties as security for recovery of owed taxes leads to reduction of tax debt.	0.785
Deterrence Measures	The barring of taxpayers from travelling outside the country by KRA leads to reduction of tax debt.	0.711
	KRA taking taxpayers who default leads to reduction of the tax debt.	0.775
	KRA imposition of interest and penalties on defaulters leads to improved tax debt collection.	0.791
	KRA withdrawal of TCCs on defaulter taxpayers leads to improved tax collection.	0.77
	KRA deactivation of pins/cancellation of obligation on defaulter taxpayers leads to improved debt collection.	0.675
	Conducting compliance checks on tax payers by KRA has helped in reducing default rate	0.681
	Reconciliation of tax payer ledger by KRA has helped in reducing the amount of debt	0.593
Taxpayer Compliance Monitoring	KRA generation of report on non-compliant taxpayers help in tax debt collection.	0.606
	Raising of audit assessments lead to reduction of tax under-declarations.	0.81
	Automating the tax collection process within KRA has helped in tax collection	0.697
	KRA tax collection systems have made it easier for taxpayers to remit their taxes.	0.765
	System generated reminders and defaulter notices lead to improved tax collection.	0.66
	Call to tax defaulters by KRA staff has improved debt collection.	0.726
	Reminders to taxpayers before payment plan installment due date has helped improved tax debt collection.	0.525
	KRA giving extended payment plans on defaulter taxpayers leads to improved tax collection	0.653
	KRA granting of waivers of Interest and Penalties on default taxpayers leads to reduction of the tax debt.	0.785

Information Access	Information access by KRA officers from other government systems improves tax debt collection	0.815
	Access of taxpayer information from other tax jurisdictions affects tax debt collection.	0.571
	Having an office dedicated for information sharing helps in tax debt recovery.	0.776
	Having access of third-party information improves tax collection	0.83
	Easy access to taxpayer information within KRA departments helps improve tax debt collection.	0.851
Tax Debt Collection	KRA has recorded improved tax collection due to timely filling of returns in the past 5 years	0.573
	KRA has recorded improved tax collection as a result of timely payment of taxes in the past 5 years	0.711
	KRA has recorded improved tax collection from correct tax declaration in the past 5 years	0.64

Source: Research Data (2022)

Table 4.10 show that, all the items measuring the study variables had factor loading above 0.4. Therefore, the statements were valid and adopted for further analysis.

4.6 Data Transformation

The data transformation in this study involves the use of a composite index. The process involves summing the Likert data for each variable and then calculating the average. Transformed data in the form of a composite index is used in performing inferential statistics.

Payer data quality: data for the five statements [PDQ 1+ PDQ2+PDQ3+PDQ4+PDQ5]/5 were added and then divided by five. The constituted composite index representing taxpayer data quality

Deterrence measures: data for the seven statements [DM1+ DM2+DM3+DM4+DM5 +DM6+DM7]/7 were added and then divided by seven. The constituted composite index representing deterrence measures.

Taxpayer compliance monitoring: data for the eleven statements [TCM1+ TCM 2+ TCM 3+ TCM4+ TCM 5+ TCM 6 + TCM7+ TCM8+ TCM9+ TCM10+ TCM11]/11

were added and then divided by eleven. The constituted composite index representing taxpayer compliance monitoring.

Information Access: data for the five statements [IA1+ IA2+ IA 3+IA4+ IA5]/5 were added and then divided by five. The constituted composite index representing information access.

Tax Debt collection: data for the five statements [TDC1+ TDC2+ TDC 3]/3 were added and then divided by five. The constituted composite index representing tax debt collection.

4.7 Regression Assumptions

Before undertaking the regression analysis, diagnostic tests were conducted to ensure accuracy of the results.

4.7.1 Linearity Test

Linearity test was done using scatter plots. Linearity test for taxpayer data quality and tax debt collection is presented in Figure 4.2.

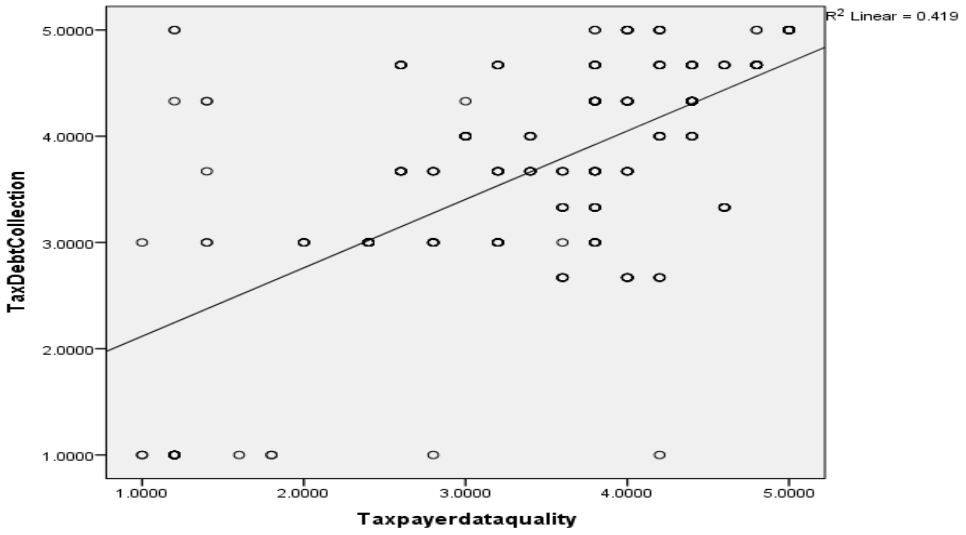

Figure 4.2: Tax Payer Data Quality and Tax Debt Collection.

Source: Research Data (2022)

Results showed that there was a positive linear relationship between taxpayer data quality and tax debt collection.

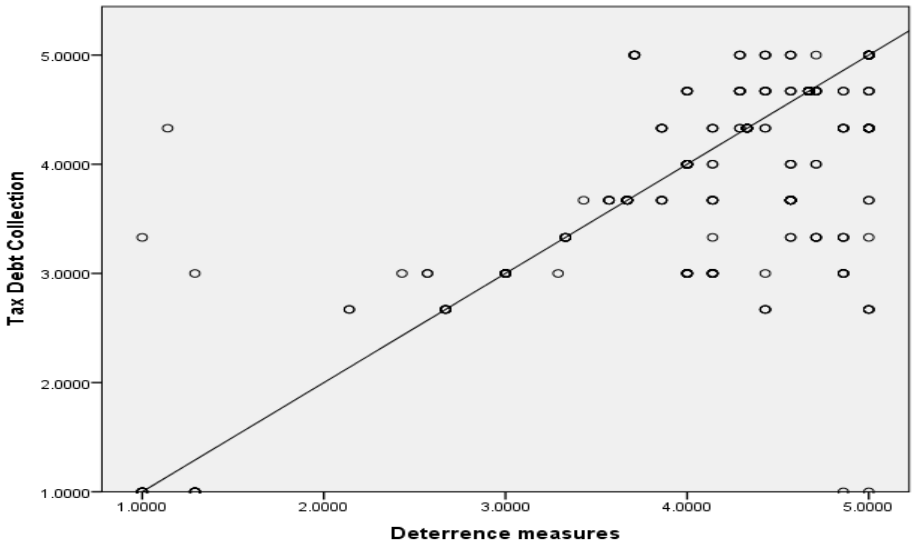

Figure 4.3: Deterrence Measure and Tax Debt Collection

Source: Research Data (2022)

Results showed that there was a positive linear relationship between deterrence measure and tax debt collection.

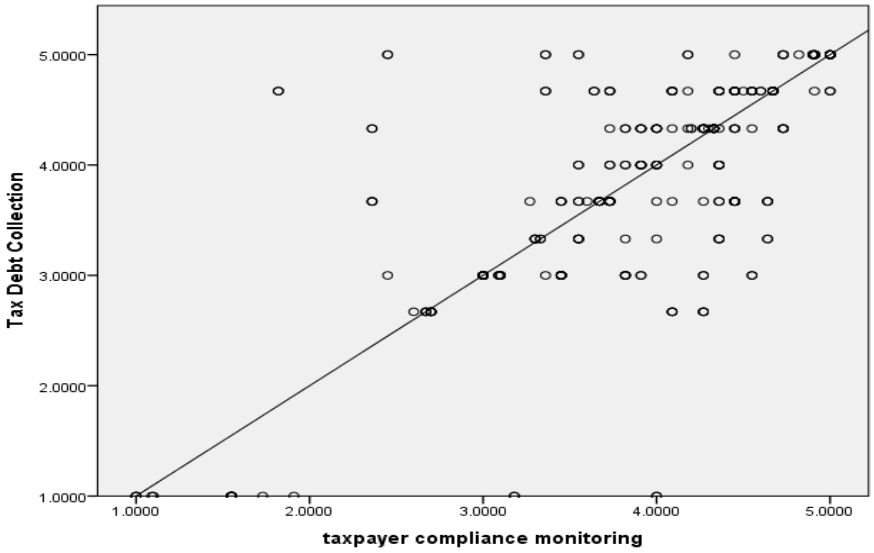

Figure 4.4: Tax payer compliance monitoring and tax debt collection

Source: Research Data (2022)

Results showed that there was a positive linear relationship between tax payer compliance monitoring and tax debt collection.

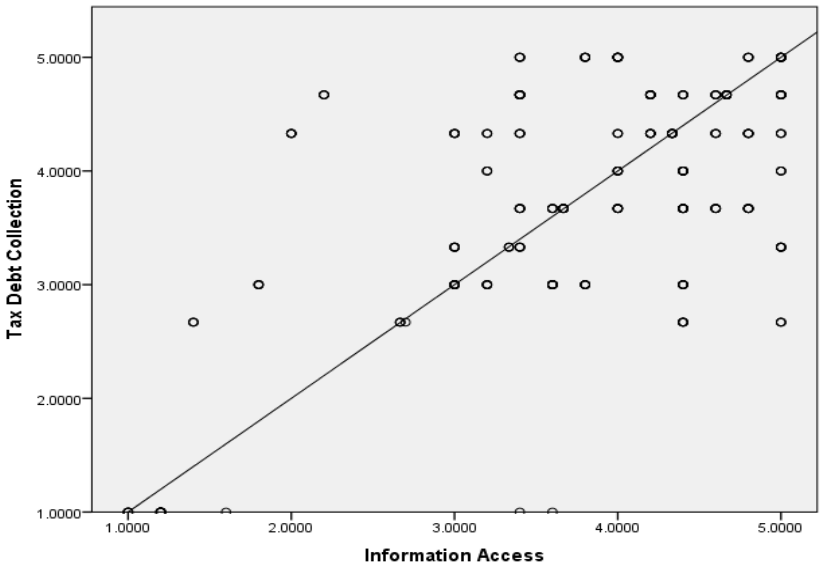

Figure 4.5: Information Access and Tax Debt Collection

Source: Research Data (2022)

Results showed that there was a positive linear relationship between information access and tax debt collection.

4.7.2 Normality Test

To confirm whether the error term is normal or not, this study employed the Kolmogorov–Smirnov test. Results are presented in Table 4.11.

Table 4.11: Normality Test using Kolmogorov–Smirnov test

	Statistic	df	Sig.
Tax Debt Collection	0.873	274	0.056
Taxpayer data quality	0.916	274	0.065
Deterrence measures	0.799	274	0.051
Taxpayer compliance monitoring	0.908	274	0.063
Information Access	0.890	274	0.059

Source: Research Data (2022)

The results showed that data for tax debt collection, taxpayer data quality, deterrence measures, tax payer compliance monitoring and information access variables were normally distributed. This is because their p values were more than 0.05.

4.7.3 Multicollinearity Test

According to the multicollinearity assumption, independent variables shouldn't have a strong correlation with one another. The variance inflation factor was used in the study to test for multicollinearity. Results are presented in Table 4.12.

Table 4.12: Multicollinearity Test

Variables	VIF
Taxpayer data quality	1.544
Deterrence measures	1.804
Taxpayer compliance monitoring	1.721
Information Access	1.665

Source: Research Data (2022)

VIF values ranged from 1.544 (taxpayer data quality) and 1.804 (deterrence measures), which was less than 10. This implied that there was no multicollinearity amongst the variables

4.7.4 Homoscedasticity Test

The assumption of homoscedasticity must hold in any regression analysis. The results for homoscedasticity were presented in Figure 4.6.

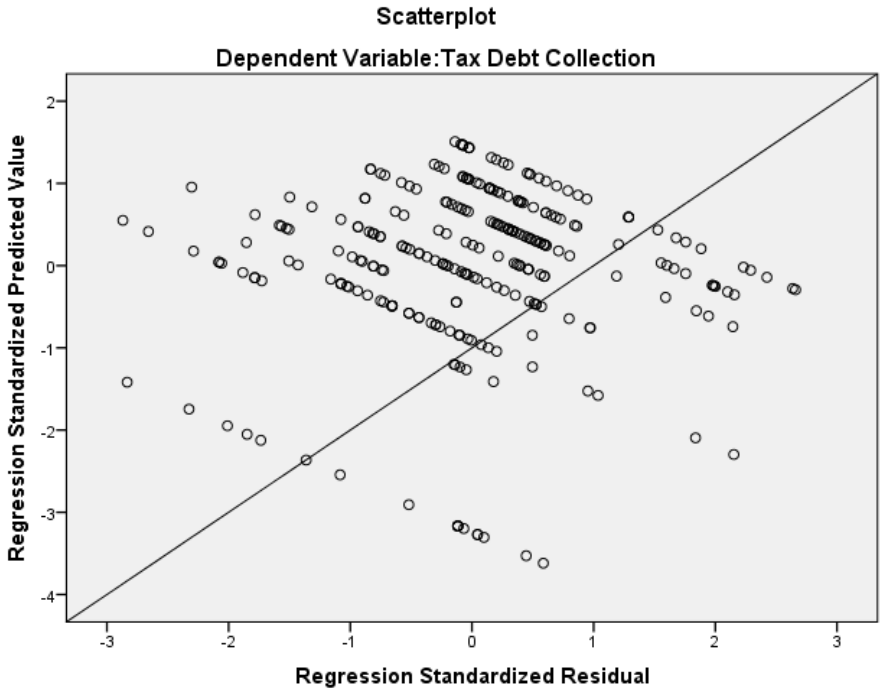

Figure 4.6: Homoscedasticity Test

Source: Research Data (2022)

The points were rather close to the line, according to the data in Figure 4.6. So, homoscedasticity exists in the data. This demonstrates that the regression model selected to compare various variables and tax debt collection was suitable for the data.

4.8 Correlation Analysis

Correlation analysis was conducted to determine the association between the independent variable and the dependent variable. This is presented in Table 4.13.

Table 4.13: Correlation Results

	Tax Debt Collection	Taxpayer data quality	deterrence measures	taxpayer compliance monitoring	Information Access
Tax Debt Collection	1				
Taxpayer data quality	.647* .000	1			
Deterrence measures	.707* .000	.525* .000	1		
Taxpayer compliance monitoring	.715* .000	.493* .000	.559* .000	1	
Information Access	.610* .000	.465* .000	.551* .000	.540* .000	1

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

Source: Research Data (2022)

Findings showed that taxpayer data quality had a positive and significant association with tax debt collection ($r=0.647$, $p<0.05$). This implies that taxpayer data quality strongly correlates with tax debt collection. In addition, results showed that deterrence measures had a positive and significant association with tax debt collection ($r=0.707$, $p<0.05$). This implies that deterrence measures strongly correlate with tax debt collection.

Further results showed that tax payer compliance monitoring had a positive and significant association with tax debt collection ($r=0.715$, $p<0.05$). This implies that tax payer compliance monitoring strongly correlates with tax debt collection. In addition, results showed that information access had a positive and significant association with tax debt collection ($r=0.610$, $p<0.05$). This implies that information access strongly correlates with tax debt collection.

4.9 Regression Analysis

Regression analysis was used to examine whether factors affecting tax debt collection can be used to explain tax debt collection. The results presented in Table 4.14 present

the appropriateness of model used for the regression analysis in explaining the study phenomena.

Table 4.14: Model fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.843a	0.71	0.706	0.55249

Source: Research Data (2022)

The value of R was 0.843 and this implied that there was a positive correlation between factors (taxpayer data quality, deterrence measures, tax payer compliance monitoring, information access) and tax debt collection. The R square of 0.71 denoted that jointly the predictor variables explained 71% of variations in dependent variable (tax debt collection). This implied that taxpayer data quality, deterrence measures, tax payer compliance monitoring, and information access were strong determinants of tax debt collection.

Table 4.15: ANOVA Results

	Sum of Squares	df	Mean Square	F	Sig.
Regression	201.215	4	50.304	164.797	.000b
Residual	82.111	269	0.305		
Total	283.326	273			

Source: Research Data (2022)

An F statistic of 164.797 and the reported p value of 0.000, which was lower than the usual probability of 0.05 significant level, showed that taxpayer data quality, deterrence tactics, tax payer compliance monitoring, and information access were good predictors of tax debt collection.

Regression of Coefficient significance of the taxpayer data quality, deterrence measures, tax payer compliance monitoring, information access and tax debt collection was presented in Table 4.16.

Table 4.16: Regression of Coefficient

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-0.424	0.168		-2.523	0.012
Taxpayer data quality	0.252	0.041	0.253	6.202	0.000
Deterrence measures	0.309	0.045	0.306	6.931	0.000
Taxpayer compliance monitoring	0.402	0.050	0.345	8.002	0.000
Information Access	0.137	0.042	0.138	3.257	0.001

Source: Research Data (2022)

Regression of coefficients showed that taxpayer data quality had a positive and significant effect on tax debt collection ($\beta=0.253$, $p<0.05$). The results implied that an improvement in payer data quality by one unit would lead to improvement in tax debt collection by 0.253 units.

In addition, results showed that deterrence measures had a positive and significant effect on tax debt collection ($\beta=0.306$, $p<0.05$). The results indicate that an improvement in deterrence measures by one unit would lead to improvement in tax debt collection by 0.306 units.

Results showed that taxpayer compliance monitoring had a positive and significant effect on tax debt collection ($\beta=0.345$, $p<0.05$). The results implied that an improvement in taxpayer compliance monitoring by one unit would lead to improvement in tax debt collection by 0.345 units.

In addition, results showed that information access had a positive and significant effect on tax debt collection ($\beta=0.138$, $p<0.05$). The results implied that an improvement in information access by one unit would lead to improvement in tax debt collection by 0.138 units.

From the hypothesized model [$Y= \beta_0+ \beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4X4+ \varepsilon$], the final model was as follows:

$Y= -0.424+ 0.253X_1+ 0.306X_2+ 0.345X_3+ 0.138X_4$

Where:

Y = Tax debt collection

$X_{1=}$ Taxpayer data quality

X_2 = Deterrence measures

X_3= Taxpayer compliance monitoring

X_4 = Information access

4.10 Hypothesis Testing

The hypotheses were tested using multiple linear regressions Table 4.16. The acceptance/rejection criteria were that, if the probability value is less than 0.05, the H0 is rejected and vice versa.

4.10.1 Hypothesis Testing for Taxpayer Data Quality

The null hypothesis (H_{01}) was that taxpayer data quality has no effect on tax debt collection in Kenya Revenue Authority. Results showed a coefficient of 0.253, and p value of 0.000 < 0.05. Therefore, null hypothesis was rejected and the study concluded that there was a statistically significant relationship between taxpayer data quality and tax debt collection.

4.10.2 Hypothesis Testing for Deterrence Measures

The null hypothesis (H_{02}) was that deterrence measures have no effect on tax debt collection in Kenya Revenue Authority. Results showed a coefficient of 0.306, and p

value of 0.000 < 0.05. Therefore, null hypothesis was rejected and the study concluded that there was a statistically significant relationship between deterrence measures and tax debt collection.

4.10.3 Hypothesis Testing for Tax Payer Compliance Monitoring

The null hypothesis (H_{03}) was that tax payer compliance monitoring have no effect on tax debt collection in Kenya Revenue Authority. Results showed a coefficient of 0.345, and p value of 0.000 < 0.05. Therefore, null hypothesis was rejected and the study concluded that there was a statistically significant relationship between tax payer compliance monitoring and tax debt collection.

4.10.4 Hypothesis Testing for Information Access

The null hypothesis (H_{04}) was that information access has no effect on information access in Kenya Revenue Authority. Results showed a coefficient of 0.138, and p value of 0.001 < 0.05. Therefore, null hypothesis was rejected and the study concluded that there was a statistically significant relationship between information access and tax debt collection.

4.11 Discussion of Findings

4.11.1 Taxpayer Data Quality on Tax Debt Collection

The first objective was to determine the effect of taxpayer data quality on tax debt collection in Kenya Revenue Authority. Correlation results showed that taxpayer data quality had a positive and significant association with tax debt collection (r=0.647, p=0.000). This implies that taxpayer data quality strongly correlates with tax debt collection. Regression results showed that that payer data quality had a positive and also significant relationship on tax debt collection (β=0.253, p=0.000). The results thus do indicate that an improvement in taxpayer data quality by a unit would lead to

improvement on tax debt collection by 0.253 units. The study findings agreed with OECD (2013) which indicated that quality of data enhanced the tax systems.

4.11.2 Deterrence Measures on Tax Debt Collection

The second objective was to establish how deterrence measures affect tax debt collection in Kenya Revenue Authority. Correlation results showed that deterrence measures had a positive and significant association with tax debt collection ($r=0.707$, $p=0.000$). This implies that deterrence measures strongly correlate with tax debt collection. Regression results showed that deterrence measures had a positive and also significant relationship on tax debt collection ($\beta=0.306$, $p=0.000$). The results thus do indicate that an improvement in deterrence measures by a unit would lead to improvement on tax debt collection by 0.306 units. This is in contrast to Dwenger, Kleven, Apostle, and Rincke (2016), who found that threatening taxpayers in an experiment by cross-checking their pending statements increased tax compliance only for low- and middle-income taxpayers, but increased it for taxpayers low and middle income decreased with high income.

4.11.3 Taxpayer Compliance Monitoring on Tax Debt Collection

The third objective was to access the influence of taxpayer compliance monitoring on tax debt collection in Kenya Revenue Authority. Further results showed that tax payer compliance monitoring had a positive and significant association with tax debt collection ($r=0.715$, $p=0.000$). This implies that tax payer compliance monitoring strongly correlates with tax debt collection. Regression results showed that taxpayer compliance monitoring had a positive and also significant relationship on tax debt collection ($\beta=0.345$, $p=0.000$). The study findings agreed with Slemrod, Blumenthal and Christian (2001) who indicated that effective monitoring enhanced tax

performance. The results thus do indicate that an improvement in taxpayer compliance monitoring by a unit would lead to improvement on tax debt collection by 0.345 units. The study findings agreed with Agency theory where Jensen and Meckling (1970) indicated that having consistent monitoring of the tax payers because of information asymmetry enhanced tax performance.

4.11.4 Information Access on Tax Debt Collection

The third objective was to evaluate how access to information affects tax debt collection in Kenya Revenue Authority. Correlation results showed that information access had a positive and significant association with tax debt collection ($r=0.610$, $p=0.000$). This implies that information access strongly correlates with tax debt collection. Regression results showed that information access had a positive and also significant relationship on tax debt collection ($\beta=0.138$, $p=0.001$). The results thus do indicate that an improvement in information access by a unit would lead to improvement on tax debt collection by 0.138 units. The findings agreed with Klein (1992) who indicated that credit information sharing motivates borrowers to honor their contractual obligations

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The aim of this research is to identify the factors that influence the collection of tax debts from the Kenyan tax authorities. The specific objectives of this research are; to determine the impact of taxpayer data quality on tax debt collection in the Kenya Financial Service; to determine how preventive measures affect the collection of tax debts in Kenya Financial Service; and to assess how to address the impact of monitoring taxpayer compliance on tax debt collection in Kenya can access. The authority's access to information impacts the collection of tax payable from the Kenya Tax Authority. This section presents the summary of the findings of the research. It further provides the conclusions and recommendation for factors affecting tax debt collection and the conclusion of the study.

5.1 Summary of Findings

This section contained the summary of the study findings. This was done per objectives.

5.1.1 Taxpayer Data Quality on Tax Debt Collection

The first objective of the study was to determine the effect of taxpayer data quality on tax debt collection in Kenya Revenue Authority. Descriptive results showed that majority of the respondents agreed that KRA provides accurate information to the taxpayers in their ledgers. Further results showed that majority of the respondents agreed that KRA validates taxpayer’s data during registration with that from the registrar of persons and companies before capturing the same in its database. The majority of respondents agreed, according to the results, that KRA should check any discrepancies in the data collected about a tax payer during registration.

Additional results show that the majority of respondents agree that KRA is effective in collecting taxpayer registration data from various sources from time to time. In addition, the results show that the majority of respondents agree that the KRA pin is linked to databases from other government agencies to provide a comprehensive picture of taxpayer income. The regression results show that the quality of taxpayer data has a positive and significant effect on tax debt collection from the KRA.

5.1.2 Deterrence Measures and Tax Debt Collection

The second objective of the study was to establish how deterrence measures affect tax debt collection in Kenya Revenue Authority. The results show that the majority of respondents agree that the use of agency termination by KRA causes a decrease in the debt portfolio. Additional results show that the majority of respondents agree that the use of KRA for movable and immovable property as collateral for reimbursement of tax payable leads to a reduction in tax liability. The results also show that the majority of respondents agree that the KRA travel ban will have an impact on reducing tax obligations for taxpayers. Additional findings show that the majority of respondents agree that the KRA lawsuit will result in a reduction in the tax obligations of taxpayers who are in arrears. The results also show that the majority of respondents agree that the imposition of KRA interest and fines for defaulters results in better tax debt recovery.

In addition, the results show that the majority of respondents agree that reversing the KRA TCC for delinquent taxpayers results in increased tax collection. The results also show that the majority of respondents agree that the deactivation/waiver of the KRA PIN for negligent taxpayers results in better billing. The regression results show that the deterrent measure has a significant positive effect on tax debt collection from the Kenyan tax authority.

5.1.3 Taxpayer Compliance Monitoring and Tax Debt Collection

The third objective of the study was to access the influence of taxpayer compliance monitoring on tax debt collection in Kenya Revenue Authority. The descriptive results show that the majority of respondents agree that the performance of the KRA taxpayer compliance check helps reduce the level of friction. Additional findings show that the majority of respondents agree that KRA taxpayer account reconciliation has helped reduce debt levels. In addition, the majority of respondents agree that making a KRA report on taxpayers who are in arrears helps collect tax debts. The additional results show that the majority of respondents agree that an increase in audit scores reduces tax reporting deficiencies. The results also show that the majority of respondents agree that automating the tax collection process within KRA has helped tax collection.

Further results showed that majority of the respondents agreed with the statement that KRA tax collection systems have made it easier for taxpayers to remit their taxes. Results also showed that majority of the respondents agreed that system generated reminders and defaulter notices lead to improved tax collection. Results also showed that majority of the respondents agreed that KRA granting of waivers of Interest and Penalties on default taxpayers leads to reduction of the tax debt. From the regression results, taxpayer compliance monitoring had a positive and significant effect on tax debt collection in Kenya Revenue Authority.

5.1.4 Information Access and Tax Debt Collection

The fourth objective of the study was to evaluate how access to information affects tax debt collection in Kenya Revenue Authority. The descriptive results show that the majority of respondents agree that access to information by KRA officials from other government systems increases tax debt collection. Additional results show that the majority of respondents agree that access to taxpayer information from other tax

jurisdictions affects the collection of tax debts. Additional results show that the majority of respondents agree that access to third party information increases tax collection. In addition, the results show that the majority of respondents agree that easy access to taxpayer information in the KRA department helps increase tax collection. The regression results show that access to information has a positive and significant effect on the collection of tax debts by the Kenyan tax authority.

5.2 Conclusion

The research concluded that taxpayer data quality had a positive and significant effect on tax debt collection. Further validation of taxpayer's data during registration enhances tax debt collection. In addition, results ensuring KRA pin is linked to other government agencies databases enhance tax debt collection. The implication is that taxpayer data quality contributes significantly to enhanced tax debt collection.

The research concluded that deterrence measures had a positive and significant effect on tax debt collection. Further, KRA deactivation of pins/cancellation of obligation on defaulter taxpayers leads to improved debt collection. The implication is that deterrence measures contribute significantly to enhanced tax debt collection.

The research concluded that taxpayer compliance monitoring had a positive and significant effect on tax debt collection. Also, conducting compliance checks on tax payers by KRA has helped in reducing default rate. Further, raising of audit assessments on tax payers reduces tax debt. The implication is that taxpayer compliance monitoring contributes significantly to enhanced tax debt collection.

The study concluded that access to information has a positive and significant effect on tax collection. Access to tax information is the basis of taxpayer attitudes toward tax payments, and it is impossible to envisage effective sales tax collection when there is

insufficient information about taxpayers. The implication is that access to information contributes significantly to enhanced tax debt collection.

5.3 Recommendations

The study recommendations were done in line with the study objectives.

5.3.1 Recommendations on Study Results

From the study findings, taxpayer data quality had a positive and also significant effect on tax debt collection. KRA should ensure they have accurate information about taxpayers. The KRA management should also facilitate the validation of data collected from the tax payers. This will enhance the tax debt collection.

From the study findings, deterrence measures had a positive and also significant effect on tax debt collection. The KRA management should use deterrence measures on the defaulters who fail to pay tax. KRA should also review their policies to allow for deactivation of obligations of the non-compliant taxpayers.

From the study findings, taxpayer compliance monitoring had a positive and also the most significant effect on tax debt collection. The KRA management should focus more on compliance checks on tax payers since this reduces the default rate and also reduce on misdeclarations. KRA should simplify the registration of businesses with effective door- to- door inspection. The KRA management should also fully automate the tax collection process.

From the study findings, information access had a positive and also significant effect on tax debt collection. The KRA management should ensure easy access of taxpayer information by its staff.

5.3.2 Implications on Policy and Practice

The policymakers should streamline and simplify the taxation system and educate taxpayers so that they know their tax obligations and comply with them. This is to avoid cases of debt from tax audits, because taxpayers are assessed based on what they do not know.

KRA should educate taxpayers about the benefits of online filing, trains taxpayers on how to use the system, sensitize them on the need to update their contact information in the system and also establishes mechanisms to help taxpayers adopt new technologies. This minimizes tax liability.

KRA should also build a database of sufficient and accurate debtor information, such as telephone, mail and residential address, to speed up collection of claims, especially from unreached debtors. This can be achieved by integrating the KRA system with other government agencies.

5.3.3 Implications on Theory

These studies have some implication on deterrence theory. The study adds on this theory in that it shows that there are positive effects of deterrence measures on tax debt collection. The study shows that tax payers are able to pay tax debts once put under threats and thus this theory should add some knowledge that threats helps to minimize tax debts.

The theory also adds to agency theory since it shows that monitoring helps in tax debt recovery. This study shows that during monitoring, errors are detected which enhances tax debt collection.

5.4 Limitations of the Study

The study was limited by the availability of the employee, who were too busy during working hours to reply to the study research questionnaires. Following the introduction of a new appraisal process that puts a lot of emphasis on revenue collection, officers were busy working towards meeting their revenue target. To mitigate this problem, the researcher made numerous phone calls and emails reminders to increase the response rate.

5.5 Suggestions for Further Research

This study sought to determine factors affecting tax debt collection in Kenya Revenue Authority. Further studies could focus on factors affecting tax debt collection in revenue authorities in another East African such as Uganda, Tanzania for comparison purposes. Since the R square was not 100%, it means that other additional factors could enhance the model for tax debt collection in Kenya Revenue Authority. Future studies could therefore focus on other factors that affect tax debt collection in Kenya Revenue Authority such as use of technology, and tax knowledge. This study focused on responses from KRA staff. Further research could focus on the taxpayers as the respondents.

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APPENDICES

Appendix I: Letter of Introduction

Dear Valued Respondent,

I am carrying out a master's degree research on **FACTORS AFFECTING TAX DEBT COLLECTION IN KENYA REVENUE AUTHORITY**. This is in partial fulfillment of the requirement for the award of master's degree in Tax and Customs Administration of Moi University. Attached is a questionnaire of which you are kindly requested to answer all the questions accordingly. All information given in the questionnaire will be treated with strict confidentiality and used for the purpose of this project only. A copy of the final report will be availed to the respondents/firms upon request.

Thank you for taking your time to fill in the questionnaire.

Yours sincerely,

Miriam Wairimu

Research Student

Appendix II: Questionnaire

Section A: Demographic Information

i. Gender

Male ( ) Female ( )

ii. Number of years served in KRA

Less than one year ( )
1 to 2 year ( )
3 to 5 years ( )
6-10 years ( )
More than 10 years ( )

iii. Designation
Assistant Manager and above ( )
Supervisors ( )
Officers ( )
Support staff ( )

SECTION B: Taxpayer Data Quality

Please indicate the extent to which you agree to the following statements on tax payer data quality by Kenya Revenue Authority. The scale is on a scale of 1 to 5 where 1 = Strongly Disagree, 2 = Disagree, 3 = Not sure 4 = Agree and 5 = Strongly Agree.

Statement	**1**	**2**	**3**	**4**	**5**
KRA provides accurate information to the taxpayers in their ledgers					
KRA validates taxpayer's data during registration with that from the registrar of persons and companies before capturing the same in its database.					
KRA queries any variations in information captured about a tax payer during registration					
KRA effectively builds up taxpayer registration data over time from various sources					
KRA Pin is linked to other government agencies databases for a holistic view of the taxpayer income.					

SECTION C: Deterrence Measures

Please indicate the extent to what you agree to the following statements on deterrence measures by Kenya Revenue Authority. The scale is on a scale of 1 to 5 where 1 = Strongly Disagree, 2 = Disagree, 3 = Not sure, 4 = Agree and 5 = Strongly Agree.

Statement	**1**	**2**	**3**	**4**	**5**
KRA use of agency notice leads to reduction of the debt portfolio.					
KRA use of movable and immovable properties as security for recovery of owed taxes leads to reduction of tax debt.					
The barring of taxpayers from travelling outside the country by KRA leads to reduction of tax debt.					
KRA taking taxpayers who default leads to reduction of the tax debt.					
KRA imposition of interest and penalties on defaulters leads to improved tax debt collection.					
KRA withdrawal of TCCs on defaulter taxpayers leads to improved tax collection.					
KRA deactivation of pins/cancellation of obligation on defaulter taxpayers leads to improved debt collection.					

SECTION D: Taxpayer Compliance Monitoring

Please indicate the extent to what you agree to the following statements on taxpayer compliance monitoring by Kenya Revenue Authority. The scale is on a scale of 1 to 5 where 1 = Strongly Disagree, 2 = Disagree, 3 = Not sure, 4 = Agree and 5 = Strongly Agree

Statement	**1**	**2**	**3**	**4**	**5**
Conducting compliance checks on tax payers by KRA has helped in reducing default rate					
Reconciliation of tax payer ledger by KRA has helped in reducing the amount of debt					
KRA generation of report on non-compliant taxpayers help in tax debt collection.					
Raising of audit assessments lead to reduction of tax under-declarations.					

Automating the tax collection process within KRA has helped in tax collection					
KRA tax collection systems have made it easier for taxpayers to remit their taxes.					
System generated reminders and defaulter notices lead to improved tax collection.					
Call to tax defaulters by KRA staff has improved debt collection.					
Reminders to taxpayers before payment plan installment due date has helped improved tax debt collection.					
KRA giving extended payment plans on defaulter taxpayers leads to improved tax collection					
KRA granting of waivers of Interest and Penalties on default taxpayers leads to reduction of the tax debt.					

SECTION E: Information Access

Please indicate the extent to what you agree to the following statements on information access by Kenya Revenue Authority. The scale is on a scale of 1 to 5 where 1 = Strongly Disagree, 2 = Disagree, 3 = Not sure, 4 = Agree and 5 = Strongly Agree

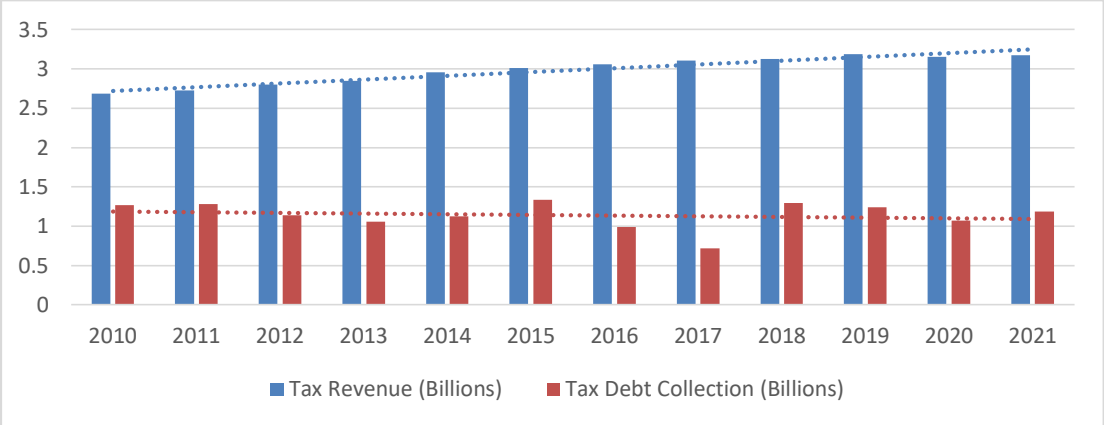
Statement	**1**	**2**	**3**	**4**	**5**
Information access by KRA officers from other government systems improves tax debt collection					
Access of taxpayer information from other tax jurisdictions affects tax debt collection.					
Having an office dedicated for information sharing helps in tax debt recovery.					
Having access of third-party information improves tax collection					
Easy access to taxpayer information within KRA departments helps improve tax debt collection.					

SECTION F: Tax Debt Collection

Please indicate the extent to what you agree to the following statements on tax debt collection. The scale is on a scale of 1 to 5 where 1 = Strongly Disagree, 2 = Disagree, 3 = Not sure, 4 = Agree and 5 = Strongly Agree.

Statement	**1**	**2**	**3**	**4**	**5**
KRA has recorded improved tax collection due to timely filling of returns in the past 5 years					
KRA has recorded improved tax collection as a result of timely payment of taxes in the past 5 years					
KRA has recorded improved tax collection from correct tax declaration in the past 5 years					

Appendix III: Tax Revenue against Tax Debt in Kenya (2010-2021)



Source: Kenya Revenue Authority Reports

Appendix IV: Authorization Letter from KESRA

KENYA REVENUE AUTHORITY

ISO 9001:2015 CERTIFIED

PUBLIC

KENYA SCHOOL OF REVENUE ADMINISTRATION

REF: KESRA/NBI/036

13th December 2022

TO: WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: REQUEST FOR ASSISTANCE TO MIRIAM WAIRIMUOF REGISTRATION NO.: MU/KESRA/0070/2016 UNDERTAKING MASTERS AT KESRA

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

The named student is undertaking Research on TOPIC: "*Factors affecting tax debt collection in Kenya Revenue Authority.*"

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

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

Thank you.

KENYA SCHOOL OF REVENUE ADMINISTRATION
DEAN OF STUDIES
13 DEC 2022
ACADEMIC AFFAIRS DIVISION

Damacrine Masira
Manager Academic Research,
KESRA

Tulipe Ushuru, Tujitegemee!

Appendix V: Research Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR
SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **116757**

Date of Issue: **07/November/2022**

RESEARCH LICENSE

This is to Certify that Ms.. MIRIAM WAIRIMU MACHARIA of Moi University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: FACTORS AFFECTING TAX DEBT COLLECTION IN KENYA REVENUE AUTHORITY for the period ending : 07/November/2023.

License No: **NACOSTI/P/22/21544**

116757

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR
SCIENCE,TECHNOLOGY &
INNOVATION

Verification QR Code

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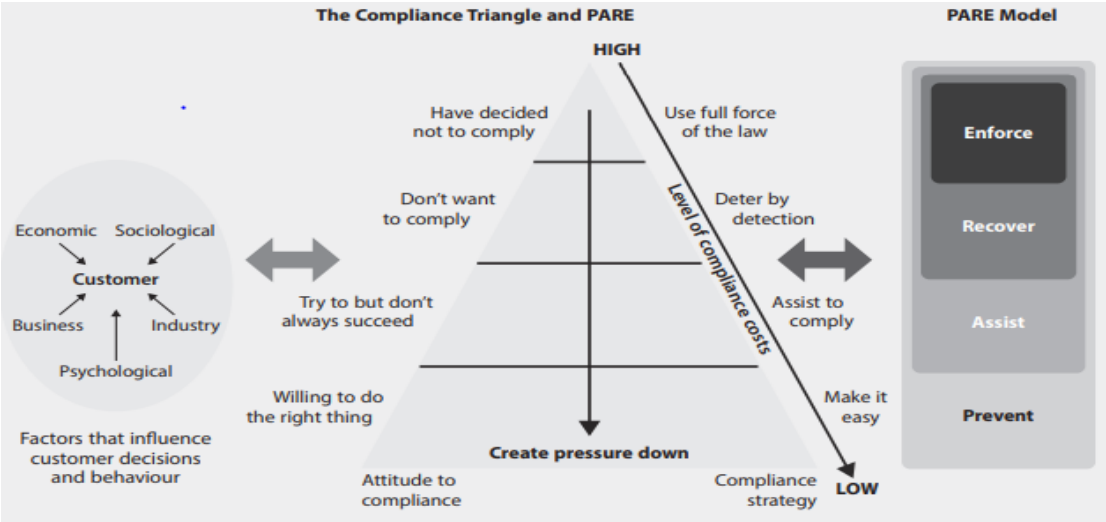
See overleaf for conditions

Appendix VI: The compliance triangle and PARE



Source: New Zealand Inland Revenue Department

Appendix VII: Regression Outputs

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.843[a]	.710	.706	.5524911

a. Predictors: (Constant), Information Access, taxpayer data quality, Taxpayer compliance monitoring, deterrence measures

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	201.215	4	50.304	164.797	.000[b]
	Residual	82.111	269	.305		
	Total	283.326	273			

a. Dependent Variable: Tax Debt Collection

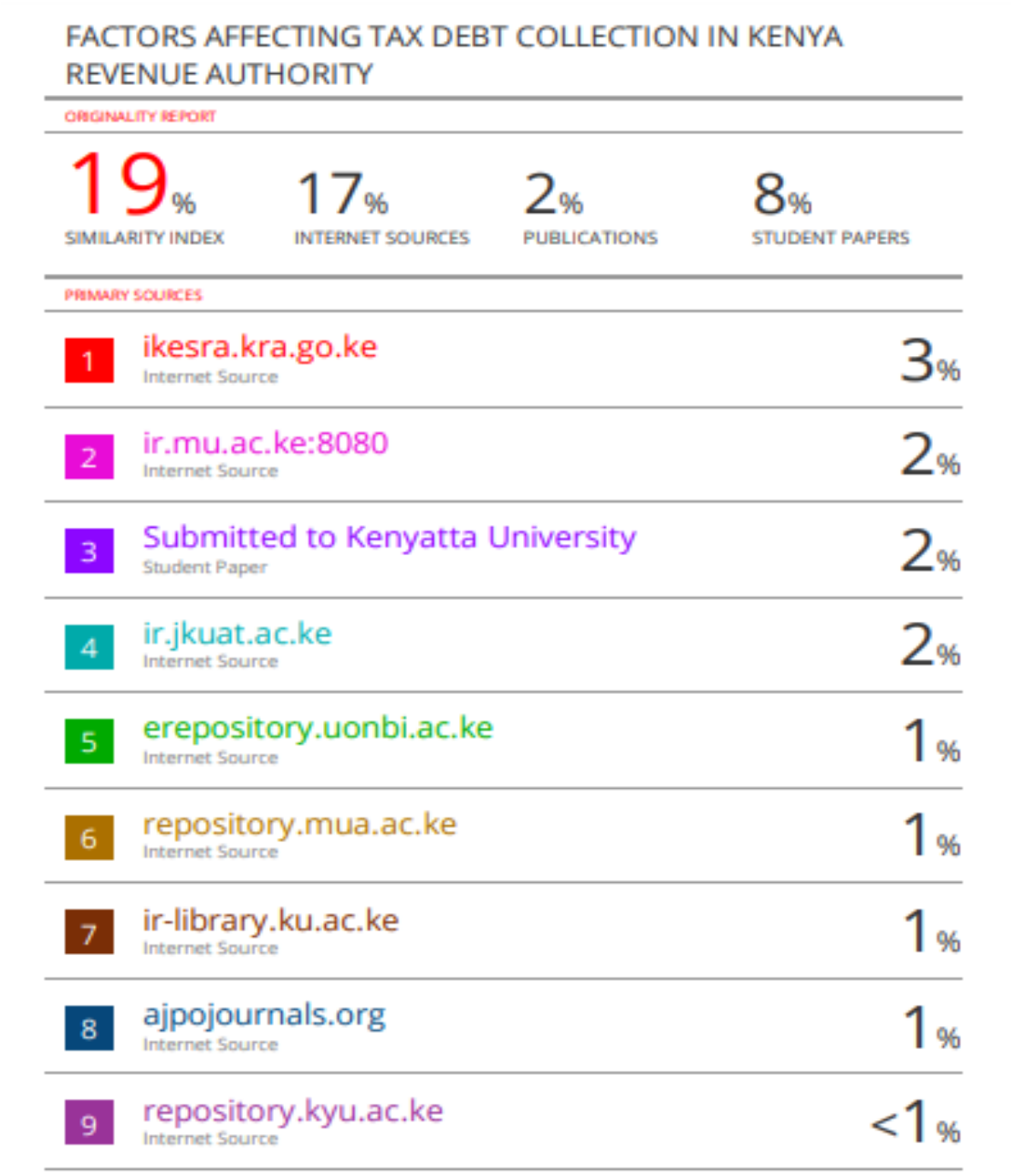
b. Predictors: (Constant), Information Access, taxpayer data quality, Taxpayer compliance monitoring, deterrence measures

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.424	.168		-2.523	.012
	Taxpayer data quality	.252	.041	.253	6.202	.000
	deterrence measures	.309	.045	.306	6.931	.000
	Taxpayer compliance monitoring	.402	.050	.345	8.002	.000
	Information Access	.137	.042	.138	3.257	.001

a. Dependent Variable: Tax Debt Collection

Appendix VIII: Plagiarism Report



FACTORS AFFECTING TAX DEBT COLLECTION IN KENYA REVENUE AUTHORITY

ORIGINALITY REPORT

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