

**DETERMINANTS OF CORPORATION TAX PERFORMANCE AMONG
SMALL AND MEDIUM ENTERPRISES IN NAIROBI CENTRAL BUSINESS
DISTRICT, KENYA**

BY

GORDON OSCAR OCHIENG MBEWA

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

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DECLARATION

Declaration by Candidate

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

Signed..... Date.....

GORDON OSCAR OCHIENG MBEWA

MU/ KESRA/105/0067/2018

Declaration by Supervisors

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

Signed..... Date.....

Dr. Bruce Ogaga, PhD

Kenya School of Revenue Administration

Signed..... Date.....

Dr. Josephat Cheboi, PhD

Department of Accounting & Finance

School of Business and Economics

Moi University

DEDICATION

I hereby dedicate this research project to my loving and caring parents Mr. and Mrs Mbewa and the entire family for their support both morally and financially and their constant encouragement in the entire period of my study.

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ABSTRACT

Corporation tax is a key source of revenue for most governments across the globe that enables them to provide public goods and services such as free education, subsidized medical services and infrastructure. However, its performance in Kenya has been below target. This is majorly attributed to the SMEs who despite contributing significantly to the GDP are under taxed. This study was to determine factors affecting corporation tax performance among small and medium enterprises Nairobi central business district, Kenya. The objectives of the study were Specifically, to determine the effect of taxpayer education on corporation tax performance among small and medium enterprises Nairobi central business district, to establish the effect of system automation on corporation tax performance among small and medium enterprises Nairobi central business district, to determine effect of tax audit on corporation tax performance among small and medium enterprises Nairobi central business district and to establish the effect of deterrence sanctions on corporation tax performance among small and medium enterprises Nairobi central business district. The study was supported by three theories of taxation namely; Ability to pay theory, Economic Deterrence Theory and Theory of Technology Acceptance. The study adopted an explanatory research design. The target population was 3461 who are small and medium enterprises in Nairobi central business district and Sample size of 358 respondents The primary data was collected by use of questionnaires, Regression analysis was used to determine the significance and relationship of the variables. Statistical tools for data analysis comprising descriptive and inferential statistics were applied to evaluate variations in manifestations of the variables and to test the hypotheses respectively. The findings indicated that the independent variables had a statistically positive significant effect on corporation tax performance: taxpayer education ($\beta_1=0.237$, $p=0.000<0.05$), system automation ($\beta_2=0.275$, $p=0.000<0.05$) tax audit ($\beta_3=0.359$, $p=0.002 <0.05$) and deterrence sactions ($\beta_3=0.281$, $p=0.000 <0.05$) The results concluded that taxpayer education, system automation, tax audit and deterrence sanctions significantly affect corporation tax performance. Based on the findings, the study recommends that KRA to pay more attention on tax audit that would enhance corporation tax performance. Therefore, future research can be done on other variables such as the effect of compliance cost on corporation tax compliance among SMEs in Nairobi County Kenya.

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ABBREVIATIONS AND ACRONYMS

| | |
|---------|--|
| AEs | Advanced Economies |
| CBK | Central Bank of Kenya |
| FY | Financial year |
| GDP | Gross Domestic Product |
| IMF | International Monetary Fund |
| KNBS | Kenya National Bureau of Statistics |
| KRA | Kenya Revenue Authority |
| NACOSTI | National Commission for Science, Technology and Innovation |
| PBOM | Parliamentary Budget Office Model |
| OECD | Organization for Economic Co-operation and Development |

OPERATIONAL DEFINITION OF TERMS

- Corporation Tax Performance:** Corporation tax performance refers to the level of success attained by corporation tax. Performance measurement aids in assessing a current situation and making a decision that will improve the quality of services provided (Balaboniene & Vecerskiene, 2015).
- Deterrence Sanctions:** Punitive measures that the law imposes for the performance of an act that is prescribed or for the failure to perform a required act (IAEA, 2017).
- Medium enterprise:** Enterprises with a turnover of between kshs. 5 million and 10 million and employ 50-99 people and registered capital of the enterprise is 30 million (UNDP, 2015)
- Small enterprise:** Enterprises with a turnover of between kshs. 500,000 and 5 million and employ 10-49 people and registered capital of the enterprise is between Ksh 5 million and Ksh 25 million in the service and farming sector. (Micro and Small Enterprise Act 2012, Kenya)
- System Automation:** Automation is defined here as the use of technological-based systems that replace routine physical labor and human reasoning by machine (Singhal, K., Agrawal, V.K., Liberatore, M.J. 2013)
- Tax Audits:** A tax audit is an examination of whether a taxpayer has correctly reported its tax liability and fulfilled other obligations. It is often more detailed and extensive than other types of examination such as general desk checks, compliance visits or document matching programs (OECD, 2016).
- Taxpayer Education:** Tax education can be explained as a way of informing or making awareness to individuals and corporates with regard to tax laws (Ahmad, 2016).

CHAPTER ONE

1.0 Introduction

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

1.1 Background of the Study

Corporation tax is a direct tax that is levied on corporate bodies. Both resident and non-resident companies are taxable at a rate of 30% and 37.5% respectively in Kenya. Most tax authorities globally are challenged in determining the most effective regulatory enforcement strategy for achieving a long-term tax compliance by small taxpayers (Ndumia, 2015). A long-standing reflection in the industry has been between the ideologies held by two dissimilar groups. The first group deems that confronting persons with penalties and harsh sanctions is the only way to make individuals comply with rules and regulations whereas the other group believes that compliance is achieved through gentle persuasion and cooperation (Ayres and Braithwaite 1992).

Every government relies on tax as a major source of revenue to sustain developmental growth. Indeed, governments across the world have devised and legislated provisions establishing different tax heads such as VAT, income tax, and excise duty, in an effort to enhance tax performance. "Corporation income tax is one of the tax heads used by governments to raise revenue. It is the tax paid on profits earned by corporate taxpayers. States have adopted two approaches on how corporation tax is treated: worldwide and territorial approaches (Siripurapu, 2021).

The government of Kenya generates revenue via continuous enhancement of the prevailing tax system that rationalizes and regulates expenditure through strict fiscal

mechanisms (Moyi & Ronge, 2006). The tax structure generally comprises of both direct and indirect taxes. Direct taxes often embrace presumptive income tax, corporate tax, and tax on interest, personal income tax, rental income tax and withholding tax (Bergman, 2003). Indirect taxes will incorporate Excise duty and Value added tax.

The Kenya Revenue Authority was launched by an Act of Parliament Cap 469 laws of Kenya on July 1st 1995 for the single devotion of improving the mobilization of revenue, at the same time delivering an effective tax processing and sustainability in the collection of revenue. The Board and Management of KRA has continuously focus its time and resources to set up procedures, systems and the espousal of novel strategies aimed at improving the operational competence of the tax collection systems (KRA 2022, May 4).

KRA administers 18 acts of parliament as far as the revenue is concerned. Currently, KRA is increasing revenue mobilization by combating tax evasion and fraud, enhancing compliance and broadening the revenue base using intelligence and other cost-effective strategies of tax enforcement. The continuous vigilance by the authority and public sensitization as well as training of taxpayers through Public Relations Office, and effectiveness of a Research and Corporate Planning department had slightly increased revenue collection (KRA 2022, May 4).

KRA has continued to enlarge in size as well as in the scope of its operations. Its organization structure comprises of centralized and decentralized units that are situated across the country. The centralized units are essentially located at Times Tower in Nairobi. The jurisdictions of the decentralized units are geographically dispersed across the nation in six fiscal regions namely: Mombasa, Nakuru, Nyeri,

Eldoret, Kisumu and Embu. The level of compliance in Kenya has been low for some time based on the budget deficits every other year. This non-compliance has been attributed to low tax morale, high cost of compliance, weak enforcement of tax laws as well as corruption.

The importance of SMEs in the economic development of any country in recent years cannot be underrated especially with regard to creation of employment, innovation, uplifting the people's standard of living and financial contribution to the growth of the country's Gross Domestic Product (Machira & Irura, 2017). Small and Medium Enterprises (SMEs) are considered as a key engine of economic growth in developing and developed countries (Nahida, Coop, Freudenberg, & Sarker, 2014).

In European countries, small and medium businesses play a significant role in the economy (Kaledin et al., 2018). Faridy et al., (2014) state that in Bangladesh, 768 922 listed SME establishments account for about 45% of the total value-added in manufacturing; 80% of industrial employment; about 25% of the total labor force; and 90% of all businesses. They found that, in terms of Bangladesh SME compliance with corporate tax laws, the complexity of the law can influence taxpayers' ability to comply. They discovered that because of the complexity of the tax system, some businesses (those who can afford it) may engage expert tax professionals to help them with sophisticated tax planning to minimize tax payments. Additionally, they found that negative perceptions about government policy and spending of tax revenue may contribute to non-compliance. Other negative influences on compliance include perceptions of tax officers being unfair, corrupt and abusing the discretionary power afforded to them.

SMEs in Kenya are considered as sources of employment generation, economic growth, and social transformation. A significant proportion of the SMEs are formal, while majority fall within the informal economy based on their size, location, ownership, status of formality and economic activity, together, as major job providers, they produce a significant share of total value added, and provide a large segment of the poor and middle-income populations with affordable goods and services (Kenya National Bureau of Statistics MSME report, 2016).

Tax collection among SMEs has been a major concern among many governments all over the world. (Loureiro, 2014). Tax compliance is one of the major challenges facing small and medium enterprises (SMEs). According to Pope and Abdul-Jabbar (2008), government regulations, particularly taxation, are a major concern for the business sector throughout the world and that regulatory burdens appear to fall disproportionately on small and medium enterprises (SMEs) hence affecting corporation tax performance as the accruing taxes are not collected or accounted for.

Corporation tax revenue is important for the sustainable economic development of developing countries as it necessitates the provision of public goods and services (OXFAM, 2016). Improving corporation tax performance is thus equally important to developing countries who lose approximately USD 100 billion each year due to tax avoidance and evasion schemes by MNCs (OXFAM, 2016).

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

determine the progress made and whether the set standards were met (Crandall, 2010). Thus, performance measurement allows an organization to point out the high performing areas and areas that require work, in order to identify where to focus its effort and resources so as to guarantee successful attainment of organizational goals.

1.2 Statement of the Problem

Corporation tax is a key source of revenue for most governments across the globe that enables them to provide public goods and services such as free education, subsidized medical services and infrastructure. However, its performance in most tax has been marred by tax evasion and tax avoidance for decades by SMEs who evade or avoid taxes (Beer *et al*, 2019). Micro, Small and Medium-Enterprises (MSMEs) play an instrumental role in the Kenyan economy. It is estimated that there are over 7.4 million MSMEs in Kenya, employing more than 15 million people and contributing about 30% to the national value-added (KNBS, 2016). Despite, the SME sector accounting for a large portion of the country's GDP it remains under taxed since its one of the hard-to-tax sectors. The nature of the industry is that, some of the SMEs operate in the informal set-up therefore making it harder for the government to enforce taxation measures and ensure compliance (KBA 2021).

According to the KRA 8th corporate plan the authority missed the target set in the 7th corporate plan by 83 Billion. In the 2019/2020 financial year KRA missed its target and collected tax revenue of KShs. 1.607 trillion against a target of KShs. 1.938 trillion where the corporation tax collected from SMEs decrease by 8.2% between July 2019 and February 2020 and collecting corporate tax of KShs. 267 billion from against a target of KShs. 289 billion (KRA, 2020). KRA missed its domestic taxes target yet again in the 2020/2021 financial year since the corporation tax collected from SMEs was KShs. 273 billion against a target of KShs. 306 billion (KRA, 2022).

Parliamentary Budget Office (2020) also observed that the slower growth in revenue projected by Parliamentary Budget Office Model (PBOM) was as a result of the persistent challenges in revenue collection, especially from the informal sector and SMEs and these challenges are projected to continue if efficient measures are not taken by the Treasury and KRA.

This clearly shows that there is a need for the government and the tax authority to review its efforts to foster tax performance among the taxpayers to be able to meet its revenue targets. According to the KRA 8th corporate plan the authority target to tax this sector 100% by the end of financial year 2023/2024. Thus this study therefore seeks to explore the determinants of corporation tax performance among small and medium enterprises Nairobi central business district, Kenya.

1.3 Objective of the Study

The aim of the study was to achieve the following objectives:

1.3.1 General objective

The main objective of this study was to find out the determinants corporation tax performance among small and medium enterprises Nairobi central business district, Kenya

1.3.2 Specific objectives

The following was the specific objectives the study:

- i. To determine the effect of taxpayer education on corporation tax performance among small and medium enterprises Nairobi central business district
- ii. To establish the effect of system automation on corporation tax performance among small and medium enterprises Nairobi central business district

- iii. To determine effect of tax audit on corporation tax performance among small and medium enterprises Nairobi central business district
- iv. To establish the effect of deterrence sanctions on corporation tax performance among small and medium enterprises Nairobi central business district

1.4 Research Hypotheses

The hypotheses of this study are outlined as follows-

- i. **H₀₁** Taxpayer education has no significant effect on corporation tax performance among small and medium enterprises Nairobi central business district.
- ii. **H₀₂** System automation has no significant effect on corporation tax performance among small and medium enterprises Nairobi central business district.
- iii. **H₀₃** Tax audit has no significant effect on corporation tax performance among small and medium enterprises Nairobi central business district.
- iv. **H₀₄** Deterrence sanctions have no significant effect on corporation tax performance among small and medium enterprises Nairobi central business district

1.5 Significance of the Study

This study will contribute in increasing stock of knowledge for future research. The students, researchers and scholars will find this study a useful guide in as far as further discussions or studies are concerned. It will therefore form a basis of further research from interested individuals on the subject of corporation tax performance

This study will help the relevant authorities to formulate policies for better corporation tax and improved revenue collection. It will benefit a great deal from an improved tax reforms in terms of formulating suitable tax policies.

This study will be relevant to managers especially Kenya Revenue Authority managers will find this study useful as a point of reference as far as assisting in decision making regarding the relevance of corporation tax. The study will help managers to enhance and improve on management and administration of taxes.

1.6 Scope of the Study

The study was limited to small and medium enterprises Nairobi central business district, Kenya. Nairobi Central Business District is considered a major business hub with its contribution to, contributing to up to 7.5 percent of total economy's Gross Value Added (KNBS, 2019). In the of geographical area takes a rectangular shape, around the Uhuru Highway, Haille Selassie Avenue, Moi Avenue, and University Way.

The target population consisted 3461 registered SMEs (KRA- DTD database, 2020) and 358 SMEs were sampled. The study was undertaken in 2022 and it reflected four determinants of Corporation Tax Performance among SMEs (Taxpayer Education, System Automation, Tax Audit and Deterrence Sanctions). For accuracy, the data reviewed that led to the problem statement covered two fiscal years that is, 2019/2020 and 2020/2021 financial years.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter presents a review of the literature on various studies that have been conducted in regard to corporation tax. It also highlights some empirical studies conducted globally and locally on effect of corporation tax performance. The chapter also captures conceptual frame work conceptualizing all the variables and their interaction. The chapter culminates with a summation of the literature review.

2.1.1 Corporation Tax Performance

Corporation tax performance refers to the level of success attained by corporation tax. Performance measurement aids in assessing a current situation and making a decision that will improve the quality of services provided (Balaboniene & Vecerskiene, 2015). Performance measurement allows an organization to operate effectively since the organization's improvements are highlighted by measuring performance (Balaboniene & Vecerskiene, 2015). It also promotes transparency and accountability to stakeholders (Liukinevičienė, Laima, and Audra 2021). To avoid the poor performance of corporation tax, tax authorities must measure their performance and ensure it is enhanced by tracking corporation tax performance to guarantee an effective, efficacious and objective performance. They determine corporation tax performance by the amount of corporation tax collected, increased registration of corporate taxpayers and timeous and accurate filing of tax returns (Ligomeka, *et al* 2019).

The size of corporate tax revenues relative to total tax revenues and relative to GDP varies by groupings of jurisdictions. In 2018, corporate tax revenues were a larger share of total tax revenues on average in Africa, 19.2% in the 30 jurisdictions, and

LAC ,15.6% in the 27 jurisdictions than the OECD (10.0%). The average of corporate tax revenues as a share of GDP was the largest in LAC 3.5% in the 27 jurisdictions, followed by the OECD (3.1%) and Africa 2.8% in the 30 jurisdictions (OECD 2021).

2.1.2 Taxpayer Education

If any country wants to expand her tax net and ensure voluntary and willingness to pay taxes by taxpayers, then tax education must not be neglected. Tax education is a means of educating tax payers on the total taxation process and the reason they have to pay tax (Aksnes, 2011). Tax education has its benefits. In the view of Tanui (2016) and Kira (2017), they clearly states that, tax education is attracting and also increasing attention among authorities (revenue authorities) in accordance with more current approaches to the administration of taxes that is on voluntary compliance and orientation of customers.

Tax training and seminars are perhaps the most widespread activity that revenue authorities organize to improve tax education (Fjeldstad 2012). In order to ensure maximum efficiency of this approach, it is best to organize such seminars for a specific group of taxpayers, such as taxpayers liable to pay excise duty. An example of the use of this approach is in South Africa, where from January to March each year, the South African Revenue Service (SARS) provides free tax education sessions for small businesses. Their website reports the exact dates, location and general training topics, which vary depending on the SARS branch, and provides contact details for relevant officials. The website does not report any relevant statistics on attendance or the impact of this training, (Mbilla, et al 2020).

2.1.3 System Automation

System automation in the technology arena is inescapable in the present business condition and is progressively being utilized by tax specialists to improve worldwide tax collections. Having in mind that they are losing significant revenues in unremitted corporate tax, tax specialists are actualizing programming arrangements and thorough information prerequisites in order to battle tax losses. Organizations ought to comprehend and get ready for the critical changes to worldwide corporate tax compliance management and the utilization of innovation in the technological world by business and government in the process of advocating for tax compliance (World Bank, 2018).

System automation involves mountains of data paired with vast processing power, human understanding with machine execution and absolute accuracy with limitless scale. As tax departments adopt cloud and automate tasks, they are not only evolving the way tax is managed, they are revolutionizing how they provide value beyond their compliance roles. By staying ahead of the curve with technology-enabled solutions—tax professionals are now armed with the power to add greater value to their organizations in the moment and into the future (Delloite, 2022)

2.1.4 Tax Audits

Kircher (2008) stated that tax audit is the examination of an individual or organization's tax report by the relevant tax authorities in order to ascertain compliance with applicable tax laws and regulations of state. He further reported that tax audit is a process where the internal revenue service tries to confirm the numbers that you have put on your tax return.

Ola (2016) stated that the process of tax audit involves tax returns that are selected for audit using some selection criteria. Thereafter, the underlying books and records of the taxpayers are examined critically to relate them to the tax return filed. Tax audit is important because it assist the government in collecting appropriate tax revenue necessary for budget, maintaining economic and financial order and stability, to ensure that satisfactory returns are submitted by the tax payers, to organize the degree of tax avoidance and tax evasion, to ensure strict compliance with tax laws by tax payers, to improve the degree of voluntary compliance by tax payers and to ensure that the amount due is collected and remitted to government (Ola, 2016)

2.1.5 Deterrence Sanctions

Deterrence implies the likelihood of detecting tax evasion behaviour by the tax authorities through the use of its enforcement tools (Alstadsæter *et al.*, 2018; Chau and Leung, 2019). According to the economic model, taxpayers attempt to obtain maximum benefits out of their compliance decision by comparing the benefits of accomplished tax evasion against the cost of detection and punishment. Allingham and Sandmo (1972) therefore affirmed that when the probability of detection is high, more proportion of income will mostly be declared. Base on the assumption of risk-averse taxpayers implies that an increase in the frequency of audit would decreases tax evasion (Abdikhiku, 2013; Almunia and Lopez-Rodriguez, 2018). Many existing studies found the correlation between the probability of detection and tax evasion to be negative (Almunia and Lopez-Rodriguez, 2018; Ayers *et al.*, 2015; Bott *et al.*, 2017; Slemrod *et al.*, 2001).

2.2 Theoretical Literature Review

A good research should be grounded in theory (Mentzer et al., 2008). The theories covered in this review include, Ability to pay theory, Economic Deterrence Theory and Theory of Technology Acceptance.

2.2.1 Theory of Technology Acceptance

This is an information system theory that models how users come to accept and use a technology. This theory was developed from the Theory of Reasoned Action (TRA) by Azjen and Fisbein (1980). There are so many researches trying to compare between Theory of Reasoned Action (TRA) and Technology Acceptance Theory with the Theory of Planned Behaviour (TPB). Davis, Bagozzi & Warshaw (1989) found that TAM is better in explaining the desire to receive technology compared to TRA.

The Technology Acceptance Theory (Davis *et al*, 1989), one of the most researched and accepted models that explains individual IT use at the acceptance stage, has identified two salient beliefs that predict information technology use: perceived usefulness and perceived ease-of-use. Perceived usefulness (PU) - This was defined as the degree to which a person believes that using a particular system would enhance his or her job performance. Perceived ease-of-use (PEOU) - Davis defined this as the degree to which a person believes that using a particular system would be free from effort (Davis *et al*, 1989).

This theory develops a framework to establish the effects of external variables on the system usage. According to this theory, individuals accept a particular system if they believe in the system (Jullie, 2017). When taxpayers understand or learn the on-line tax filing system quicker, the filing efficiency and accuracy will be increased.

Taxpayers can complete tax filing quicker (perceived usefulness) when they perceive the ease of use of the system is higher (Fu, Cheng, and Wen 2013).

The goal of Technology Acceptance Theory is to provide an explanation of the determinants of computer acceptance that is general, capable of explaining user behaviour across a broad range of end-user computing technologies and user population, while at the same time being both parsimonious and theoretically justified. This theory is relevant to this study as it posits that positive attitude towards the Automated tax system as taxpayers perceive, that the system is easy to operate, they will have more positive attitude towards, lead to more declaration of taxes, payment and hence increased revenue performance.

2.2.2 The Ability to Pay Theory

Adam Smith in *The Wealth of Nations* (1776), stated that such things as defending the country and maintaining the institutions of good government are of general benefit to the public. Thus, it is reasonable that the population as a whole should contribute to the tax costs. It is also reasonable to demand certain other things of a tax system for instance, that the amounts of tax individuals pay should bear some relationship to their abilities to pay.

This theory was developed by Adam Smith and supported by Swiss philosopher Jean, the French political economist Say and the English economist Mill. According to the ability to pay principle, taxes should be distributed according to the capacity of taxpayers to pay them (Hyman, 2014). This theory treats revenue and expenditure of the government separately. The obligation to pay to the government is taken as a social and collective responsibility although the question of who shall pay and in

what amount is necessarily an individualized one. Those who have means pay and those who have not need not to pay (Kennedy, 2012).

According to Kennedy (2012), the ability to pay theory has been justified on the basis of equality of sacrifice. The basic tenet of this theory is that the burden of taxation should be shared by the members of society on the principles of justice and equity and that these principles necessitate that the tax burden is apportioned according to their relative ability to pay. This theory suggests that the payers of TOT should pay unconditionally and according to their paying capacity (Chigbu et al., 2012). According to Hyman (2014), individual evaluations of the ability to pay are likely to differ but in countries such as U.S.A and Kenya, ability to pay varies with income.

This theory propagates that people should be asked to pay taxes according to their ability to pay and assessment of their taxable capacity should be made based on the basis of income and property. The most popular and accepted principle of equity or justice in taxation is that citizens of a country should pay taxes to the government in accordance with their ability to pay (Limerick, 2013). It can therefore be argued and appears reasonable and just that taxes should be taxed on the basis of the taxable capacity of a person and in using this principle it can be stated that if the taxable capacity of one individual is greater than that of the other person, that a person who earns more should be asked and expected to pay more taxes in comparison with the one who earn less.

Adam Smith in *The Wealth of Nations* (1776), stated that such things as defending the country and maintaining the institutions of good government are of general benefit to the public. Thus, it is reasonable that the population as a whole should contribute to the tax costs. It is also reasonable to demand certain other things of a tax system for

instance, that the amounts of tax individuals pay should bear some relationship to their abilities to pay.

The ability to pay theory indicates that, every person should pay taxes to the government depending on his or her ability to pay Zolt & Bird, (2003), Rai, (2004); Chodorow, (2008); Batt, (2012). The insinuation in this theory is that the wealthy class people should pay higher taxes to the government, because without the protection of the government authorities, they could not have enjoyed the income that they earn. Adam Smith argued that the taxes should be proportional to the income Zolt & Bird, (2003); Rai, (2004); Chodorow, (2008); Batt, (2012). It can therefore be argued that this is one of the critical principles of tax because it advocates for tax to provide equity in its application, wherein those who have the financial resources should make the payment.

2.2.3 Economic Deterrence Theory

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

The deterrence theory of punishment can be traced to the early works of classical philosophers such as Thomas Hobbes (1588-1678), Cesare Beccaria (1738-1794), and Jeremy Bentham (1748-1832). The theory developed further after series of reviews leading to economic deterrence theory. The economic deterrence theory posits that taxpayer behavior is influenced by factors determining the benefits and cost of

evasion, such as tax rate, the probability of detection and penalties for fraud (Allingham and Sadamo, 1792). This implies that if detection is likely and penalties are severe, few people will evade taxes. In contrast, under the low audit probabilities and low penalties, the expected return to evasion is high. The model then goes ahead to predict noncompliance.

Although this model has been criticized for focusing exclusively on the coercive element at the expense of the consensual side of compliance, there is some evidence to support the relevance of deterrence strategies to addressing non-compliance (McKerchar and Evans, 2009). The fear of being detected and punished has in some contexts been found to be an effective strategy to induce truthful behavior among the taxpayers. The theoretical principles of economic deterrence have been widely adopted by tax administrations such as Kenya Revenue Authority when developing enforcement strategies, which mainly rely on penalties and the fear of getting caught. According to economic deterrence theory, we expect that individuals who perceive tax evasions as difficult are more likely to be tax compliant (Sandmo, 2005).

Taxpayers conduct a cost benefit analysis when deciding on compliance outcomes (Frey & Feld, 2002). The theory suggests that rational taxpayers maximize the expected utility of the tax evasion gamble by weighing the expected utility of under-reporting against the prospect of detection and punishment (Alm, 2013). If the expected utility of committing the crime exceeds the expected utility of detection and punishment, then a crime will be committed (Andrews & Bonta, 2019). As such, taxpayers' intentions are driven by enlargement of profits and probability of detection (Trivedi *et al*, 2014). If tax authorities reward compliant taxpayers, then taxpayers

will be averted to crimes as the utility of complying exceeds that of tax evasion or avoidance (Trivedi *et al*, 2014).

Raskolnikov (2019) recently reviewed this theory and observed that it had made a lot of progress in explaining how the government should make its choices. He established that it investigates how the government may achieve its objective of maximizing social welfare given the individual decision-making strategy (Raskolnikov, 2019). Polinsky and Shavell (2007) define social welfare as the cost of catching violators and imposing sanctions on them. Sanctions take the form of fines or imprisonment; the latter is seen as costless while the former is seen as costly for the government to impose (Raskolnikov, 2019). The government chooses the magnitude of the sanction, the probability of imposing the sanction since most violations are not detected with certainty and, whether to sanction all individuals causing external harm or only those whose actions breach the set threshold (Raskolnikov, 2019). This theory is relevant to this study since deterrence sanction is a tool for inhibiting tax evasion. Chauke and Sebola (2016) found that theory was very relevant in curbing tax evasion.

2.3 Empirical Literature Review

The review of empirical studies focused mainly on the themes drawn from the research hypothesis and they include; taxpayer education, system automation, tax audit and deterrence sanction

2.3.1 Taxpayer Education and Corporation Tax Performance

Ahmad,et al (2016) undertook a review in Malaysia where corporation tax performance was examined to evaluate whether tax awareness and perception of SMEs improves compliance. The authors examined how level of awareness affected

performance with corporation tax. Data was collected using questionnaires in which 256 SMEs were sampled. Results showed that level of awareness had little impact on corporate tax performance while the respondents showed that perception was negatively related to fulfilment of tax obligations.

Vazquez (2019) studying the impact of media campaigns on tax filing in Pakistan, found income tax filing increased in after exposure to adverts in newspaper that provided information on eligibility to tax but not for notification for filing deadlines and late filing penalties. However, advertisements on television using moral suasion increased tax filing

Oduro, Asiedu, and Tackie (2018) carried out a research in Ghana whose goal was to examine tax education from an institutional and socio-cultural perspective. The motivation of the study was to examine if training staff would lead to the taxpayers evade tax payment. A cross sectional survey was used in this study where 1052 taxpayers were interviewed from different parts of Ghana. From this study it was revealed that tax education was very important in reducing tax evasion.

Adekoya (2019) study taxpayers' education and corporate tax performance in Lagos State: A cross sectional survey was conducted on 400 individual taxpayers in Lagos State. Both simple and linear regression and the multiple regressions were used in the regression models estimation. The result showed positive significant effect of taxpayer education and corporate tax compliance.

Tetteh (2019) studied the impact of print media, electronic means, and stakeholder sensitization programmes on SMEs tax compliance behaviour in Ghana. The study reported positive and significant relationships between print media, electronic

means, stakeholder sensitization programmes and SMEs tax compliance behaviour in Mwanza town.

Machogu & Amayi (2013) undertook a review of tax compliance among small entities in Tanzania. The main aim was to evaluate whether tax education motivated small entities to fulfil their tax obligations. First hand data and secondary were utilized. It was revealed that taxpayer education was a great boost to compliance with tax regulations among SMEs in Mwanza.

In another study in the UK to establish factors that affected taxpayers' filing of tax returns in the SMEs sector, Palil et al (2013) noted that educating the taxpayer about his or her tax obligations and the process of filing tax returns on time is critical in enhancing turnover tax compliance among small and medium entrepreneurs. Good tax education would further ensure that taxpayers are well informed about the tax filing system, the services and assistance they need from the tax administrator, and the need for them to be responsive when it comes to tax matters. Gabay et al (2012) further noted that a high degree of discretionary power and the lack of adequate monitoring and reporting mechanisms are vital in providing opportunities for corruption.

The greater the discretion, the greater the opportunity tax officials have to provide favorable interpretations of government rules and regulations to businesses in exchange for illegal payments (Maobe, 2013). Turnover tax also suffers from tax evasion; a situation in which taxpayers involve themselves in illegal practices that will lead to escape from taxation. Tax evasion takes place when the amount and/or the source of income are misrepresented, or tax reducing factors such as deductions, exemptions or credits are deliberately overstated. According to Luchinga (2014),

although ideally tax evasion is a deliberate move by the taxpayer not to undertake his or her tax obligations, sometimes business proprietors may do it due to ignorance or by being misled by third parties such as business advisors.

Kariuki (2013) postulates that tax evasion commonly happens in the informal business sector where individual business owners may choose to carry out their businesses in an informal manner, where some of them may even decide to operate without duly being registered and issued with business permits. Studies have also indicated that tax knowledge is one of the common influencing factors of turnover tax compliance in the informal business sector, especially given that most of the business operators may be having limited professional knowledge and skills for running their enterprises within strict confines of the law (Bett, 2013). For instance, individuals' attitude towards paying of taxes is mostly founded on their level of education. Tusubira and Nkote (2013) further aver that the issue of attitude is often manifest when taxpayers fail to file their tax returns based on the assumption that the tax filing system is too complex for them or due to the fact that they do not fully understand why they should even file the returns within given specific timings (Chepkangor, 2012).

2.3.2 Automated Tax System and Corporation Tax Performance

The use of integrated tax systems has been proven to be capable of introducing massive efficiencies to business processes at a minimal cost (Wasao, 2018). Due to the bureaucratic structure of government which is costly to manage with little or no result, tax authorities as an agency of government are turning to e-government led solutions like electronic tax filing (e-filing) and payment (Ambali, 2019).

Taxation is a complex, an important fiscal tool used to balance efficiency and social wellbeing by various governments. Digital disruption makes technology an inseparable tool across all economic sections (OECD, 2014). Damith, Wasanthi and Aluthge (2021), conducted a study on use of technology to manage tax awareness behaviour of entrepreneurs in the digital economy. The study investigated how technology compliance of entrepreneurs in the digital economy. The study findings reveal that trust in technology used by the tax authority and the power of tax authority in implementing the technology-driven tax system influence maintaining tax awareness. Digitalization is the act doing business using the existing business platforms to reach out to customers and receive payment in the same manner (IMF, 2016). For digitalization to effectively offer the platforms for doing business, both hard and soft technology must support these platforms (UNCTAD, 2015).

In Malaysia, Ling and Nawawi (2010) carried out a survey on Integrating ICT Skills and tax software in tax education. The respondents were the tax practitioners and the study aimed at establishing the necessary skills required by taxpayers to fully utilize a tax online system. The study found that three skills are needed by a taxpayer to interact well with technology based tax system namely, spread sheet software, word-processing software and e-mail. The findings of this study has got implications on the current study in that in analysing the effectiveness of electronic filing system, one must not ignore the mandatory skills that would be users of the system need to have.

Makanga (2010) did a study on the adoption of technology as a strategic tool for enhancing tax compliance in Kenya. The case study was based on Large Taxpayers which included companies with a turn over Kshs. 750 million and above, or government ministries and corporations. The objective of the study was to evaluate the role Technology would play in Kenya to enhance tax compliance among large

taxpayers. The study found that in the fast changing business world, technology has become part and parcel of any business growth. Either KRA or Large Taxpayers must embrace modern technology to enhance efficiency in tax compliance.

Electronic taxation is the modern way that tax authorities interacting with taxpayers. According to Andarias (2016), electronic filing is dependent on the use of technology. Technology used in e-filing and payment comprise of computer, internet and software applications. Electronic filing can be measured when the desired outputs are realized. Andarias in his research inferred that technology in tax administration means integrated software with a one-stop-shop implementation; comprehensive work flow systems where every document or form is included in the information system; easy-to-use internet websites with online information and payment options; customer service network connected by fast lines; mobility to allow service in remote areas and real-time process monitoring.

Lack of ICT knowledge may complicate the implementation of any tax law no matter how simple the law is. Kenya taxes are automated hence ICT skills are necessary for all taxpayers. Jullie (2017) concluded that perceived usefulness and perceived ease of use would affect an individual's attitude. If a taxpayer's attitude towards technology is negative, there is a likely chance they might not comply in filing returns and paying taxes online. It is therefore important for the taxpayers and general public to be educated on how to use the online tax system to enhance tax performance.

Odoyo (2015) conducted a study on the effect of information systems on revenue collection in Homa Bay County, Kenya. The data obtained from a sample of 2,007 county staff and traders revealed that automation is statistically significant in determining the efficiency and effectiveness of revenue collection in the county.

Additionally, there was a strong positive association between in-house control systems and revenue collection. The study also established that employees were not too vivacious about implementation of information systems. On the contrary, some of them were stifling its implementation. Karimi *et al.* (2017) examined the effect of technology and information systems on revenue collection by the government of Embu County in Kenya. Using a descriptive survey research design, the research found that information systems had a positive effect on revenue collection. The study particularly demonstrated an improvement in effectiveness, efficiency and integrity when it came to revenue collection.

2.3.3 Tax Audits and Corporation Tax Performance

Carlson and Massey (2015) studied on the corporate tax performance among the small and medium size enterprises (SME) in Australia. Their objective was to examine the relationship between record keeping practices of SMEs and the potential exposure to tax compliance problems. The study hypothesized that low tax compliance among SMEs might better encourage the tax authority to increase audits and investigations. This study involved 129 small business owners, 130 tax practitioners and Australian Tax Office (ATO) auditors. Using mail surveys, this study found that audit history, including frequency, audit outcome and the type of audit of small business owners has a significant indirect impact on tax compliance (in terms of record keeping). The result also evidenced that the primary objective of the small business owners doing their record keeping is tax compliance related rather than part of their management of their business.

Niu (2010) in a study found a positive association between the audit and the residential income tax compliance. The finding suggests that the audit productivity may be under estimated in many studies in the literature. It reminds us that when

considering the productivity of the audit work. Besides the direct audit collections, we should also take the audit impact on the residential income tax compliance into consideration. For this reason, the finding may provide tax professionals and tax authorities with incentives to strengthen the audit power and to better structure their audit organization to generate more revenue for the state. Niu (2010) Historical population data of a New York State economic sector were used in this study instead of experimental data or randomly selected sample data often used in the literature.

Soyinka et al. (2016) studied tax audit determinants and corporate tax compliance in Nigeria using survey research design, descriptive statistics, correlation and least square regression. The findings revealed a significant impact of tax audit probability and frequency of tax audit on corporate tax compliance.

Kennedy (2014) examined the impact of tax audit on tax compliance in Nigeria. Questionnaires were used in gathering data while ordered logistic regression technique was used in data analysis. The result showed that there exists a positive relationship between tax audit and tax compliance. The result also revealed that the probability of being audited, perception on government spending, penalties and enforcement, the joint effect of tax audit and penalties have a tendency to significantly influence tax compliance in Nigeria.

According to Palil and Mustapha (2017), some studies claimed that audits have a positive impact on tax evasion Shanmugam, 2013; Dubin, 2016). These findings suggest that in self-assessment systems, tax audits can play an important role and their central role is to increase voluntary compliance. Palil and Mustapha (2017) argued audits rates and the thoroughness of the audits could encourage taxpayers to be more prudent in completing their tax returns, report all income and claim the

correct deductions to ascertain their tax liability. In contrast, taxpayers who have never been audited might be tempted to under report their actual income and claim false deductions.

The results of both Ordinary Least Squares (OLS) and Time Series Cross Section (TSCS) autoregressive modeling methods. The results of both methods suggest that after an audit, a firm would report a higher sales growth rate. Jin Kwon (2004) study in Korea observed that a more rigorous analysis to evaluate the determinant of tax culture for the study of tax compliance and tax audit. There are three types of tax audit. Badara (2012) stated these three types of audit include the random tax audit, cut-off tax audit and conditional tax audit. The random tax audit scheme simply provides each self-report of income an equal chance of being chosen for verification by an audit. Cut-off audit scheme, audit resources are employed to verify reports of the tax payers reporting the lowest income levels. The conditional audit scheme requires in addition to the reported income, sources of information representing a noisy signal of taxpayers thorough income earning potentials.

Alm and McKee, (2006) investigates the application of experimental methods to examine the individual compliance responses to a certain probability of audit, and conclude that the compliance rate rises if an individual knows he will be audited and the rate falls if he knows he will not be audited. Slemrod et al, (2001) examines randomly selected taxpayers and inform them that their filling will be closely examined and found evidence of taxpayer's behavior changes in response to an increased probability of audit, although the responses are not uniform among different groups of taxpayers.

2.3.4 Deterrence Sanctions and Corporation Tax Performance

Deterrence is based on the concept that the risk of detection and punishment will improve compliance behaviour (OECD, 2010). Deterrence can be achieved through some approaches, punitive and persuasive which may take the form of increasing the chances of detection, increasing tax rates or by imposing higher penalties (Ahmed & Kedir, 2015). The relationship between deterrence and tax compliance is complex. Research on the effect of deterrence conducted by revenue bodies and academic research show different results. (Braithwaite, 2008) describes deterrence as a double-edged sword.

Deterrence can strengthen the moral obligation to pay tax as it points out what is the right thing to do, unfortunately deterrence can also create resistance from the taxpayer by feelings of oppression. Thus, deterrence can have a positive or negative effect on compliance. The question therefore is not whether revenue bodies should use deterrence, but how it can be used most effectively. (Muoki & Osebe, 2014) argues that taxpayers, when made to pay higher fines for evading taxes, deters them from future evasion. Tax penalties may have both positive and negative impact on taxpayers. If tax penalties are fair and acceptable, they strengthen taxpayers' compliance. If they are perceived as oppressive, they are likely to create resistance and result in even more non-compliance (Ali et al., 2014).

Michael (2018) undertook an inquiry in Nigeria with the aim of examining voluntary tax compliance. It was the main objective to establish what motivates taxpayers to comply with fiscal obligations. A cluster of six hundred and ninety five individuals and corporate taxpayers were sampled. Ordinary least squares was utilised in data analysis. Results showed that tax default penalties, economic factors and religion were found to be the positive motivators to the compliance of tax payments. Level of

income and penalties were among the negative factors that motivate taxpayers to comply.

A study conducted by Brink and Porcano (2013), evaluated deterrence and morale on taxation in Switzerland. In their empirical analysis, they used cross section time series data from 26 cantons over the period 1975-1995. Their enforcement technique was represented by the authoritarian procedure of the tax agency in which standard penalties and audit rates were increased. The results surprisingly showed that the probability of detection through audit was statistically significant (at the 5% level) and had a theoretically unexpected positive sign. This suggested that a higher probability of being caught through audit raised (rather than lowered) tax evasion which affected tax revenue. However, an increase in standard penalty lowered tax evasion in a statistically significant way (1%) which corresponds to the theoretical expectations. They observed that enforcement measures are not the sole contributors to increased compliance and how taxpayers view treatment from tax agency also contributed to compliance.

Ojochogwu and Ojeka, (2017) did a study on factors affecting Tax Compliance among Small and Medium Enterprises (SMEs) in North Central Nigeria. They concluded that it is the problem of high tax rate that primarily contributes to non-compliance therefore pushing most SMEs to remain in the informal sector. (Lucinde, 2017) examined the determinants of compliance levels with residential tax income tax among property owners in nairobi county. She suggests tha tax compliance is dependent on penalties imposed for non compliance and also audits. She cited that cases of high compliance to tax by taxpayers are due to fears of being sanctioned. (Kuria, 2011) assesed the factors affecting rental income tax compliance among landlord in kilifi county. Based on the findings of his study tax compliance levels with

rental income tax in Kilifi County were low. He also discovered that Landlords and possibly the other citizens were not ready to comply with tax regulations because there is a feeling that there is no clarity on the advantages of paying taxes.

Ondimu, (2010) conducted a study on effects of tax reforms on compliance of SMEs in Kisumu County Kenya. He argued that SMEs tax behaviors negatively affect the tax compliance. He also suggests that KRA administration reforms, influences tax compliance of the SMEs taxpayers in Kisumu town. Gitonga and Memba (2018) studied the determinants of tax compliance by public transport savings and credit cooperative societies in Kenya; Kiambu County concludes that tax deterrence sanctions like fines and penalties negatively influence tax compliances by public transport savings and credit cooperative societies in Kenya. He further concludes that tax compliance costs by public transport savings and credit cooperative societies influences tax compliance levels negatively. He ends by concluding that tax knowledge levels have a positive influence on tax compliance by public transport SACCOs in Kenya.

2.4 Summary of the Literature

The theoretical framework has considered various theories that inform the study which are the Ability to pay theory, Economic Deterrence Theory and Theory of Technology Acceptance., The chapter has also presented the empirical literature review where other studies on the theme have been reviewed from a global point to a local perspective per variable which gave rise to the critiques and the research gaps of the previous studies which this study seeks to fill. According to Andarias (2006), electronic filing is dependent on the use of technology. Technology used in e-filing and payment comprise of computer, internet and software applications. Electronic filing can be measured when the desired outputs are realized.

Andarias in his research inferred that technology in tax administration means integrated software with a one-stop-shop implementation; comprehensive work flow systems where every document or form is included in the information system; easy-to-use internet websites with online information and payment options; customer service network connected by fast lines; mobility to allow service in remote areas and real-time process monitoring. Oduro, Asiedu, and Tackie (2018) carried out a research in Ghana whose goal was to examine tax education from an institutional and socio-cultural perspective. The motivation of the study was to examine if training staff would lead to the taxpayers evade tax payment

Ojochogwu and Ojeka, (2017) did a study on factors affecting Tax Compliance among Small and Medium Enterprises (SMEs) in North Central Nigeria. They concluded that it is the problem of high tax rate that primarily contributes to non-compliance therefore pushing most SMEs to remain in the informal sector, Table 2.1 summarizes the empirical review and the research gaps.

Table 2.1: Summary of Empirical Review and Research Gaps

| Author and year | Topic | Findings | Study Gap |
|---------------------------------|--|--|---|
| (Lucinde, 2017) | Determinants of compliance levels with residential income tax by property owners in Nairobi County | She suggests that tax compliance is dependent on penalties imposed for non-compliance and also audits. She cited that cases of high compliance to tax by taxpayers are due to fears of being sanctioned. | There is a contextual gap since the study focused on property owners in Nairobi County while this study focused on SMEs in Nairobi CBD There is a conceptual gap since the study also focused on residential income tax while the current study will focus Corporation Tax |
| Ahmad, et al (2016) | Factors Affecting Corporate Tax Performance Among SMEs: Evidence from Malaysia | Results showed that level of awareness had little impact on corporate tax performance while the respondents showed that perception was negatively related to fulfilment of tax obligations | A contextual gap exists since the study was based in Malaysia while the current study will be based in Kenya There is a conceptual gap since the study only focused on tax awareness and perception of SMEs while the current study will also focus on Deterrence Sanction and Tax Audits. |
| Evans, Carlon and Massey (2015) | Record keeping practices and corporate tax compliance of SMEs. | The result also evidenced that the primary objective of the small business owners doing their record keeping is tax compliance related rather than part of their management of their business | There is a contextual gap since the study was based in other countries that are different from Kenya. There is a Methodological gap since the study used mail surveys, while the current study used questionnaires as a tool of data collection. |

2.5 Conceptual Framework

According to Mugenda (2008), a conceptual framework is a concise description of the phenomenon under the study, accompanied by a graphical description of the major variables of the study. The independent variables of the study were taxpayer education which was measured using the Electronic Taxpayers Education, Stakeholder Sensitization and print media; system automation which was measured

using online registration and online payments and tax audits was measured using desk audits and desk audits, deterrence sanction was measures using agency notice and court suit. While, dependent variable Corporation tax performance was measured using tax collected, taxpayers registered and returns filed as shown in figure 2.1

Independent Variable

Dependent Variable

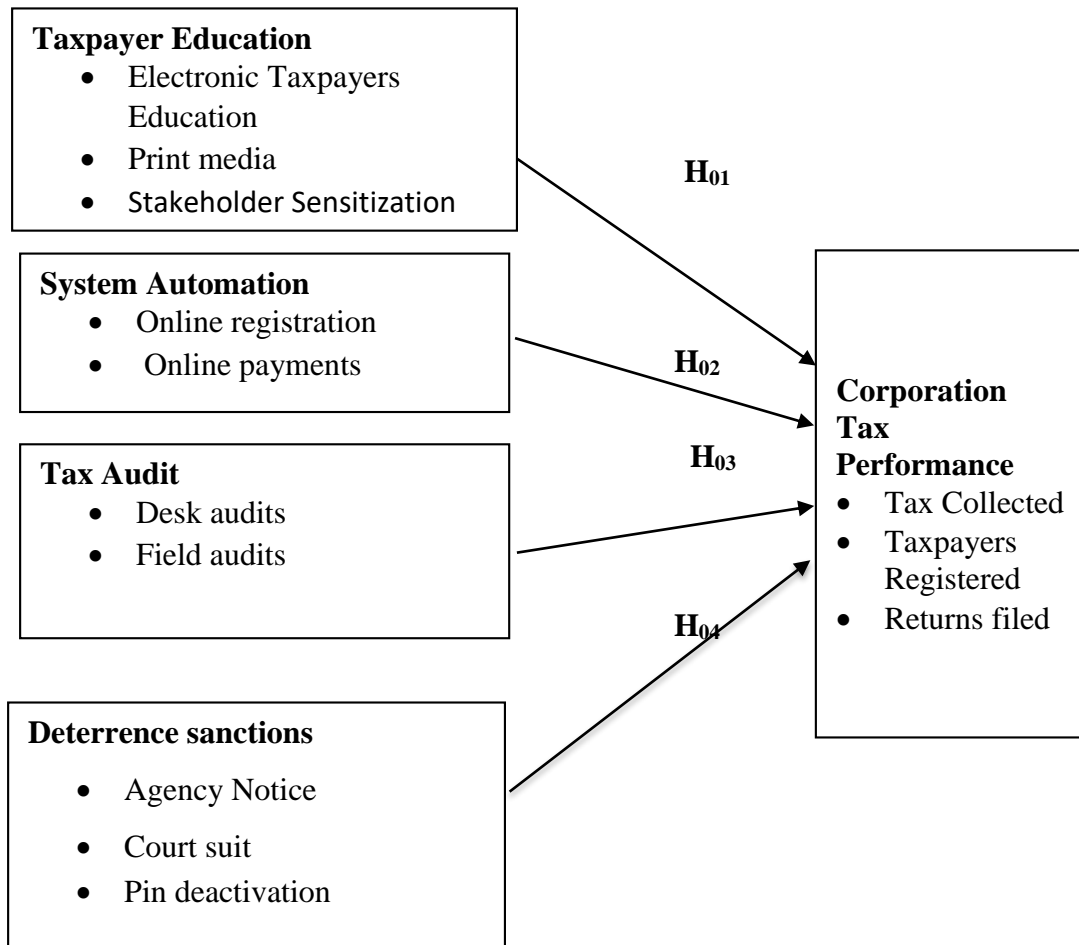


Figure 2.1: Conceptual Framework

Source: Author, 2022

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology deals with the identification of steps that a researcher wishes to adapt to ensure accurate and reliable data is collected to enable completion of the study (Kothari, 2004). This chapter presents the methodology that was used during the study. The research design, target population, sampling frame, data collection methods, and data analysis and presentation techniques are outline in this chapter.

3.2 Research Design

Akhtar (2016) and Silva (2017) contribute that a research design highlights and guides the conduct of the study through a clear plan for data collection, measurement and analysis to answer study questions. The study applied an explanatory research design. Saunders *et al.* (2007) state that explanatory studies seek to describe the characteristics of the variables and at the same time investigate causal relationships between variables. The research used an explanatory research design, mainly because it more consistent with the general objective of the study, which seeks to establish determinants of corporation tax performance among small and medium enterprises Nairobi central business district, Kenya

3.3 Target Population

Population is defined as a group of individuals or entities to which the findings of the sample are to be generalized (Cooper & Schindler, 2008). According to Kothari (2004), population refers to a group of individuals, things, elements, events, households that are well-defined and which are being examined. A research should have a population onto which the study's findings are generalized. The target

population of this study was the 3461 registered Small and Medium Enterprises operating in Nairobi Central Business District (KRA- DTD database, 2021).

Table 3.1: Target population

| Category | Total |
|---|--------------|
| Wholesale & retail trade | 969 |
| Manufacturing | 203 |
| Textile and apparel | 1043 |
| Automotive (motor parts and accessories) | 296 |
| Accommodation and food service activities | 605 |
| Arts, entertainment and recreation | 345 |
| Total | 3461 |

Source: Author, 2022

3.4 Sampling Technique and Sample Size

A sample is a subset of the population. By studying the sample, the researcher should be able to draw conclusions that would be generalizable to the population of interest (Sekaran, 2003). Yamane formula was used for determining the sample size for this study because Yamane formula assumes a normal distribution and it is assumed that the taxpayer was distributed normally in relation to the parameters under study that is corporation tax performance. This formula also enables the selection of a sample that represents the population, with confidence and risk levels. The Yamane formula is;

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

Whereby n represents the sample size for target population, N represents the population size, e represents the error of sampling or precision/error limit at 95% level of confidence and 5% level of precision is required (Yamane, 1967) .

Sample size therefore was

$$n = \frac{3461}{1 + 3461(0.05^2)}$$

= 358 Small and Medium Enterprises operating in Nairobi Central Business District

This study developed a sample through stratified random sampling. According to Lang et al (2016), Stratified Sampling entails the partitioning of all records into separate sets known as strata. Six economic sector formed the strata. Simple random sampling was used within the strata as per the poropotion of each sector since it maintains statistical regularity and ensures that the sample selected portrays similar composition and features as the population and thus representative .

Table 3.2: Sample Size

| Category | Population | % Proportion | Sample Size |
|---|-------------------|---------------------|--------------------|
| Wholesale & retail trade | 969 | 28% | 100 |
| Manufacturing | 203 | 6% | 21 |
| Textile and apparel | 1043 | 30% | 108 |
| Automotive (motor parts and accessories) | 296 | 9% | 31 |
| Accommodation and food service activities | 605 | 17% | 63 |
| Arts, entertainment and recreation | 345 | 10% | 36 |
| | 3461 | 100% | 358 |

Source: Author (2022)

3.5 Data Collection Instruments

Choosing the method for collecting data depends on the purpose for conducting the study, the skills that the researcher has and the available resources (Kumar, 2018).

This study was used primary data which was collected using structured questionnaires with closed questions so as to find out the opinion of the respondents on how taxpayer education,system automatio,tax audit and deterrence sanctions affect Corporation Tax Performance. The use of questionnaires was preferred because a

questionnaire is simple to administer and convenient for collecting data within a short time (Cooper & Schindler, 2010). An introductory statement that specified the purpose of the research as purely academic was used to assure confidentiality and encourage respondents to be objective in their responses (See Appendix I).

3.6 Data Collection Procedures

According to Kumar (2018), when selecting a method for collecting data, the socioeconomic–demographic characteristics of the study population should be considered. It is good to know the study population’s attitude and interest towards participating in the study. The data collection process commenced after obtaining a letter of introduction to carry out the research from Moi University and, a research permit from NACOSTI. The relevant data was collected from the field with the aid of a research assistant, as the questionnaires was distributed to the managers and the owners of the SMEs on a drop and pick later method to allow the respondents time to sufficiently go through them and give feedback.

3.7 Pilot Testing

Pilot testing is done with the intention of revealing errors in the design and improper control of extraneous or environment conditions. Pre-testing the instruments enables refinement prior to the final test (Cooper & Schindler, 2003). Pre-testing of the questionnaire was done using a small group of respondents who are not part of the study in order to reveal the words and questions that the respondents may not comprehend. Cooper and Schindler (2010) states that a pilot sample should be 10% of the sample projected for the larger parent study. Therefore, 36 respondents from Machakos town was used for the pilot study .

3.7.1 Reliability of Research Instrument

Sekaran (2003) notes that reliability is a measure of stability and consistency with which instrument measures the concept. According to Nunnally (1978), there are many factors that can prevent measurements from being repeated perfectly. Cronbach's alpha was used to evaluate the unidimensionality of a set of scales items and compare the two scores obtained, Nunnally (1978) argued that a Cronbach's alpha value of 0.7 and above, proves that the research instrument is reliable. This study was adopted a coefficient of 0.7 as the benchmark for reliability

3.7.2 Validity of the Questionnaire

Validity is the degree to which an instrument used to collect data measure what they are intended and answer the research question (Saunders and Rojon, 2014). The research was adopted content validity to ascertain the validity of the questionnaire. Content validity draws an inference from test scores to a large domain of items similar to the test. Content validity is basically concerned with the sample's validity. Knowledge and skill covered by the test items were representative of the population, Gillham (2008). The validity of questionnaire was evaluated by checking for clarity, relevance, interpretation of the questions and time spent, in order to improve where applicable. Supervisors was consulted to evaluate the questionnaire for ascertainment of content validity so as to eliminate the likelihood of Type 1 error and Type 11 error occurring. The questions found to be ambiguous will be adjusted..

3.7.3 Assumptions of Regression Model

When using the regression model, some assumptions must be made in order to model the relationship between the variables. These assumptions must be met before inferences are drawn and the model is used to make a prediction (Wheeler & Tiefelsdorf, 2005).

Normality test was done to ensure that the data is normally distributed. The Shapiro-Wilk test was employed to test for normality. This test establishes the extent of normality of the data by detecting existence of skewness or kurtosis or both.

Multicollinearity is a phenomenon whereby high correlation exists between the independent variables. Multicollinearity test was done using Variable Inflation Factor (VIF).

Factor analysis is a technique that is used to identify the most significant factors influencing a given behaviour under investigation. It is used to model covariance that exists among some observed set of factors. There are two basic types of factor analysis: exploratory and confirmatory (Bandalos & Finney, 2018). This study used exploratory factor analysis to verify the identified factors. More specifically, communalities were interpreted to determine on factors that should be retained for further regression modelling.

3.8 Data Analysis and Presentation

The analysis of the data started by editing and inspection of the data pieces in order to identify spelling mistakes, items that are wrongly responded to and any blank spaces left unfilled by the respondents. The computer statistical package for social sciences (SPSS) was used to process all the response from the questionnaire. The questionnaires was sorted, coded and fed into (SPSS) program to generate frequency tables and percentages. Owing to the fact that the study is descriptive in its major characteristics, descriptive statistics was used in data analysis, such descriptive statistics for analyzing data are frequencies and percentages while data was presented in frequency distribution tables.

The study adopted regression analysis as shown

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where,

Y = The dependent variable corporation tax performance

α = Constant term

$\beta_1, \beta_2, \beta_3, \beta_4$ = Beta coefficients of the independent variables

X_1 = Taxpayer education

X_2 = System automation

X_3 = Tax audit

X_4 = Deterrence Sanction

ε = error term

3.9 Operationalization and Measurement of Variables

Morgan (2013) opines that there are three main techniques to do this operationalization. First, study variables be classified based on whether they match essential elements in qualitative themes. Second, the variables can be graded according to how well they display the relevant characteristics of a theme. This creates a continuous variable, ranging from low to high with regard to the thematic property in question. Finally, it is possible to transform the concept of the problem by creating a separate quantitative measure that is consistent with the equivalent qualitative concept. You may need to create a new metric. In other cases, existing scales that capture the same concept may be available. Table 3.2 highlights the predictor and outcome variables and how they were measured and reviewed.

Table 3.3: Measurement of Variables

| Variable | Operational Indicator | Source/ author | Data collection & measurement | Types of Analysis |
|--------------------------------|---|---|--|---|
| Independent Variables | | | | |
| Taxpayer education | Seminar Print media | Ahmad, (2016) | Questionnaire 5point Likert | Regression Analysis Correlation Analysis multivariate linear regression |
| System automation | Online registration Online payments | Wasao, (2018) | Questionnaire 5point Likert | Regression Analysis Correlation Analysis multivariate linear regression |
| Tax audit | Desk audit Field audit | Palil and Mustapha (2017) | Questionnaire 5point Likert | Regression Analysis Correlation Analysis multivariate linear regression |
| Deterrence sanctions | | Ali et al., (2014) | Questionnaire 5point Likert | Regression Analysis Correlation Analysis multivariate linear regression |
| Dependent Variable | | | | |
| Corporation tax performance | Tax Collected Taxpayers Registered Returns filed | Ojochogwu and Ojeka, (2017) Asiedu, and Tackie (2018), | Questionnaire 5point Likert | Regression Analysis Correlation Analysis multivariate linear regression |

Source: Author (2022)

3.10 Ethical Consideration

Ethics refers to the moral rules and guidelines that control the behavior of people in social affairs (Graham and Benett, 2015). Before data collection, the researcher got introductory letters from Moi University. In line with this, the researcher obtained an informed consent from the respondents before undertaking to collect data. The researcher ensured high level of confidentiality at all times by using codes on the data instruments thus names of respondents were not written and anonymity of the identity of the respondents safeguarded using numbers. The researcher incorporated integrity, honesty and also ensured confidentiality of data provided by the participants and their anonymity and all major statements in the study was cited to avoid plagiarism.

CHAPTER FOUR

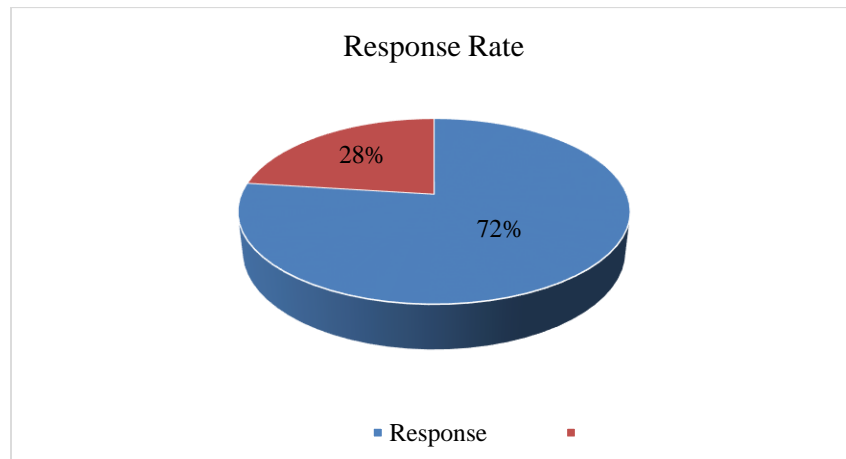
DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter describes the findings from the respondents and which linked them to the objectives of the study. It includes the, descriptive and inferential statistics of the respondents, views of taxpayer education, system automation. Tax audit and deterrence sanctions on corporation tax performance

4.1 Response Rate

Out of the sample size of 358 research participants, 260 of them were able to effectively participate in the study by completing the questionnaires and returning them as expected. This made a response rate of 72%, which was an excellent outcome. Mugenda and Mugenda (2003) affirm that a response rate of 70% and above is very good for an objective analysis. A similar assertion was confirmed by (Kothari, 2004) and therefore, based on these views, an over 60% response rate for this research was good. The non-response fraction was occasioned by busy schedules of some respondents which made it difficult to avail themselves for the interviews. The high response rate however, was as a result of spirited efforts by the researcher to make regular follow-ups and remind the respondents of the need to fully complete the questionnaires and return them on time. Strict ethical considerations were observed during fieldwork where all the respondents were duly informed about their need to participate in the study and give credible information.



**Figure 4.1: Response Rate
Survey Data (2022)**

4.2 Reliability Test

Sekaran (2003) stated that the reliability of a measure is an indication of the stability and consistency with which the instrument measures the concept and helps to assess the goodness of a measure. The reliability analysis was done using Cronbach's Alpha which is usually interpreted as the mean of all possible coefficients. Taxpayer education had an alpha of 0.884, system automation had an alpha of 0.762, tax audit had an alpha of 0.905, deterrence sanctions had an alpha of 0.912 and lastly corporation tax performance had an alpha of 0.935. The benchmark value of 0.7 is commonly used for the reliability whereby alpha values above 0.7 are considered acceptable and satisfactory, above 0.8 are considered good and above 0.9 are considered to reflect exceptional internal consistency (Mohajan, 2017). The Cronbach's alpha coefficient of 0.7 was used as the benchmark for this study, and all variables had met the threshold.

Table 4.1: Reliability Test

| Variable | N | Cronbach Alpha | Conclusion |
|-----------------------------|----------|-----------------------|-------------------|
| Taxpayer education | 6 | 0.884 | Reliable |
| System automation | 6 | 0.762 | Reliable |
| Tax Audit | 5 | 0.905 | Reliable |
| Deterrence sanction | 3 | 0.912 | Reliable |
| Corporation tax performance | 4 | 0.935 | Reliable |

Survey Data (2022)**4.3 Exploratory Factor Analysis**

The exploratory factor analysis matrix gives loading that is the correlation between each variable and each factor. A factor is an underlying dimension that account for several observed variables (Bandalos & Finney, 2018). The cells result from the Table 4.2 reveal factor loadings which gives values over 0.5 and none is more than 0.996 implying linear relationship, interval or near interval data lack of high multi-collinearity. Kervin (2009) suggested that any factor loading below 0.4 is weak and those between 0.5 and 0.6 are moderate. While values which are less than 0.3, the results of the factor analysis probably will not be very useful in the research. Thus, from results of the all the questionnaire were able to meet a significant value in the research findings.

Table 4.2 Factor Analysis

| | TXE | SYS | TXA | DTS |
|---|------------|------------|------------|------------|
| Taxpayer Education | | | | |
| Through broadcast media such as radio | 0.749 | | | |
| Media have fostered my filing..... | 0.902 | | | |
| I learn a lot from KRA website... | 0.953 | | | |
| Sensitization has improved compliance... | 0.791 | | | |
| There are changes in the law.... | 0.845 | | | |
| Customer care sufficiently educates... | 0.762 | | | |
| System Automation | | | | |
| I am aware of KRA's online... | | 0.754 | | |
| Online remittances of taxes ... | | 0.803 | | |
| Payment of taxes through mobile... | | 0.664 | | |
| I can pay corporation tax... | | 0.817 | | |
| Electronic tax system is simple... | | 0.950 | | |
| Retrieval of tax records.... | | 0.870 | | |
| Tax Audit | | | | |
| KRA frequently conducts tax audit... | | | 0.996 | |
| Tax audit procedures by KRA... | | | 0.719 | |
| Tax audit are effective... | | | 0.789 | |
| KRA send their officers to conduct audit... | | | 0.800 | |
| Increased number of tax audits... | | | 0.920 | |
| Deterrence Sanctions | | | | |
| Agency notices issued by KRA... | | | | 0.938 |
| Penalties imposed by KRA... | | | | 0.841 |
| I choose to pay actual taxes... | | | | 0.822 |
| Extraction Method: Principal Component Analysis | | | | |
| Survey Data (2022) | | | | |

4.4 Demographic Characteristics

This section provides information that posits the basic characteristics such as gender, age and level of education of respondents. The study sought to establish the gender of the respondents. Results revealed that 53.5% were male while 46.5% were female. The results demonstrate that there is gender diversity since the number of female business owners is almost equal to that of male business owners

This area of the study, the researcher sought to know the age category of the respondents. Table 4.3 shows that the study findings. The shows that 5.4% of the respondents were aged below 25 years, followed by 30.7% who were aged between 26 – 35 years, 28.8% were aged between 36-45 years 22.7% were

aged between 46-55 years and 12.3% were aged above 55 years. From these findings, most of the respondents belong to an age category of 26-35 years. This is the most active age group hence they are actively involved tax administration, therefore they had rich experiences, could also appreciate the importance of the study.

The researcher sought to find out on the highest level of education of respondents. The table shows that 2.3% of the respondents had primary certificate, this was followed by 16.9% who had attained their secondary certificate, 37.3% were diploma holders, 23.1% were degree holders, while 8.8% had other qualifications.

Table 4.3: Demographic Information

| Characteristics | | Percent (%) |
|---------------------------|---------------|--------------------|
| Gender | Male | 53.5 |
| | Female | 46.5 |
| | Total | 100 |
| Age | Below 25 | 5.4 |
| | 26 – 35 years | 30.7 |
| | 36 – 45 years | 28.8 |
| | 46 – 55 years | 22.7 |
| | Above55 years | 12.3 |
| | Total | 100 |
| Level of Education | Primary | 2.3 |
| | Secondary | 16.9 |
| | Diploma | 37.3 |
| | Degree | 23.1 |
| | Others | 8.8 |
| | Total | 100 |

Survey Data (2022)

4.5 Descriptive Statistics

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

4.5.1 Taxpayer Education

The study sought to understand the role of taxpayer education on corporation tax performance as implemented by KRA. The study findings revealed that respondents agreed that Through broadcast media such as radio and television, my awareness on corporation tax regulations has increased with a mean score of (3.71). Further the study found out that respondents were in agreement that Videos on various media have fostered my filing of accurate tax returns with a mean score of (3.67) and the I learn a lot from KRA website on changes in law with regard to corporation taxes with a mean score of (4.29). The results showed that the respondents were in agreement that Sensitization forums such adverts on television have improved my corporation tax compliance with a mean score of (3.46). The study findings also revealed that respondents agreed that where there are changes in the law, timely dissemination of such information improves my tax compliance with a mean score of (3.88). Lastly, the findings revealed that The KRA customer care department sufficiently educates make me aware of tax law stipulations with regard to corporation tax hence enabling be fully compliant with a mean score of (3.23).

Table 4.4: Descriptive Statistic on Taxpayer Education

| | Mean | Std.Dev |
|---|------|---------|
| Through broadcast media such as radio and television, my awareness on corporation tax regulations has increased | 3.71 | 0.955 |
| Videos on various media have fostered my filing of accurate tax returns. | 3.67 | 0.701 |
| I learn a lot from KRA website on changes in law with regard to corporation taxes | 4.29 | 0.624 |
| Sensitization forums such adverts on television have improved my corporation tax compliance | 3.46 | 0.861 |
| Where there are changes in the law, timely dissemination of such information improves my tax compliance. | 3.88 | 0.815 |
| The KRA customer care department sufficiently educates make me aware of tax law stipulations with regard to corporation tax hence enabling be fully compliant | 3.23 | 0.976 |

Survey Data (2022)

4.5.2 Electronic System Automation

The study also sought to analyse system automation benefits to KRA. The study findings demonstrated that the respondents were in agreement that I am aware of KRA's online corporation tax return filing systems with a mean score of (4.21). Similar findings were showed on the statement that Online remittances of taxes are easy to track thus I can tell when taxes are due with a mean score of (4.51). The results also indicated that the respondents were in agreement that Payment of taxes through mobile money has improved corporation tax performance with a mean score of (3.75). Further the results also indicated that respondents agreed that I can pay corporation tax through mobile any time of the day leakages with a mean score of (4.13). These findings suggest that Electronic tax system is simple to use and this motivates me to comply with tax regulations (3.79) The results also indicated that the respondents were in agreement that Retrieval of tax records from itax is vital since it enables me to track tax returns and payments at low costs with a mean score of (3.62).

Table 4.5: Descriptive Statistic on system automation

| | Mean | Std. Dev |
|--|-------------|-----------------|
| I am aware of KRA's online corporation tax return filing systems | 4.21 | 0.588 |
| Online remittances of taxes are easy to track thus I can tell when taxes are due. | 4.51 | 0.78 |
| Payment of taxes through mobile money has improved corporation tax performance. | 3.75 | 0.926 |
| I can pay corporation tax through mobile any time of the day | 4.13 | 0.608 |
| Electronic tax system is simple to use and this motivates me to comply with tax regulations | 3.79 | 0.876 |
| Retrieval of tax records from itax is vital since it enables me to track tax returns and payments at low costs | 3.62 | 0.922 |

Survey Data (2022)

4.5.3 Tax Audit

KRA frequently conducts tax audit to SMES in CBD had a mean of 3.69. Tax audit procedures by KRA to SMES in CBD Nairobi County are friendly and effective had a

mean of 3.52. Tax audit are effective tool by KRA on ensuring compliance with corporate tax laws SMES in CBD Nairobi County had a mean of 4.07. In case of inconsistency in the corporate tax filed, KRA send their officers to conduct audit immediately to SMES in CBD had a mean of 3.43. Increased number of tax audits leads to high operational costs hence lower profits had a mean of 3.81.

Table 4.6 Descriptive Statistic on Tax Audit

| | Mean | Std. Dev |
|--|-------------|-----------------|
| KRA frequently conducts tax audit to SMES in CBD. | 3.69 | 0.764 |
| Tax audit procedures by KRA to SMES in CBD Nairobi county are friendly and effective. | 3.52 | 0.87 |
| Tax audit are effective tool by KRA on ensuring compliance with corporate tax laws SMES in CBD Nairobi County | 4.07 | 0.657 |
| In case of inconsistency in the corporate tax filed, KRA send their officers to conduct audit immediately to SMES in CBD | 3.43 | 0.903 |
| Increased number of tax audits leads to high operational costs hence lower profits | 3.81 | 0.705 |

Survey Data (2022)

4.5.4 Deterrence Measures

The study sought to understand the role of Deterrence measure on corporation tax performance as implemented by KRA. Agency notices issued by KRA help in deterring tax evasion with a mean score of (4.38). Further the study found out that respondents were in agreement that Penalties imposed by KRA are harsh and that prompts you to be tax compliant with a mean score of (3.04) and I choose to pay actual taxes on time to avoid penalties with a mean score of (4.62).

Table 4.7: Descriptive Statistic on Deterrence Measures

| | Mean | Std.Dev |
|--|-------------|----------------|
| Agency notices issued by KRA help in deterring tax evasion | 4.38 | 0.575 |
| Penalties imposed by KRA are harsh and that prompts you to be tax compliant. | 3.04 | 0.815 |
| I choose to pay actual taxes on time to avoid penalties | 4.62 | 0.261 |

Survey Data (2022)

4.5.5 Corporation tax Performance

The study also sought to analyse system automation benefits to KRA. The respondent agreed that Our business is registered for the correct tax obligation had a mean score of (4.21). We always file tax by the due date had a mean score of (4.53). While, the respondent also agreed that our business always declare the correct profit had a mean score of (3.75). Finally, on whether We pay the correct tax by due date had a mean score of (3.62).

Table 4.8: Descriptive Statistic on Corporation Tax Performance

| | Mean | Std.Dev |
|---|------|---------|
| Our business is registered for the correct tax obligation | 4.21 | 0.588 |
| We always file tax by the due date | 4.53 | 0.781 |
| Our business always declares the correct profit | 3.75 | 0.926 |
| We pay the correct tax by due date | 3.62 | 0.922 |

Survey Data (2022)

4.6 Statistical Assumptions

Statistical tests rely upon certain assumptions about the variables used in the analysis. Osborne and Waters (2014), opine that when these assumptions are not met the results may not be valid. They further argue that this may result in a type I or type II error, or over or under-estimation of significance or effect size(s). It is therefore important to pretest for these assumptions for validity of their results.

Osborne, Christensen, and Gunter (2001) observed that few articles report having tested assumptions of the statistical tests they rely on for drawing their conclusions. Testing for assumptions is beneficial as it ensures that an analysis meets the associated assumptions and helps avoid type I and II errors (Osborne and Waters, 2014; Owino, 2014). Prior to data analysis, assumptions for linear regression were checked together with multicollinearity and normality.

4.6.1 Test of Normality

The Shapiro-Wilk test was employed to test for normality. This test establishes the extent of normality of the data by detecting existence of skewness or kurtosis or both. Shapiro-Wilk statistic ranges from zero to one with figures higher than 0.05 indicating that the data is normal (De Vos, Strydom, Fouche & Delpont, 2011).

The normality results showed that taxpayer education had p value $.068 > 0.05$ hence the data is normally distributed. It was also established that the p value for system automation was $.081 > 0.05$, tax audit had p value $.084 > 0.05$, deterrence sanctions had p value $.075 > 0.05$, while corporation tax performance had p value $.098 > 0.05$. The results of the normality test revealed that the data was normally distributed and hence further analysis was conducted.

Table 4.9: Tests of Normality

| | Shapiro-Wilk | |
|-----------------------------|---------------------|-------------|
| | Statistic | Sig. |
| Taxpayer Education | .876 | .068 |
| System automation | .789 | .081 |
| Tax audit | .830 | .084 |
| Deterrence sanctions | .971 | .075 |
| Corporation Tax Performance | .834 | .098 |

Survey Data (2022)

4.6.2 Multicollinearity Test

Multicollinearity is a phenomenon whereby high correlation exists between the independent variables. It occurs in a multiple regression model when high correlation exists between these predictor variables leading to unreliable estimates of regression coefficients. This leads to strange results when attempts are made to determine the extent to which individual independent variables contribute to the understanding of dependent variable (Creswell, 2014).

The consequences of Multicollinearity are increased standard error of estimates of the Betas, meaning decreased reliability and often confusing and misleading results. Multicollinearity test was conducted to assess whether high correlation existed between one or more variables in the study with one or more of the other independent variables. Variable Inflation Factor (VIF) measured correlation level between the predictor variables and estimated the inflated variances due to linear dependence with other explanatory variables. It was tested by computing the Variance Inflation Factors (VIF) and its reciprocal, the tolerance.

Results were presented in Table 4.6 A variance inflation factor test was conducted to test for multicollinearity of the predictors and a value less than 10 is acceptable taxpayer education had V.I.F value of 1.098 which is less than 10 implying there is no multicollinearity. System automation had a V.I.F value of 1.185 means that there is no multicollinearity since VIF is less than 10. The results indicated that tax audit had a V.I.F value of 1.153 implying there is no multicollinearity since VIF is less than 10. The results indicated that deterrence sactions had a V.I.F value of 1.267 implying there is no multicollinearity since VIF is less than 10.

Table 4.10: Multicollinearity Test

| Variable | Collinearity Statistics | |
|---------------------|--------------------------------|------------|
| | Tolerance | VIF |
| Taxpayer education | 0.740 | 1.098 |
| System automation | 0.728 | 1.185 |
| Tax audit | 0.954 | 1.153 |
| Deterrence sactions | 0.833 | 1.267 |

Survey Data (2022)

4.6.3 Homoscedasticity test

Homoscedasticity means that the variance or spread of errors from the regression line is constant. Lani (2011) notes that in regression, an error is how distant a point

deviates from the normal line of regression. The assumption of linear regression is that the spread of the residual or the error term is constant across the graph and if this assumption is violated, the statistical results may not be trustworthy due to biased coefficients. The results from the homoscedasticity test showed F-statistic 1.100246 p value >0.05 . The test results concluded that the assumption for homoscedasticity is not violated.

Table 4.11 Homoscedasticity test

| | |
|-------------|----------|
| F-statistic | 1.100246 |
|-------------|----------|

Survey Data (2022)

4.7 Inferential Statistics

Inferential statistics refer to a technique that aids the use of study samples in generalizing results to a larger population that houses the sample (Cooper, 2003). The study adopted Correlation and multiple regression Analysis to find out the effect of independent variables; Taxpayer Education, Tax Audit, System Automation and Deterrence Sanction and the dependent variable, Corporation Tax Performance

4.7.1 Correlation Analysis

The Table 4.12 below presents the results of the correlation analysis. The results presented in the Table 4.12 shows that taxpayer education and corporation tax performance are positively and significantly associated with corporation tax performance as shown $r=0.346$, $p=0.001$. The results also show that system automation and corporation tax performance are positively and significantly associated with corporation tax performance as shown $r=0.288$, $p=0.000$. Further,

results show that tax audit and corporation tax performance are positively and significantly associated with corporation tax performance as shown $r=0.267$, $p=0.003$. Lastly, results show that deterrence measures and corporation tax performance are positively and significantly associated with corporation tax performance as shown $r=0.294$, $p=0.000$.

Table 4.12: Correlation Analysis

| | | CTP | TXE | SYA | TXA | DTS |
|-----|---------------------|--------|--------|--------|-------|-----|
| CTP | Pearson Correlation | 1 | | | | |
| | Sig. (2-tailed) | 260 | | | | |
| | N | | | | | |
| TXE | Pearson Correlation | .346** | 1 | | | |
| | Sig. (2-tailed) | 0.001 | | | | |
| | N | 260 | | | | |
| SYA | Pearson Correlation | .288** | .371** | 1 | | |
| | Sig. (2-tailed) | 0 | 0.001 | | | |
| | N | 260 | | | | |
| TXA | Pearson Correlation | .267** | .223** | .371** | 1 | |
| | Sig. (2-tailed) | 0.003 | 0 | 0 | | |
| | N | 260 | | | | |
| DTS | Pearson Correlation | .294** | .329** | 0.259 | 0.314 | 1 |
| | Sig.(2tailed) | 0 | 0 | 0.002 | 0 | |
| | N | 260 | | | | |

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

Source: Research Data, (2022)

4.7.2 Regression Analysis

The broad objective of the study was to determine factors affecting corporation tax performance among small and medium enterprises Nairobi central business district, Kenya. To achieve this objective, three specific objectives and three corresponding hypotheses were set and formulated respectively. Subsequently, to achieve the set objectives the study used various inferential statistical tools and Multiple regression analyses was used.

4.7.3 Model Summary

The results in Table 4.13 indicated that taxpayer education, system automation, tax audit and deterrence sanctions had a positive correlation with corporation tax performance up to 78.8% or (R= 0.788). According to study findings, the model accounts for 62% (R-Square, 0.620) of variation in corporation tax performance. This implies that 38% of the change in corporation tax performance was caused by other factors, which were not included in the model. The results further reveal that even if the study adjusts the model would still account for 61.6% (Adjusted R Square, 0.616) of Corporation tax performance

Table 4.13: Effect of taxpayer education, system automation, tax audit and deterrence sanctions on corporation tax performance

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .788 ^a | .620 | .616 | .73617 |

^a Dependent Variable: Corporation tax performance

Survey Data (2022)

4.7.4 Analysis of Variance

Further ANOVA tests were conducted to determine whether the model works in explaining the relationship among variables as postulated in the conceptual model. The findings it shows an F value of 31.792 with a significance level of 0.000 which is far lower than the confidence level of 0.05, hence establishing the model is statistically significant. The implication is that each independent variable contributes significantly to changes in the dependent variable corporation tax performance.

Table 4.14: ANOVA

| Model | Sum of Square | df | Means Squares | F | Sig. |
|--------------|---------------|------------|---------------|--------|-------|
| Regression | 11.64 | 4 | 2.91 | 31.792 | .000b |
| Residual | 9.861 | 256 | 0.038 | | |
| Total | 21.501 | 260 | | | |

a Dependent Variable: Corporation tax performance

b Predictors: (Constant- taxpayer education, system automation, tax audit and deterrence sanctions

4.7.5 The Overall Effect of Taxpayer Education, System Automation, Tax Audit and Deterrence Sanctions on Corporation Tax Performance

Regression was carried out Taxpayer Education, System Automation, Tax Audit and Deterrence Sanctions On Corporation Tax Performance

Table 4.15 Regression Coefficients

| Model | Unstandardized Coefficients | | Standardized Coefficients | | T | Sig. |
|----------------------|-----------------------------|------------|---------------------------|--|-------|-------|
| | B | Std. Error | Beta | | | |
| (Constant) | .261 | .056 | | | 4.660 | 0.000 |
| Taxpayer education | .237 | .041 | .352 | | 5.780 | 0.000 |
| System automation | .275 | .089 | .230 | | 3.089 | 0.000 |
| Tax Audit | .359 | .068 | .243 | | 5.279 | 0.002 |
| Deterrence sanctions | .281 | .071 | .211 | | 3.957 | 0.000 |

a Dependent Variable: Corporation tax performance

Regression Equation

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

γ Represents corporation tax performance

$\beta_1, \beta_2, \beta_3$ and β_4 The regression coefficients

X_1 =taxpayer education

X_2 =system automation

X_3 = tax audit

X_4 = deterrence sanctions

ε = The error term or residuals

Régression Equation

$$Y = 0.261 + 0.237X_1 + 0.275X_2 + 0.359X_3 + 0.281X_4$$

The regression equation shows that the independent variables and dependent variables were statistically significant. A unit change in taxpayer education increases corporation tax performance by 0.237. A unit change in system automation increases corporation tax performance by 0.275. A unit change in tax audit increases corporation tax performance by 0.359. A unit change in deterrence sanctions increases corporation tax performance by 0.281

4.8 Test of Hypotheses

The first hypothesis stated that H_{01} Taxpayer education has no significant effect on corporation tax performance among small and medium enterprises Nairobi central business district. Taxpayer education has a relationship on corporation tax performance among small and medium enterprises Nairobi central business district. The study results on rejected the hypothesis as evidence of $\beta_1=0.237$, $\rho<0.000$ which is less than $\rho<0.05$.

The second hypothesis H_{02} System automation has no significant effect on corporation tax performance among small and medium enterprises Nairobi central business district. System automation has a relationship on corporation tax performance among small and medium enterprises Nairobi central business district. The study results on rejected the hypothesis as evidence of $\beta_2=0.275$, $\rho<0.000$ which is less than $\rho<0.05$.

The third hypothesis H_{03} Tax audit has no significant effect on corporation tax performance among small and medium enterprises Nairobi central business district. Tax audit has a relationship on corporation tax performance among small and

medium enterprises Nairobi central business district. The study results on rejected the hypothesis as evidence of $\beta_3=0.359$, $\rho<0.002$ which is less than $\rho<0.05$.

The fourth hypothesis **H₀₄** Deterrence sanctions have no significant effect on corporation tax performance among small and medium enterprises Nairobi central business district. Deterrence sanctions have a relationship on corporation tax performance among small and medium enterprises Nairobi central business district. The study results on rejected the hypothesis as evidence of $\beta_4=0.281$, $\rho<0.000$ which is less than $\rho<0.05$.

Table 4.16: Summary of Hypothesis Testing

| Hypothesis | P-value | Conclusion |
|---|----------------|------------------------|
| H₀₁ Taxpayer education has no significant effect on corporation tax performance among small and medium enterprises Nairobi central business district | 0.000 | Reject Ho ₁ |
| H₀₂ System automation has no significant effect on corporation tax performance among small and medium enterprises Nairobi central business district. | 0.000 | Reject Ho ₂ |
| H₀₃ Tax audit has no significant effect on corporation tax performance among small and medium enterprises Nairobi central business district | 0.002 | Reject Ho ₃ |
| H₀₄ Deterrence sanctions have no significant effect on corporation tax performance among small and medium enterprises Nairobi central business district | 0.000 | Reject Ho ₄ |

Source: Research, 2022

4.9 Discussion of Findings

The research aimed in determining effect of Taxpayer Educatio, Tax Audit System Automation and Deterrence Sanction on Corporation Tax Performance among Small and Medium Enterprise in Nairobi Central Business District. Primary data relating to predictor variables were regressed against dependent variable, from the taxpayers'

perspective. The study established a moderately robust and substantial association between predicting variables and corporation Taxperformance among among Small and Medium Enterprise in Nairobi Central Business District

4.9.1 Effect of Taxpayer Education on Corporation Tax Performance

The first objective of the study was to determine the effect of taxpayer education on corporation tax performance among small and medium enterprises Nairobi central business district. The findings of the study show that the relationship between taxpayer education and corporation tax performance was statistically significant at a p value of 0.000, which is less than 0.05 the convectional probability significance level, $p = 0.000 < 0.05$. The findings were in agreement with Adekoya (2019) study taxpayers' education and corporate tax performance in Lagos State: A cross sectional survey was conducted on 400 individual taxpayers in Lagos State. Both simple and linear regression and the multiple regressions were used in the regression models estimation. The findings were also in agreement with the studies of Tetteh (2019) in Ghana, Amayi (2013) in Tanzania and Palil et al (2013) in the United Kingdom showed positive significant effect of taxpayer education and corporate tax performance.

4.9.2 Effect of System Automation on Corporation Tax Performance

The second objective of the study was to establish the effect of system automation on corporation tax performance among small and medium enterprises Nairobi central business district. The findings of the study show that the relationship between system automation and corporation tax performance was statistically significant at a p value of 0.000, which is less than 0.05 the convectional probability significance, level, $p = 0.000 < 0.05$. The findings concurred with Makanga (2010) did a study on the adoption of technology as a strategic tool for enhancing tax compliance in Kenya. The

case study was based on Large Taxpayers which included companies with a turn over Kshs. 750 million and above, or government ministries and corporations. The objective of the study was to evaluate the role Technology would play in Kenya to enhance tax compliance among large taxpayers. The findings also concurred with Andarias (2016), Jullie (2017) and Karimi *et al.* (2017). The study found that in the fast changing business world, technology has become part and parcel of any business growth. Either KRA or SMEs must embrace modern technology to enhance efficiency in tax performance.

4.9.3 Effect of Tax Audit on Corporation Tax Performance

The third objective of the study was to determine effect of tax audit on corporation tax performance among small and medium enterprises Nairobi central business district. The findings of the study show that the relationship between tax audit and corporation tax performance was statistically significant, at a p value of 0.002, which is less than 0.05 the convectional probability significance level, $p = 0.002 < 0.05$. The findings were in agreement with Palil and Mustapha (2011) argued audits rates and the thoroughness of the audits could encourage taxpayers to be more prudent in completing their tax returns, report all income and claim the correct deductions to ascertain their tax liability. In contrast, taxpayers who have never been audited might be tempted to under report their actual income and claim false deductions. The findings were also in agreement with Niu (2010) who found a positive association between the audit and the residential income tax performance in New York State. s. This implies that tax audits conducted of Kenyan tax authorities in the the SMEs sector correlate with those of other taxpayers in other countries that were the focus of previous studies.

4.9.4 Effect of Deterrence Sanctions on Corporation Tax Performance

The third objective of the study was to establish the effect of deterrence sanctions on corporation tax performance among small and medium enterprises Nairobi central business district. The findings of the study show that the relationship between deterrence sanctions and corporation tax performance was statistically significant, at a p value of 0.000, which is less than 0.05 the conventional probability significance level, $p = 0.000 < 0.05$. The findings concurred with Muoki & Osebe, (2014) argues that taxpayers, when made to pay higher fines for evading taxes, deters them from future evasion. Tax penalties may have both positive and negative impact on taxpayers. If tax penalties are fair and acceptable, they strengthen taxpayers' compliance.”

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

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

5.2 Summary of the Findings

The overall objective of this study was to find out the determinates of corporation tax performance among small and medium enterprises Nairobi central business district, Kenya. The specific objectives were to determine the effect of taxpayer education on corporation tax performance among small and medium enterprises Nairobi central business district. To establish the effect of system automation on corporation tax performance among small and medium enterprises Nairobi central business district. To determine effect of tax audit on corporation tax performance among small and medium enterprises Nairobi central business district. To establish the effect of deterrence sanctions on corporation tax performance among small and medium enterprises Nairobi central business district

5.2.1 Taxpayer Education on Corporation Tax Performance

The first objective was to determine the effect of taxpayer education on corporation tax performance among small and medium enterprises Nairobi central business district. Correlation analysis shows that taxpayer education and corporation tax performance are positively and significantly associated with a correlation coefficient of 0.346. In addition, the Regression analysis shows there was a positive significant relationship between taxpayer education and corporation tax performance ($\beta = 0.237$,

$\rho < 0.05$). The practical implication of these findings is that the revenue authority should focus taxpayers' education with in order to boost cooperation tax performance among SMEs.

5.2.2 System Automation on Corporation Tax Performance

The second objective was to establish the effect of system automation on corporation tax performance among small and medium enterprises Nairobi central business district. Correlation analysis shows that system automation and corporation tax performance are positively and significantly associated with a correlation coefficient of 0.288. In addition, the Regression analysis shows there was a positive significant relationship between system automation and corporation tax performance ($\beta = 0.275$, $\rho < 0.05$). These findings as expected are in line with theory of technology acceptance.

5.2.3 Tax Audit on Corporation Tax Performance

The third objective was to determine effect of tax audit on corporation tax performance among small and medium enterprises Nairobi central business district. Correlation analysis shows that tax audit and corporation tax performance are positively and significantly associated with a correlation coefficient of 0.267. In addition, the Regression analysis shows there was a positive significant relationship between tax audit and corporation tax performance ($\beta = 0.359$, $\rho < 0.05$). The findings of this study indicate the tax audit has a positive effect on corporation tax performance therefore more efforts should be put on auditing the SMEs boost the revenue collection.

5.2.4 Deterrence Sanction on Corporation Tax Performance

The fourth objective was to establish the effect of deterrence sanctions on corporation tax performance among small and medium enterprises Nairobi central business

district. Correlation analysis shows that deterrence sanctions and corporation tax performance are positively and significantly associated with a correlation coefficient of 0.294. In addition, the Regression analysis shows there was a positive significant relationship between deterrence sanctions and corporation tax performance ($\beta = 0.281, \rho < 0.05$).

5.3 Conclusions of the Study.

The study concluded that corporation tax performance among small and medium enterprises Nairobi central business district was positively affected by taxpayer education. The study findings show that respondents learn a lot from KRA website on changes in law with regard to corporation taxes and Sensitization forums such adverts on television have improved my corporation tax compliance

The study also concluded that system automation has a positive effect on corporation tax performance among small and medium enterprises Nairobi central business district. The study findings show that respondents agreed that Online remittances of taxes are easy to track thus I can tell when taxes are due I am aware of KRA's online corporation tax return filing systems

Further, in regards to third variable the study concluded that tax audit has a positive effect on corporation tax performance among small and medium enterprises Nairobi central business district. Respondent agreed that Tax audit are effective tool by KRA on ensuring compliance with corporate tax laws SMES in CBD Nairobi County and Increased number of tax audits leads to high operational costs hence lower profits

The study also concluded that Deterrence Sanctions have a positive effect on corporation tax performance among small and medium enterprises Nairobi central business district. The study findings show that respondents agreed that I file nil and

incorrect returns to avoid penalties and High tax rates deter you from being tax compliant

5.4 Recommendations of the Study.

The findings revealed a statistically significant relationship between taxpayer education, system automation, tax audit and deterrence sanctions on corporation tax performance among small and medium enterprises Nairobi central business district. Therefore, the study recommends that KRA to pay more attention on tax audit that would enhance corporation tax performance. The study also recommends the following;

5.4.1 Implications on Theory

This study will contribute in increasing stock of knowledge for future research. The students, researchers and scholars will find this study a useful guide in as far as further discussions or studies are concerned. It will therefore form a basis of further research from interested individuals on the subject of corporation tax performance. The research confirmed various theoretical contributions and advances support for the relationships hypothesized. The results strengthen literature by confirming the postulations of the Ability to pay theory, Economic Deterrence Theory and Theory of Technology Acceptance.

Tax Audits and Deterrence Sanctions were found to influence tax performance as people know that it is wrong to evade taxes and there were consequences for the same. This confirmed the postulations of the Deterrence Theory. The study has demonstrated that taxpayers do operate in different settings and the tax performance is based on their judgment about tax education, tax audits, tax systems and deterrence sanctions, as postulated by various theories that underpins the study.

5.4.2 Policy Implications

This study will help the relevant authorities to formulate policies for better corporation tax performance and improved revenue collection. It will benefit a great deal from an improved tax reforms in terms of formulating suitable tax policies. The joint influence of tax education, tax audits, tax systems and deterrence sanctions significantly enhance corporation tax performance. The study outcomes present beneficial suggestions for policy creators in the government and particularly the Kenya Revenue Authority. Policy can be developed that encourage the corporate tax awareness among SMEs. Rizal (2010) opines that knowledge of tax system is necessary to increase public awareness, especially on taxation laws, the role of tax in national development, and to explain how and where the money collected is spent by the government. Knowledge is related to the taxpayers' ability to understand taxation laws and their willingness to comply. Similarly, policies that will enhance use of technology can have a positive impact on corporation tax performance among SMEs.

5.4.3 Implication in Managerial Practice

Implication on managerial practice are cited by the research, particularly with respect to tax decisions and scope of operation of the revenue authority. Therefore this study will be relevant to managers especially Kenya Revenue Authority managers will find this study useful as a point of reference as far as assisting in decision making regarding the relevance of corporation tax.

It has implications in terms of tax law enforcement, technological/systems advancement, and taxpayer awareness. KRA should strategize on tax education programs that will positively influence the SMEs to file their corporation tax. Majority of the respondents are in agreement that taxpayer education and seminars plays a positive role in enhancing corporation tax performance. In these forums,

knowledge is passed to taxpayers exhaustively and this enhances future compliance and through this knowledge the taxpayer is able to know the various rights and obligations accruing from services offered by KRA.

KRA should also focus on regular tax Audits among SMEs to reduce instances filing of erroneous tax returns. Regarding system automation, the i-tax system has enabled taxpayers to make more payments for taxes from their comfort locations however KRA should adopt a more user friendly system to enable SMEs to reduce their operation cost since some of them have to acquire the services of experts to file their returns.

5.5 Suggestions for Further Research

The present research was based on determining the factors that was to determine factors affecting corporation tax performance among small and medium enterprises Nairobi central business district, Kenya. With specific consideration to taxpayer education, system automation, tax audit and deterrence sanctions on corporation tax performance. The investigation successfully sampled 260 respondents via the use of structured questionnaires. However, this calls the need for more studies. Therefore, it is suggested that more studies can be conducted using other variables such as the effect of compliance cost on corporation tax compliance among SMEs in Nairobi County Kenya.

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APPENDICES

Appendix I: Introduction Letter

Gordon Oscar Ochieng' Mbewa,
Reg No. KESRA/105/0067/2018,
Moi University,
Eldoret, Kenya.

Dear Respondent,

RE: DATA COLLECTION.

My name is Gordon Oscar Ochieng' Mbewa a Masters student at Moi University.

In partial fulfillment of the requirements for the award of Master degree in Tax and Customs Administration, am conducting an academic research on ***DETERMINANTS OF CORPORATION TAX PERFORMANCE AMONG SMALL AND MEDIUM ENTERPRISES NAIROBI CENTRAL BUSINESS DISTRICT, KENYA***

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

Thank you for your willingness to contribute to this research.

Yours Faithfully

Gordon Mbewa.

Appendix II: Questionnaire

This questionnaire is designed to collect information on **“DETERMINANTS OF CORPORATION TAX PERFORMANCE AMONG SMALL AND MEDIUM ENTERPRISES NAIROBI CENTRAL BUSINESS DISTRICT, KENYA”**.

Kindly answer the following questions honestly and accurately as possible. The information given will be treated with a lot of confidentiality. Please do not write your name anywhere on this questionnaire.

SECTION A: DEMOGRAPHIC INFORMATION

1. Gender

- Female
- Male

2. Indicate where you fall among the following age brackets (years)

- Below 25
- 26-35
- 36-45
- 46-55
- Above 55

3. Level of education

- Primary
- Secondary Certificate
- Diploma level
- Bachelor's Degree Level
- Others

SECTION B: TAXPAYER EDUCATION

The following statements show how taxpayer Education on corporation tax performance. Please indicate your rate by ticking appropriately on a scale of 5-1, where 5= strongly agree, 4=agree 3=neutral 2=disagree 1=strongly disagree.

| Taxpayer Education | 5 | 4 | 3 | 2 | 1 |
|---|----------|----------|----------|----------|----------|
| Through broadcast media such as radio and television, my awareness on corporation tax regulations has increased. | | | | | |
| Videos on various media have fostered my filing of accurate tax returns. | | | | | |
| I learn a lot from KRA website on changes in law with regard to corporation taxes. | | | | | |
| Sensitization forums such adverts on television have improved my corporation tax | | | | | |
| Where there are changes in the law, timely dissemination of such information improves my tax compliance. | | | | | |
| The KRA customer care department sufficiently educates make me aware of tax law stipulations with regard to corporation tax hence enabling be fully compliant | | | | | |

SECTION C: SYSTEM AUTOMATION

The following statements show how system automation on corporation tax performance. Please indicate your rate by ticking appropriately on a scale of 5-1, where 5= strongly agree, 4=agree 3=neutral 2=disagree 1=strongly disagree.

| System Automation | 5 | 4 | 3 | 2 | 1 |
|---|----------|----------|----------|----------|----------|
| I am aware of KRA's online corporation tax return filing systems. | | | | | |
| Online remittances of taxes are easy to track thus I can tell when taxes are due. | | | | | |
| Payment of taxes through mobile money has improved corporation tax performance. | | | | | |
| I can pay corporation tax through mobile any time of the day. | | | | | |
| Electronic tax system is simple to use and this motivates me to comply with tax | | | | | |
| Retrieval of tax records from itax is vital since it enables me to track tax returns and payments at low costs. | | | | | |

SECTION D: TAX AUDIT

The following statements show how tax audit on corporation tax performance. Please indicate your rate by ticking appropriately on a scale of 5-1, where 5= strongly agree, 4=agree 3=neutral 2=disagree 1=strongly disagree.

| Tax Audit | 5 | 4 | 3 | 2 | 1 |
|--|----------|----------|----------|----------|----------|
| KRA frequently conducts tax audit to SMES in CBD | | | | | |
| Tax audit procedures by KRA to SMES in CBD Nairobi county are friendly and effective | | | | | |
| Tax audit are effective tool by KRA on ensuring compliance with corporate tax laws SMES in CBD Nairobi County | | | | | |
| In case of inconsistency in the corporate tax filed, KRA send their officers to conduct audit immediately to SMES in CBD | | | | | |
| Increased number of tax audits leads to high operational costs hence lower profits | | | | | |

SECTION E: DETERRENCE SANCTIONS

The following statements show how deterrence sanctions on corporation tax performance. Please indicate your rate by ticking appropriately on a scale of 5-1, where 5= strongly agree, 4=agree 3=neutral 2=disagree 1=strongly disagree.

| Deterrence sanctions | 5 | 4 | 3 | 2 | 1 |
|--|----------|----------|----------|----------|----------|
| Agency notices issued by KRA help in | | | | | |
| Penalties imposed by KRA are harsh and that prompts you to be tax compliant. | | | | | |
| I choose to pay actual taxes on time to avoid | | | | | |

SECTION F: CORPORATION TAX PERFORMANCE

The following statements show of corporation tax performance. Please indicate your rate by ticking appropriately on a scale of 5-1, where 5= strongly agree, 4=agree 3=neutral 2=disagree 1=strongly disagree.

| Corporation tax performance | 5 | 4 | 3 | 2 | 1 |
|---|----------|----------|----------|----------|----------|
| Our business is registered for the correct tax obligation | | | | | |
| We always file tax by the due date | | | | | |
| Our business always declare the correct profit | | | | | |
| We pay the correct tax by due date | | | | | |

Appendix III: Data Collection Permit



REF: KESRA/NBI/036

5th August 2022

TO: WHOM IT MAY CONCERN

RE: RESEARCH STUDENTS - DATA COLLECTION PERMIT

STUDENT NAME: GORDON OSCAR OCHIENG MBEWA
REGISTRATION NO.: KESRA105/0067/2018

This is to confirm that the above named is a student at Kenya School of Revenue Administration (KESRA) Nairobi Campus pursuing a Masters in Tax and Customs Administration undertaking research on "*DETERMINANTS OF CORPORATION TAX PERFORMANCE AMONG SMALL AND MEDIUM ENTERPRISES, NAIROBI CENTRAL BUSINESS DISTRICT, KENYA.*"

The purpose of this letter is to request your good office to allow the student access your offices, assist him with the relevant information, accept to be interviewed and provide any other relevant information related to his study to enable him finalize the project.

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

Thank you.

Dr. Marion Nekesa,
Head Academic Research,
KESRA



Appendix IV: Research Permit


REPUBLIC OF KENYA
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 865279

RESEARCH LICENSE



This is to Certify that Mr. GORDON MBEWA of Kenya School of Revenue Administration, 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: DETERMINANTS OF CORPORATION TAX PERFORMANCE AMONG SMALL AND MEDIUM ENTERPRISES NAIROBI CENTRAL BUSINESS DISTRICT, KENYA for the period ending : 08/November/2022.

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See overleaf for conditions

Appendix V: Plagiarism Report

