

**SOCIO-PSYCHOLOGICAL DETERMINANTS OF TENANTS ATTITUDE
TOWARDS RESIDENTIAL RENTAL INCOME TAX COMPLIANCE IN
ELDORET MUNICIPALITY, KENYA**

BY

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IN TAX AND CUSTOMS, TAX ADMINISTRATION OPTION**

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DECLARATION

Declaration by Candidate

This is my research project, and it has never been submitted for a degree or other award at another university. No part of this research project can be reproduced without the consent of the author and/or Moi University.

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Declaration by the Supervisors

I certify that the student developed this research project under my supervision as the university's designated supervisor.

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DEDICATION

This research project is dedicated to my wife Caroline and children Collins, Gideon, Dorcas and Marcellus for their support, appreciation, moral sustenance and prayer contributions.

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ABSTRACT

Residential rental income tax compliance in Kenya has remained poor despite penalties, periodic audits, fines, and the geo-mapping of residential properties by KRA. Although data indicate a rapid expansion of the real estate industry, taxes on rental income have remained the same with this expansion. Due to tax shifting by property owners, tenants are at the core of rental income tax. In addition, tenants and property owners occasionally collaborate in evading rental income taxes. Furthermore, tenants may decide to purchase a home if high property taxes increase the amount of rent due. This could decrease the demand for rental homes and lower the amount of rental income tax collected. Additionally, as part of third party reporting, KRA requires tenants to voluntarily divulge information on property owner when submitting their annual self-assessment returns. Prior studies have revealed that socio-psychological factors influence a person's attitude towards compliance with tax laws. However, few studies have assessed tenants' attitudes toward residential rental income tax compliance. Therefore, this study sought to examine the effect of perceived tax system fairness, perceived enforcement power, perceived tax knowledge, perceived trust in government and perceived social norm on tenants' attitudes toward residential rental income tax compliance. The study was grounded on the theory of planned behavior and the theory of social norms. The study adopted the explanatory and cross-sectional research design. The study's population comprised of 119,042 tenants, however the final sample was 399 tenants. Self-administered questionnaires were used to collect data that was analyzed through descriptive and inferential statistics. The results of multiple regression were used to test the hypotheses. The findings revealed a significant negative relationship between perceived tax system fairness ($\beta = -0.123$; $\rho < 0.05$), perceived enforcement power ($\beta = -0.124$; $\rho < 0.05$), perceived tax knowledge ($\beta = -0.128$; $\rho < 0.05$), perceived social norm ($\beta = -0.111$; $\rho < 0.05$) and tenants' attitude towards residential rental income tax compliance. The study further found a positive relationship between perceived trust in the government and tenants' attitude towards residential rental income tax compliance ($\beta = 0.224$; $\rho < 0.05$). The study concluded that socio-psychological factors are significant determinants of tenants' attitude towards residential rental income tax compliance. Based on the findings, the study makes several recommendations. First, KRA needs enhance outreach programs to create awareness of the significance of complying with the residential rental income tax. Second, the tax authority should develop effective working strategies to establish trust and cooperation with taxpayers to foster a culture of voluntary tax compliance with rental income tax. Third, government should foster a culture of voluntary tax compliance among the populace. Finally, future research may focus on other real estate industry participants, such as property managers and estate agents, as drivers of residential rental income tax compliance.

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ABBREVIATION AND ACRONYMS

ANOVA	:	Analysis of Variance
DWBI	:	Data Warehouse and Business Intelligence
EU	:	European Union
GDP	:	Gross domestic product
GIZ	:	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Corporation for International Cooperation)
KMO	:	Kaiser-Meyer-Olkin
KRA	:	Kenya Revenue Authority
MRI	:	Monthly Rental Income
NACOSTI	:	National Commission of Science Technology and Innovation
OECD	:	Organization for Economic Co-operation and Development
SMEs	:	Small and Medium Enterprises
SPSS	:	Statistical Package for the Social Sciences
TPB	:	Theory of Planned Behaviour
VIF	:	Variance Inflation Factor

OPERATIONAL DEFINITION OF TERMS

Enforcement power:	the power granted to tax authorities to ensure tax compliance
Social norm:	rules and standards that are understood by members of a group and which give direction and/or restrain social behaviour without the force of laws
Tax compliance:	Refers to the adherence to the administrative rules of lodging and paying taxes on time including compliance with the reporting requirements, procedural rules, and regulations. This entails filing tax returns on time, reporting all the income, and claiming the right deductions and where taxes are due making tax payments on time full payment of all taxes due.
Tax evasion:	Refers to the illegal and intentional actions taken by individuals to reduce their legally due tax obligations. The study adopts the same meaning.
Tax knowledge:	is the level of awareness or sensitivity of the taxpayer to tax legislation
Tax system fairness:	taxpayer' belief that the tax imposed is a fair tax.
Tax:	The contribution from people and organization to the government from their income either by service or by business without taking corresponding benefit.
Tenant:	a person (including a corporation) paying or required to pay rent for premises as a lessee or a sublessee.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter discusses the study's background, the statement of the problem, objectives, hypotheses, significance and the scope of the study.

1.1 Background of the Study

Many governments worldwide require revenue to fund social programs and infrastructure expansion for socioeconomic development (Gambetta *et al.*, 2018). Furthermore, taxation is the primary way that governments raise money for capital expenditures, especially in emerging and developing economies (Burgess & Stern, 1993; Thananga, Wanyoike & Wagoki, 2013). In addition, taxes provide a vital route for developing nations to achieve financial independence from foreign aid (OECD, 2009).

Rental income taxes are a crucial source of funding for governments (Zegeye, 2020; Eerola *et al.*, 2018). Therefore, national, state and local economies depend heavily on housing activity and the residential construction that goes with it. Housing taxation can significantly impact public finances, and the housing market's structure can affect the demand side of the economy (Pellegrino & Turati, 2011; Nakagami & Pereira, 1996). Additionally, housing wealth has a significant impact on economic and financial cycles since rapid price changes in homes might endanger the economy's stability and financial system (European Union, 2012).

Better compliance with tax rules is the most sought due to its relevance of taxation in the provision of public goods and economic management. However, tax authorities worldwide have faced difficulties dealing with the multiple reasons why people evade

taxes. In-depth research on the primary drivers of tax evasion has been done in some studies (Marti, 2010; Pope & Abdul-Jabbar, 2008; Kirchler, 2007). Although this is the case, the issue still hurts Kenya's economy. Evidence connects a lack of an effective tax policy, low compliance, and lousy tax administration to the high tax evasion and avoidance rates recorded in developing nations (GIZ, 2010). Government tax revenue collection effectiveness depends on taxpayer compliance with tax rules (Lucinde, 2017). Thus, taxpayer non-compliance with tax laws hurts government income collection and expenditure. According to Lucinde (2017), the tax gap measures the level of non-compliance. A tax gap denotes the discrepancy between the amount of money raised and what would have been raised if there had been complete compliance (Lucinde, 2017). A recent analysis found that rental property is the asset class taxed the most in many OECD nations (OECD, 2018). Additionally, rental unit ownership is typically prevalent among households, making it expensive for tax authorities to implement various enforcement tactics.

The taxation of rental income in Kenya operates on a self-assessment system; as a result, taxpayers frequently must self-evaluate, self-report, and pay taxes "out of their pocket" (Teshale & Mohammedawol, 2013). The annual self-assessment return, which must be submitted no later than six months after the end of the income year, collects data on the identity of the landlord and tenant, the location of the property, the gross rental income, the costs of renting the property, the amount of rental tax due, and other information. Rental income is a unique taxable income because there are few avenues for third-party reporting, which could lead to a higher likelihood of tax evasion. A recent analysis found that rental property is the asset class taxed the most in many OECD nations (OECD, 2018). Additionally, rental unit ownership is typically prevalent

among households, making it expensive for tax authorities to implement various enforcement tactics.

In Kenya, every resident landlord receives an annual rent income between Ksh. 288,000 and Ksh. 15 million is required, as of January 1, 2021, to file and pay for Monthly Rental Income Tax. In comparison, landlords who earn less or more than this amount are still required to file annual income tax returns and declare their rental income along with other sources of income. KRA (2012) revealed that less than 40% of developers and landlords complied with tax obligations. As a result, the government strengthened the rental income tax provisions. Karanja (2014) further notes that the income lost because of individual taxpayer non-compliance, primarily self-owned businesses, is estimated to be between \$93.20 billion and \$95.30 billion. Consequently, tax evasion may account for the weak connection between tax collection and the anticipated socioeconomic progress. (Garrett & Mitchell, 2001). Bird (1984), further notes that most developing countries fail to collect more than half of their prospective tax revenues.

Tax authorities use a variety of deterrent tactics to increase compliance, including audits (Dubin, 2007), media advertising (Hite, 1997), legal sanctions (Raskolnikov, 2006), education and tax awareness (James and Alley, 1999), rewards and incentives (Callihan & Spindle, 1997), and, undoubtedly, taking into account the morals and social norms of taxpayers (Wenzel, 2003; Kirchler, Hoelzl & Wahl, 2008).

The government avoids the costly alternative of assessing each taxpayer's duty. Instead, it uses other options to collect it since it anticipated that people would determine their tax responsibilities and willingly pay whatever is owed (Teshale & Mohammedawol, 2013). However, one drawback of relying so much on individual taxpayers' voluntary

compliance is that some people choose not to willingly pay their taxes, which creates an income tax gap. As a result, the tax authority must research additional enforcement strategies for income tax regulations.

A growing body of research emphasizes how governments can use data on taxable transactions shared by third parties to ensure more accurate self-reporting and how the expansion of third-party information trails as nations develop may help explain trends in government revenue among advanced economies over the past century (Gordon & Li 2009; Kleven, Kreiner & Saez 2016).

1.1.1 Global Perspective

Tax knowledge or education is critical in determining voluntary disclosure and tax compliance. Tax awareness refers to taxpayers' understanding of tax laws and regulations on the specific tax issues related to them (Taing & Chang, 2021). Harris (1989) distinguished between two types of tax knowledge: general knowledge acquired through common or formal education and knowledge targeted especially at possibilities to dodge taxes. In contrast, Spilker (1995) classified declarative and procedural knowledge as the different forms required in taxation.

Palil, Akir, and Ahmad (2013) examined the relationship between religion and tax education, knowledge, and compliance. A sample of 70 working individuals enrolled in an MBA program at a public university in Malaysia was used. The authors discovered that the respondents' tax compliance was lower than expected, given their level of education and tax understanding. The study's findings indicated that religious beliefs are a significant factor in determining whether taxpayers must comply with tax laws. Al-Ttaffi, Bin-Nashwan, and Amrah (2020) investigated the effects of tax knowledge on the tax compliance behaviors of Yemeni taxpayers. Specifically, the study looked at

the impact of tax literacy on taxpayer behavior. The survey took into account a sample of 287 respondents. The main conclusion of this study was that compliance behavior rises with tax knowledge.

In the first instance, the taxpayers' degree of education plays a significant role in their general comprehension of taxation, particularly about the rules and regulations governing taxation (Eriksen & Fallan, 1996). Previous research has demonstrated a strong relationship between general tax knowledge and taxpayers' capacity to comprehend tax laws and regulations and their capacity to adhere to them (Singh, 2003). According to Eriksen and Fallan (1996), "tax law knowledge is thought to be of greater value for choices and attitudes regarding taxes." The author asserts that tax behavior can be changed by understanding tax rules and how fiscal knowledge and attitudes toward taxes are correlated.

To determine actual income reporting, make accurate deductions and relief claims, and lastly, make proper tax computations and payments, one must have sufficient knowledge of current tax rules and regulations. Tax authorities in various jurisdictions have put in place several programs to make it easier for taxpayers to learn and put their knowledge into practice. Tax knowledge is crucial in a voluntary compliance tax system, mainly when calculating an exact tax liability (Asrinanda, 2018). Recent tax research (Palil, 2010; Mohd & Ahmad, 2011) has also revealed that tax knowledge is essential in determining how taxpayers will behave when using the self-assessment system. Therefore, failing to understand taxes can result in taxpayers' unintentional or intentional non-compliance. Eriksen and Fallan (1996) examined the influence of tax awareness on taxpayer compliance. The study considered two groups of bachelor's students are compared, one of which, the control group, is assigned to study marketing, and the other, the treatment group, is assigned to investigate taxation. The study found

that students in the treatment group reported a more positive attitude toward tax compliance.

Though deterrence in the sense of danger of detection and penalty may have a favorable effect on tax compliance, research indicates (as mentioned above) that norms have a more substantial impact. Garcia *et al.*, (2020) note that the administration of tax policy has switched its emphasis from enforcement to complementary tools designed to establish a societal norm of tax compliance. The authors continue to make the case that understanding whether all peers evade taxes or whether all peers pay them gives insight into the descriptive norm of how people typically act when filing their taxes. Additionally, peer communication is likely to convey an injunctive norm dimension: if all of my friends admit to tax evasion, I may find it more acceptable in society.

Kirchler, Hoelzl and Wahl (2008) found that social norms are accepted ideas about how people in a group ought to act. According to Porcano (1988), if their reference group, such as professional groups, friends, and acquaintances, consider tax evasion as a lesser crime, then taxpayers will adhere to the law or will behave more leniently when it comes to paying taxes (Hofmann, Hoelzl & Kirchler, 2008). Hofmann *et al.*, (2008) claim that tax legislation, tax morale, and civic obligation all partially reflect cultural norms of tax behavior. Schmolders (cited in Hofmann *et al.*, 2008) defined tax morale as the collective attitudes of a group toward abiding by the law. Tax morale is associated with the motive of civic duty because people are driven not just to maximize their well-being but also by a sense of social obligation (Hofmann *et al.*, 2008; Kirchler *et al.*, 2008).

Akerlof (1980) and Sunstein (1996) argue that social norm theory has made a substantial contribution to contemporary understanding of how economic attitudes are formed and institutionalized. The term "social norms" refers to the accepted standards

of behavior that a community upholds and serve as the primary motivation mechanisms for individuals (Festré, 2010). Typically, sanctioned behaviors are maintained through feelings of guilt and shame, which encourage group members to put the needs of the group before their own (Festré, 2010).

Community acceptance and support are linked to conformity to norms and peer-group expectations, but unconventional attitudes may result in social discrimination. Social approval and disapproval are viewed within the framework of social norm theory as instruments that help people internalize acceptable beliefs and recognize conformity as a moral duty (Sunstein, 1996).

Previous studies have shown that social norms influence people's economic conduct (Akerlof, 1980). The views, expectations, and accepted patterns of behavior of the larger community have an impact on decisions regarding work effort, consumption, deals, contracts, and an infinite number of other issues (Durlauf & Blume 2008). Kirchler (2007) asserts that it is challenging to comprehend the idea of norms in tax compliance because these standards may come from the taxpayer's internal standards, socially accepted standards, or collective or national societal norms that are reflected in the tax law. According to Ajzen (1991), subjective norms or significant referent others are external social pressures from a person's family and friends that may have an impact on that person's ethical decision-making because what is deemed ethical is not always consistent (Westerman *et al.*, 2007).

Fadjar (2012) views subjective norm as an organizational aspect, the subjective norm is a relatively unexplored topic in the field of ethics research and needs more investigation. Subjective norms in the form of peer influence are recognized as a significant element in tax compliance (Richardson & Sawyer, 2001; Jackson &

Milliron, 1986; James, Zaimah & Kamil, 2011). Thus, if individuals believes that members of their reference groups voluntarily comply with tax laws, they are more likely to do so, just as they are more likely to do the opposite if they believe that their referent group members do not. Previous research have employed this theory to explain the connection between people's standards for conduct and ethical convictions (personal norms), expectations of close friends and family (subjective norms), and tax compliance choices (Bobek, Hageman & Kelliher, 2013; Shaharuddin, Tajuddin & Palil, 2018 Blay *et al.*, 2018).

In the opinion of tax officials, the majority of compliance is driven by norms (OECD, 2010). Social and individual norms can be distinguished between them. Personal norms are a person's moral principles and beliefs, whereas societal norms are the standards of a particular social group. The individual's environment must be aware of the specific act for social norms to have any impact, which makes the relationship between confidentiality laws seem pretty straightforward. Social norms are unwritten laws or duties that some people feel obligated to abide by despite the absence of official legal penalties. Such norms frequently emerge from spontaneous interactions within small groups because of a type of evolution in which people logically mimic the actions of others. People adhere to social rules because doing so makes them feel better, either internally from doing the right thing or externally from receiving praise. The person performs a cost-benefit analysis. In other words, there is a trade-off between the advantages of adhering to social norms and the disadvantages of breaking them.

Numerous studies demonstrate that people tend to act like others out of fear of social exclusion (Reno, Cialdini & Kallgren, 1993). The non-compliant would face penalties from others for not abiding by the rules, usually in the form of disapproval, poor regard, or even ostracism. Formal punishment is less effective than informal punishments from

family, friends, and coworkers as a preventative measure. Legal sanctions function better if there is a social cost involved. For instance, sanctions are frequently less effective than actions that affect a company's profitability and reputation.

When it comes to distributive justice, a person is worried about the fairness of their acts and wants to be treated according to their accomplishments, efforts and needs (Kirchler, 2007). Taxpayers prefer their group to be treated fairly compared to other income groups. Therefore if a person feels that their tax burden is higher than that of others in the same income group, tax compliance is likely to decline more broadly at group levels. Tax evasion may occur among group members if they believe their tax burden to be more significant than that of other groups. If the tax system is perceived as unfair at a societal level, tax compliance is less likely; widespread tax evasion is more likely to happen (Barjoyai, 1987). Similarly, according to OECD (2009), the public in many countries believes that those with the most wealth and income pay the least in taxes.

Porcano (1987) contends that people are more prone to commit tax evasion when they believe tax procedures and regulations are unfair and overly complicated. Fairness is related to the perceived concord between taxes paid and benefits received by the public, as well as the perceived justice of procedures and the repercussions of deviating from the norm (Hofmann *et al.*, 2008; Porcano, 1987).

When taxpayers believe the taxing body is treating them fairly, they voluntarily disclose and pay their tax liability. The literature contains several conceptualizations of tax fairness (Benk, Budak & Cakmak, 2012). Tax fairness, according to policymakers, is a crucial state objective to promote tax compliance. For instance, the American tax authority has placed a lot of emphasis on perceived fairness to increase tax compliance (Bobek, 1997). As a result, it is normal for a tax system to expect taxpayer non-

compliance when it violates the fundamental ideals of fairness and efficiency (Head, 1992). Fairness views are multi-dimensional, researchers have concluded. In this study, general fairness, trade fairness, horizontal fairness, vertical fairness, retributive fairness, personal fairness, and administrative fairness are among the dimensions of interest.

Verbon (2013) examined the relationship between fairness considerations and tax compliance attitudes and intentions. The study used a sample of 2098 Dutch small business owners. The results of these studies demonstrate that personal norms and beliefs about justice influence attitudes about tax compliance. The findings of this study support the idea that distributive fairness positively influences tax compliance views and intentions among business owners with relatively low personal norms. In contrast, distributive justice has no discernible impact on business owners with high subjective norms. Van Dijke and Verboon (2010) investigated the moderating effect of trust in authorities on the connection between the procedural fairness of the tax office and voluntary tax compliance. A sample of 567 respondents was used. According to the study, the tax office's procedural fairness has a beneficial impact on taxpayers' willingness to cooperate with tax authorities.

Tan and Chin-Fatt (2000) examined the impact of increased tax knowledge on attitudes toward tax compliance and perceptions of justice. A sample of 83 students taking an introductory taxation course at a New Zealand tertiary institution was considered for the study. The findings show that an increase in tax knowledge did not significantly impact attitudes toward tax compliance and perceptions of justice.

Goetz (1978) views horizontal fairness as the idea that the tax burden should be shared evenly among peers. Distributive, procedural, and retributive fairness are the three

types of fairness (Wenzel, 2003). The core of distributive fairness is taxation's equitable allocation of costs and benefits. The term "procedural fairness" relates to equitable tax collection among taxpayer groups. Retributive fairness refers to treating taxpayers fairly while using coercive measures in fines and audits. According to a Malaysian study, procedural fairness favors compliance behavior (Faizal & Palil, 2015).

Geberegbe, Idornigie, and Nkanbia-Davies (2015) studied Nigeria's tax fairness and compliance attitudes and discovered a strong correlation between the two. According to the study's overall findings, tax compliance is more likely to occur if taxpayers believe that the tax burden is evenly divided among their peers. Similarly, Taing and Chang (2020) also confirm that tax justice, tax complexity, and tax morale statistically affect citizens' intentions to pay their fair share of taxes. According to Wenzel (2002), procedural and distributive justice feelings are only likely to have a beneficial impact on tax compliance when taxpayers strongly identify with their social group and country. The author also emphasizes the need for tax authorities to treat taxpayers with respect and dignity while considering their sense of justice and fairness.

The importance of trust in influencing adherence to organizational decisions and regulations has been highlighted in previous studies (Braithwaite & Makkai, 1994; Shapiro, 1990). Furthermore, trust fosters compliance, according to Braithwaite and Makkai (1994). A few empirical studies have also examined the connection between compliance and trust (Braithwaite & Makkai, 1994; Kim & Mauborgne, 1993; Scholz & Lubell, 1998). These studies support the idea that trust is a crucial factor in deciding whether or not a group's rules and decisions are accepted and followed.

Taxpayers must anticipate a comparable fiscal exchange between the taxes they pay and the goods and services the government offers for them to pay taxes voluntarily

(Feld & Frey, 2007). This pertains to the extent to which taxpayers' trust in the government affects their tax-compliance choices. For instance, taxpayers will have more faith in their government and engage in compliance behavior if they believe that tax monies are handled wisely and that the tax administration is open and honest. The effectiveness of the government in enforcing tax compliance depends on how the taxing authority treats its residents through coercive and lawful power (Hartl, Hofmann, Gangl, Hartner-Tiefenthaler, & Kirchler, 2015; Kastlunger, Lozza, Kirchler, & Schabmann, 2013).

Becker (1968) defined authority as "the capacity of coercion implementing punishment and prosecution as determinants of tax compliance." Kastlunger *et al.*, (2013), while enforced compliance tends to increase the number of tax evaders, power benefits it. In four experiments, Hartl *et al.* (2015) examine the effects of fine rates, coercive power, legitimizing power, and the combination of coercive and legitimating power on tax compliance behavior and the perception of the taxing authority's power. The findings show that coercive and legitimizing power greatly influences the tax payers compliance decisions

Literature shows that disclosure of tax information by third parties deters tax evasion (Mazza, 2003; Laury & Wallace, 2005; Kornhauser, 2005). Alm (2021) further notes that technology makes tax evasion harder for most taxpayers, especially those subject to employer withholding and third party information reporting. Moreover, Kleven *et al.*, (2011) demonstrated using baseline audit data that the tax evasion rate is high for self-reported income but near to nil for income subject to third party reporting. Bjørneby, Alstadsaeter, and Kjetil (2018), note that employers' tax withholding and third-party reporting are effective tax compliance mechanisms because employers and employees are less likely to cooperate to evade taxes.

Naritomi (2019) investigated the enforcement value of third-party information on possibly collusive taxpayers in So Paulo, Brazil, using a sample of 605,994 firms registered in a retail or wholesale sector that submitted tax returns between 2004 and December 2011. The findings showed that the program's enforcement value was increased by fixed costs of concealing collusion, increased detection probability due to whistle-blower threats, and behavioral biases related to lotteries. Despite increased reported expenses by businesses, the tax revenue net of awards rose by 9.3 percent.

Voluntary tax information disclosure provides the chance for public involvement to improve the detection of non-compliance and tax evaders, especially with scarce resources. According to Kornhauser (2005) and Mazza (2003), targeted disclosure may also help people learn more about taxes. Prior studies show that third-party information enhances tax compliance. The cost of enforcing tax regulations is high for the tax authorities. Informant essentially becomes a tool for peeping inside the otherwise private zone of voluntary compliance, despite the possibility that information technology may boost the precision of targeting enforcement actions toward people likely to be non-compliant (Morse, 2009). As a result, the revelation of tax information by informants or third parties may improve tax compliance. According to Munda (2022), the connection between the KRA system and other parties, such as Kenya Power and commercial banks, allowed for the inclusion of 76,025 property owners in the tax system during the previous two and a half years. The report also claims that KRA apprehended 5,542 property owners in 2019/2020 and collected Ksh 54 million in rent due to information gathered from Kenya Power & Lighting Company.

Tenants are at the heart of rental income compliance. In some nations, such as Zambia, the tenant's responsibility is to deduct rental income tax from gross rentals when any money payable to the property owners becomes due (Mushingi *et al.*, 2021). Local

studies have also reported that the low compliance with rental income tax can be attributed to tenant-specific factors such as delay in payment of rent (Kivuva, 2022). Muleya *et al.*, (2018) pointed out that tenants experience welfare losses when their rent is raised, or the incidence of the rental income tax is transferred to them. In addition, the author noted that tenants in such circumstances were prone to dodge taxes on the landlord's behalf.

The existing body of empirical research has identified various factors that influence the compliance behavior of property owners with regards to rental income tax. Based on research carried out by Ondoro (2021), various factors have been identified as influential in shaping the willingness of taxpayers to comply with rental income taxes in Kenya. These factors include the taxpayer's age, current occupation, financial limitations, the influence of their reference group, educational attainment, level of awareness, perception of tax fairness, as well as the presence of government incentives, trust in the tax collector, tax collection procedures, and tax audits. In accordance to the study conducted by Tiwari (2021), there exists a positive association between rental income tax compliance rates in Nepal and factors such as tax awareness, attitude toward taxes, peer pressure, and government incentives. According to Mushingi *et al.* (2021), the authors noted a potential connection between inadequate rental income tax compliance in Zambia and many factors, including an absence of an equitable tax system, elevated tax rates, inconsistent deregistration of taxpayers, and insufficient understanding of specific tax regulations among taxpayers.

The empirical research places significant emphasis on socio-psychological elements as key predictors of individuals' intention to comply with tax legislation. Richardson (2006) posits that the compliance behavior of taxpayers might be influenced by their impression of the fairness of the tax system. According to the author, it is asserted that

a taxpayer considers five primary underlying characteristics of tax justice: general fairness and distribution of the tax burden, interaction with the government, perspective on taxing the affluent, desired structure of tax rates, and personal self-interest. Empirical evidence has also substantiated the significance of taxpayer trust in the government as a determining factor in the duration of the contractual relationship between the two entities. In line with previous research conducted by Feld and Frey (2002) and Torgler et al. (2008), there is a positive relationship between taxpayers' compliance with tax laws and their perception of the equivalence between the taxes they pay and the government services they receive. The payment of taxes by citizens is often perceived as a form of payout for the services provided by the government. Consequently, the presence of trust plays a pivotal role in facilitating voluntary compliance with tax obligations. As stated by Beck and Dye (1982), those who possess trust in the government exhibit a positive disposition towards fulfilling their tax responsibilities. In accordance with Robinson (1996), taxpayers who possess a lower level of trust in the government tend to perceive the events in a negative light, whilst those with a higher level of trust tend to perceive them in a positive manner. Taxpayers harboring a lack of confidence in the government are likely to exhibit heightened skepticism regarding the allocation and utilization of their funds.

Conversely, in the event that taxpayers possess confidence in the government, they will demonstrate their endorsement of its tax-related policies through adherence to legal requirements. Previous research has indicated that an individual's personal norms, which encompass their standards for conduct and ethical convictions, as well as subjective norms, which refer to the expectations of individuals close to them, significantly influence the taxpayer's perspective on tax compliance (Bobek, Hageman & Kelliher, 2013; Bobek, Roberts & Sweeney, 2007).

Castro and Scartascini (2015) argue that the level of tax compliance is influenced by individuals' subjective impressions of the severity of enforcement and penalties, as well as the actual compliance rates. According to Murphy (2008), the rigorous implementation of tax compliance measures could potentially undermine taxpayers' inclination to adhere to their obligations in subsequent instances. The influence of taxpayers' awareness of tax laws on their attitude towards tax compliance has been discussed in tax literature (Tan & Chin-Fatt, 2000). The need of tax knowledge was also emphasized by White, Curatola, and Samson (1990). They contend that the public may view the income tax as unfair if they do not grasp the intention behind the tax provisions. Therefore, a tax system that is complex and that is poorly understood creates numerous opportunities for non-compliance. Though research on rental income tax compliance has been conducted, none has focused on how socio-psychological factors affect tenants' perceptions toward residential rental income taxes compliance. Therefore, this study seeks to fill this gap.

1.1.2 Kenya Perspective

In Kenya, the taxation system works based on self-assessment. Since the government anticipates an individual to determine their tax requirements and voluntarily pay whatever is due both regularly if monthly salary, and annually. By assigning the responsibility to individuals, the government eludes the expensive alternative of determining each taxpayer's obligation and exploiting options to collect it (Slemrod, 2008). Nonetheless, one cost of depending so greatly on the voluntary compliance of individual taxpayers is that not all individuals voluntarily pay their taxes when due. Bird's (2012) approximation is that the overall personal income tax gap is the difference between the actual tax paid voluntarily and timely and what taxpayers ought to pay.

According to Mwangi (2014), one of the main reasons for tax evasion is the high personal income tax rates, which tend to lead taxpayers to evade tax. It is believed that a high tax rate is the main cause of tax evasion. Incentives to avoid tax depend on the marginal tax rates because these govern the gains from evasion as a sum of the tax evaded. High tax may be a disincentive to work, leading to low tax revenue collection (Kołodziej, 2011). Kenya is regarded as one of the countries with low income and tax compliance partly caused by the inadequately resourced and ineffective tax administration.

Any revenue obtained from investments in Kenya, including those in the countryside, is required to pay taxes by law. Despite the appeals to assist the expansion of the economy by paying their fair share of taxes, the contribution by landlords has been remarkably low despite the considerable increase in tax collection by over 300% (2003-2011). (KRA, 2013). But the lack of effective enforcement methods is largely to blame for the poor tax income.

Therefore, the government needs to implement a mechanism to help ensure that all citizens are tax-compliant (Ayuba, Saad & Ariffin, 2016). Therefore, every effort must be made to ensure that low tax compliance culture is curtailed to improve its global standing on tax compliance matters (Makori *et al.*, 2013).

To enhance revenue collection, Kenya recently introduced through an Act of Parliament the residential rental income tax imposed on income from rent of residential buildings. Since any income that is received from renting out a property is legally chargeable to income tax, the owners of the property are required to declare this income and pay applicable taxes monthly (KRA, 2021).

The rental income tax rate of 10% tax on gross rent took effect on 1st January 2016 and applies to rental income received from the calendar month of January 2016. Eligible persons are required to file their tax returns via the *iTax* System (KRA, 2015). The 10% tax rate on gross 3 rental income is payable by a resident, whether an individual or an entity. It applies to rental income accrued in or derived from Kenya for the use of residential property where the rent income does not exceed KShs.10 million per annum (The Finance Act, 2015). The change is part of the KRA efforts to encourage property owners to be tax compliant. The tax is simple to compute since it is based on a percentage of the gross rentals and is lower than the standard rate of 30% for usual income tax to reflect the fact that the landlords do not receive a deduction for the expenses incurred to generate the income (KPMG, 2015).

1.1.3 Residential Rental Income Tax Compliance

Residential rental income tax is the tax imposed on income from rent of residential buildings. Since any income that is received from renting out a property is legally chargeable to income tax, the owners of the property are required to declare this income on their tax return. This income could be from renting out land or buildings (Berhane & Yesuf, 2013). The rental income tax rate of 10% tax on gross rent took effects on 1st January 2016 and applies to rental income received from calendar month January 2016. Eligible persons are required to file their tax return via *iTax* System (KRA, 2015). The 10% tax rate on gross rental income is payable by a resident person whether individual or an entity and will apply to rental income that has accrued in or is derived from Kenya for the use of residential property where the rent income does not exceed KShs.10 million per annum (The Finance Act, 2015). The change is part of the KRA efforts to encourage property owners to be tax compliant. The tax is simple to compute since it is based on a percentage of the gross rentals and is lower than the standard rate of 30%

to reflect the fact that the landlords do not receive a deduction for the expenses incurred to generate the income (KPMG, 2015).

Some of the benefits of the residential rental income tax include simplified tax computation at 10% flat rate on gross rent and not at 10% -30% rates. Landlords shall not be required to produce records to account for expenses. In addition to simplifying the taxation of rental income, the Finance Act also provides for an amnesty on taxes, penalties and interest on rental income for the period prior to 2014 (KPMG, 2015). There is a growing body of research into taxpayer compliance behaviour that is helping to develop a better understanding of what motivates taxpayers to comply, or not, with requirements of the tax system (Gayer & Mourre, 2012).

According to Mwangi (2014) one of the main tax evasion reason is the high personal income tax rates, which tend to lead taxpayers to evade tax. It is generally believed that a high tax rate is the main cause of tax evasion. Incentives to evade tax depend on the marginal rates of taxation because these govern the gains from evasion as a sum of the tax evaded. High tax may be a disincentive to work which can lead to low tax revenue collection (Kołodziej, 2011). Attitude and perception towards tax and its general compliance levels has also been identified as a major factor which influences compliance of tax (Mukabi, 2014). Attitude may be positive or negative evaluation of an individual about someone or an object and so forth. Attitude usually controls an individual's action. Thus, a taxpayer with positive attitude toward tax evasion is expected to be less compliant

1.2 Residential Rental Income Tax in Kenya

The residential rental income tax refers to a tax imposed on the revenue generated through the letting of residential properties. The Kenya Revenue Authority (KRA)

introduced rental income tax amendments targeting property owners during the fiscal year 2017-2018. The Monthly Rental Income Tax (MRI) was implemented on January 1, 2016, as a result of the Finance Act of 2015, in accordance with Section 6A of the Income Tax Act. Assume that an individual or corporate entity engages in the use or inhabitation of a property designated for residential purposes, encompassing both commercial and residential edifices. In such instances, individuals are obligated to remit rental income tax on the proceeds they generate. Property owners are legally required to remit rental income tax, which is levied at a fixed rate of 10%, on the total amount of rent received. This tax can be paid on a monthly, quarterly, semi-annual, or annual basis. It is important to note that despite the chosen payment frequency, property owners are still obligated to file their tax returns on a monthly basis.

According to the Finance Act (2020), it is stipulated that commencing on January 1st, 2021, resident landlords who generate an annual rental income ranging from Kshs. 288,000 to Kshs. 15 million are obligated to submit and remit the MRI tax. Conversely, landlords who earn below or above this specified range are still required to file yearly income tax returns and disclose their rental income in conjunction with other forms of income (Finance Act, 2020). The preceding thresholds for rental income were 144,000 and 10 million Kenyan Shillings, correspondingly.

The adjustment was implemented in order to align the MRI with the preexisting lower individual tax brackets. In accordance with a regulation, individuals who wish to maintain their annual rental income tax obligations are required to submit a formal written request to the Commissioner General. The ultimate MRI tax return is filed on iTax no later than the twentieth day of the subsequent month, adhering to the aforementioned deadline. Consequently, rental income that falls under the purview of the residential rental income tax is exempt from any additional taxes as stipulated by

the legislation. Consequently, both individuals and organizations are not required to incorporate it within their annual income tax submissions. A non-income-earning return is submitted in the event that the proprietor of a property does not receive any rental income within a certain month.

The taxes levied on rental income are considered to be definitive in nature. Consequently, property owners are not obligated to incorporate identical information inside their yearly income tax filings. Individuals who are not residents and property owners with annual incomes over Ksh. 15 million are ineligible. Taxpayers can maintain their obligation to pay rental income taxes by corresponding with the Commissioner. The penalties imposed for late submission of MRI returns are as follows: 5% of the tax amount owed, a fixed penalty of 20,000 for businesses, a fixed penalty of 2,000 for individuals, or the higher of these two sums. Furthermore, it should be noted that interest accrues at a monthly rate of 1% until the entire tax amount has been settled.

1.3 Statement of the Problem

The primary source of funding for the Kenyan government consists of domestic taxes, such as the rental income tax. According to a report published in 2012 by the Kenya Revenue Authority (KRA), it was discovered that the level of compliance with tax regulations among property owners was below 40%. As of the year 2020, a total of 76,025 individuals who own properties have enrolled in the tax system. This significant participation percentage of 98% can be attributed to the availability of data obtained from banks and utilities. The tax imposed on rental income had a significant increase of 41% during the fiscal year 2018-19, despite the challenges faced by the Kenya Revenue Authority (KRA) in precisely identifying and incorporating all property owners within the tax framework. On the other hand, the real estate market in Kenya

has seen remarkable expansion, as evidenced by its increase from 10.5 percent of the country's Gross Domestic Product (GDP) in the year 2000 to 12.6 percent in 2012, further rising to 13.8 percent in 2016, and ultimately reaching 20 percent in 2021. As reported by Omulo (2021), the construction and real estate sector in Kenya is experiencing rapid expansion, with a projected growth rate exceeding 20 percent by the year 2021. According to a report by The Kenya Alliance of Resident Association in 2015, it is projected that a significant proportion, ranging from 70 to 80 percent, of individuals residing in metropolitan areas are tenants. Given the tremendous growth of the real estate industry, it is evident that KRA (Kenya Revenue Authority) is increasingly employing advanced and stringent strategies to ensure compliance with rental income tax regulations.

Previous research has also examined the many elements that impact property owners' disposition towards complying with rental income tax obligations. The factors that have been explored in relation to tax compliance include tax awareness, tax knowledge, attitude towards tax, peer influence, and government incentives (Tiwari, 2021; Thananga, Wanyoike & Wagoki, 2013; Geremew, 2017; Karanja, 2014; Waithira, 2016; Ngunjiri 2021; Ondor, 2021). Residential income tax compliance and rules revolve around tenants as the focal point. Obika (2020) asserts that the introduction of rental income tax results in an increased tax burden for tenants, as property owners tend to raise rental prices in order to offset the impact of the deduction. Moreover, the implementation of an increased tax on residential rental income presents the potential for rent modifications, thereby incentivizing tenants to pursue homeownership. Consequently, this could lead to a decrease in the demand for rental properties and subsequently result in a reduction in the overall amount of rental income acquired (Liberati & Loberto, 2019). Furthermore, as stipulated in section 59 of the Income Tax

Act, the Kenya Revenue Authority (KRA) possesses the jurisdiction to solicit information from individuals who are in possession of property. This information encompasses the identification details of the property's proprietor or lessor, along with a comprehensive and precise account of any rent or other forms of compensation due for the occupation.

Moreover, Osoro, Mpango, and Mwinyimvua (1999) contend that property owners have the potential to engage in collusion with renters as a means of evading rental income tax. This can be achieved through either the deliberate omission of tax receipts or the issuance of receipts that inaccurately reflect the actual amount of rent paid. Previous research has demonstrated that various psychological factors, including perceived fairness in the tax system (Gberegbe & Umoren, 2017; Verbon, 2013), perceived enforcement power (Taing & Chang, 2021; Castro & Scartascini, 2015), perceived tax knowledge (Saad, 2014; Fauziati, 2020), perceived trust in government (Braithwaite & Makkai, 1994; Kim & Mauborgne, 1993; Scholz & Lubell, 1998), and the perceived social norms (Edlund & Aberg, 2002; Alm, 2012), influence taxpayers' attitudes towards tax compliance. Nevertheless, the current body of literature reveals a scarcity of research pertaining to the social-psychological determinants that impact tenants' perspectives towards compliance with residential rental income taxation. Therefore, the main objective of this study was to fill this existing research void.

1.4 Research Objectives

This study was guided by both general objective and specific objectives.

1.4.1 General Objective

To investigate the social-psychological determinants of tenants attitudes towards residential rental income tax compliance in Eldoret Municipality.

1.4.2 Specific Objectives

This study had the following specific Objectives:

- i. To examine the effect of perceived tax system fairness on tenants attitudes towards residential rental income tax compliance in Eldoret Municipality.
- ii. To assess the effect of perceived enforced power on tenants attitudes towards residential rental income tax compliance in Eldoret Municipality.
- iii. To determine the effect of perceived tax knowledge on tenants attitudes towards residential rental income tax compliance in Eldoret Municipality.
- iv. To assess the effect of perceived trust in government on tenants attitudes towards residential rental income tax compliance in Eldoret Municipality.
- v. To investigate the effect of perceived social norm on tenants attitudes towards residential rental income tax compliance in Eldoret Municipality.

1.5 Research Hypotheses

- H₀₁:** Perceived tax system fairness has no significant effect tenants' attitudes towards residential rental income tax compliance in Eldoret Municipality.
- H₀₂:** Perceived enforcement power has no significant on tenants' attitudes towards residential rental income tax compliance in Eldoret Municipality.
- H₀₃:** Perceived tax knowledge has no significant effect on tenants' attitudes towards residential rental income tax compliance in Eldoret Municipality.
- H₀₄:** Perceived trust in government has no significant effect on tenants' attitudes towards residential rental income tax compliance in Eldoret Municipality.
- H₀₅:** Perceived social norm has no significant effect on tenants' attitudes towards residential rental income tax compliance in Eldoret Municipality.

1.6 Significance of the Study

The results of this study contribute to the existing literature on residential rental tax compliance, providing valuable insights for government entities in formulating legislation and policies aimed at mitigating non-compliance. The results of this study will assist the Kenya Revenue Authority (KRA) in identifying the diverse taxpayer education requirements of renters. This would enable the organization to make informed strategic choices aimed at optimizing revenue generation from the real estate industry. Furthermore, the findings of this study will provide valuable insights for the government to implement necessary legislative and administrative actions aimed at enhancing compliance with rental income tax regulations. This can be achieved by formulating favorable policies specifically designed to cater to the needs of renters. The findings of this study contribute to the existing body of information on tax compliance by illustrating the socio-psychological factors that influence renters' perceptions of compliance with residential rental income.

1.7 Scope of the Study

The study focused on the socio-psychological determinants of tenants attitudes towards residential rental income tax compliance in Eldoret Municipality. The study's predictor variables comprised of perceived tax system fairness, perceived enforcement power, perceived tax knowledge, perceived trust in government and perceived social norm. The study was conducted between October and November 2022

CHAPTER TWO

LITERATURE REVIEW

2.0 Overview

This chapter discusses the research variables, the theoretical review, empirical review and finally presents a conceptual framework.

2.1 Concept of Attitude toward Tax Compliance

According to empirical findings (Chan, Troutman & O'Bryan, 2000; Bobek & Hartfield, 2003; Saad, 2011), attitudes toward tax compliance significantly motivate taxpayers to comply with tax rules. The TPB model defines a person's attitude toward engaging in a specific behavior. The theory contends that an individual's attitude results from their fundamental beliefs about the likely results of their conduct and the importance of these outcomes (Bobek and Wentzel, 2007).

Several definitions of attitude have been produced by many academics, such as attitudes described as evaluating belief in both good and negative feelings from someone if they must perform conduct that will be approved (Jogiyanto, 2007). While attitude is a matter that learns about all positive and negative action tendencies, Lubis (2011) claims that attitude is a matter that knows about human goals, objects, ideas, or situations. According to Jogiyanto's (2007) Theory of Planned Behavior, an individual's attitude toward a behavior is influenced by their behavioral beliefs, which are their strong convictions about how their behavior would be perceived or evaluated. A taxpayer's attitude toward their compliance with the law can be either excellent or negative, closely related to their beliefs about tax compliance.

Bobek (1997) discovered that the greater the intention to pay the tax, the more positively taxpayers perceive paying taxes. According to Jogiyanto (2007), several

beliefs can be used as a gauge for attitudes, including (1) Economic considerations, paying taxes following actual (2) Elements of government control, use of transparent taxes, and perceptions of taxation system benefits (3) Bureaucratic elements, state contributions. Research indicates a relationship between attitudes and personal taxpayer compliance (Hamdah, Rahmadya & Nurlaela, 2020). According to empirical studies, a person's attitude about taxes is the primary factor influencing whether or not they pay their fair share of taxes (Jackson & Milliron, 1986). Other research (Mustikasari, 2007) also showed a favorable attitude's impact on the intention to disclose taxes and other taxes in general voluntarily.

Palil and Mustapha (2011) assert that voluntary tax compliance behavior is a mix of taxpayers' preparedness to comply with the tax rules, disclose the proper income, claim the necessary deductions, relief, and refunds, and pay all taxes on time. According to the Psychological Theory of Attribution (1958), behavior is induced by internal or external stimuli. While externally impacted behavior suggests that people must act in a certain way due to the circumstances or environment, internally influenced conduct is seen to be under the individual's personal control. Voluntary compliance is only feasible if the taxpayer is prepared to follow the rules and instructions of the tax authorities (Kirchler, 2007). Thus, the willingness to disclose tax obligations by a taxpayer without deception is voluntary compliance (McBarnett 2003).

2.2 Socio-Psychological Factors

The assessment of individual psychological variables, including moral views and attitudes, as non-economic factors influencing tax compliance warrants attention. In recent years, certain economists have made attempts to mitigate the impact of social norms inside models pertaining to tax compliance behavior (Bobek *et al.*, 2012). According to Randlane (2012), it is imperative to acknowledge the influence of both

biologically inherited and socially acquired standards on moral values. Additionally, tax morale, which pertains to the internal drive of individuals to comply with tax obligations, is a socio-psychological aspect that should not be disregarded. Tax compliance is influenced by various factors, including social norms, public services, confidence in public institutions, subjective and cultural characteristics of individuals, the perceived fairness of the tax system, personal moral principles, perception of others, awareness of how tax revenues are utilized, trust in the country, and administrative and tax policies (Randlene, 2012).

2.2.1 Concept of Perceived Tax Knowledge

Tax knowledge or tax education plays a critical role in determining voluntary disclosure and tax compliance. Tax awareness refers to taxpayers' understanding of tax laws and regulations on the specific tax issues that relate to them (Taing & Chang, 2021). Harris (1989) distinguished between two types of tax knowledge: general knowledge acquired through common or formal education and knowledge targeted especially at possibilities to dodge taxes. While Spilker (1995) classified declarative knowledge and procedural knowledge as the different forms of knowledge required in taxation.

In the first instance, the taxpayers' degree of education plays a significant role in their general comprehension of taxation, particularly with regard to the rules and regulations governing taxation (Eriksen & Fallan, 1996). Previous research has demonstrated a strong correlation between general tax knowledge and taxpayers' capacity to comprehend tax laws and regulations and their capacity to adhere to them (Singh, 2003). According to Eriksen and Fallan (1996), "tax law knowledge is thought to be of greater value for choices and attitudes regarding taxes." The author asserts that tax behavior can be changed by having a better understanding of tax rules as well as how fiscal knowledge and attitudes toward taxes are correlated.

In order to determine actual income reporting, make true deductions and relief claims, and lastly, make proper tax computations and payments, one must have sufficient knowledge of current tax rules and regulations. Tax authorities in various jurisdictions have put in place a number of programs to make it easier for taxpayers to learn and put their knowledge into practice. In a voluntary compliance tax system, tax knowledge is crucial, especially when calculating an exact tax liability (Asrinanda, 2018). Recent tax research (Palil, 2010; Mohd & Ahmad, 2011) have also revealed that tax knowledge is the most important element in determining how taxpayers will behave when using the self-assessment system. Therefore, failing to understand taxes can result in taxpayers' unintentional or intentional noncompliance. Eriksen and Fallan (1996) examined the influence of tax awareness on taxpayer compliance. The study considered two groups of bachelor's students are compared, one of which, the control group, is assigned to study marketing, and the other of which, the treatment group, is assigned to study taxation. The study found that students in the treatment group reported a more positive attitude toward tax compliance.

2.2.2 Concept of Perceived Social Norm

Though deterrence in the sense of danger of detection and penalty may have a favorable effect on tax compliance, research indicates (as mentioned above) that norms have a more substantial impact. Garcia *et al.*, (2020) note that the administration of tax policy has switched its emphasis from enforcement to complementary tools designed to establish a societal norm of tax compliance. The authors continue to make the case that understanding whether all peers evade taxes or whether all peers pay them gives insight into the descriptive norm of how people typically act when filing their taxes. Additionally, peer communication is likely to convey an injunctive norm dimension: if all of my friends admit to tax evasion, I may find it more acceptable in society.

According to Kirchler, Hoelzl and Wahl (2008), social norms are accepted ideas about how people in a group ought to act. According to Porcano (1988), if their reference group, such as professional groups, friends, and acquaintances, consider tax evasion as a lesser crime, then taxpayers will adhere to the law or will behave more leniently when it comes to paying taxes (Hofmann, Hoelzl & Kirchler, 2008). Hofmann *et al.*, (2008) claim that tax legislation, tax morale, and civic obligation all partially reflect cultural norms of tax behavior. Schmolders (cited in Hofmann *et al.*, 2008) defined tax morale as the collective attitudes of a group toward abiding by the law. Tax morale is associated with the motive of civic duty because people are driven not just to maximize their well-being but also by a sense of social obligation (Hofmann *et al.*, 2008; Kirchler *et al.*, 2008).

In the opinion of tax officials, the majority of compliance is driven by norms (OECD, 2010). Social and individual norms can be distinguished between them. Personal norms are a person's moral principles and beliefs, whereas societal norms are the standards of a particular social group. The individual's environment must be aware of the specific act for social norms to have any impact, which makes the relationship between confidentiality laws seem pretty straightforward. Social norms are unwritten laws or duties that some people feel obligated to abide by despite the absence of official legal penalties. Such norms frequently emerge from spontaneous interactions within small groups because of a type of evolution in which people logically mimic the actions of others. People adhere to social rules because doing so makes them feel better, either internally from doing the right thing or externally from receiving praise. The person performs a cost-benefit analysis. In other words, there is a trade-off between the advantages of adhering to social norms and the disadvantages of breaking them.

Numerous studies demonstrate that people tend to act similarly to others out of fear of social exclusion (Reno, Cialdini & Kallgren, 1993). The non-compliant would face penalties from others for not abiding by the rules, usually in the form of disapproval, poor regard, or even ostracism. Formal punishment is less effective than informal punishments from family, friends, and coworkers as a preventative measure. Formal sanctions function better if there is a social cost involved. For instance, sanctions are frequently less effective than actions that affect a company's profitability and reputation.

2.2.3 Concept of Perceived Tax Fairness

When it comes to distributive justice, a person is worried about the fairness of their acts and wants to be treated according to his or her accomplishments, efforts and needs (Kirchler, 2007). Taxpayers prefer their group to be treated fairly in comparison to other income groups, therefore if a person feels that their tax burden is higher than that of others in the same income group, tax compliance is likely to decline more broadly at group levels. Tax evasion may occur among group members if they believe their tax burden to be greater than that of other groups. If the tax system is perceived as being unfair at a societal level, tax compliance is less likely; widespread tax evasion is more likely to happen (Barjoyai, 1987). Similar to this, according to OECD (2009), the public in many countries holds the opinion that those with the most wealth and/or income pay the least in taxes.

According to Porcano (1987), people are more prone to commit tax evasion in situations where they believe tax procedures and regulations are unfair and overly complicated. Fairness is related to the perceived concord between taxes paid and benefits received by the public, as well as the perceived justice of procedures and the repercussions of deviating from the norm (Hofmann *et al.*, 2008; Porcano, 1987).

When taxpayers believe the taxing body is treating them fairly, they will voluntarily disclose and pay their tax liability. The literature contains a number of conceptualizations of tax fairness (Benk, Budak & Cakmak, 2012). Tax fairness, according to policymakers, is a crucial state objective to promote tax compliance. For instance, the American tax authority has placed a lot of emphasis on perceived fairness in an effort to increase tax compliance (Bobek, 1997). As a result, it is normal for a tax system to expect taxpayer non-compliance when it violates the fundamental ideals of fairness and efficiency (Head, 1992). Fairness views are multi-dimensional, researchers have concluded. In this study, general fairness, trade fairness, horizontal fairness, vertical fairness, retributive fairness, personal fairness, and administrative fairness are among the dimensions of interest.

According to Goetz (1978), horizontal fairness is the idea that the tax burden should be shared evenly among peers. Distributive fairness, procedural fairness, and retributive fairness are the three types of fairness that (Wenzel, 2003). The core of distributive fairness is the equitable allocation of costs and benefits in taxation. The term "procedural fairness" relates to equitable tax collection among taxpayer groups. Retributive fairness refers to treating taxpayers fairly while using coercive measures in fines and audits. According to a Malaysian study, procedural fairness has a favorable effect on compliance behavior (Faizal & Palil, 2015).

Geberegbe, Idornigie, and Nkanbia-Davies (2015) investigated tax fairness and compliance attitudes in Nigeria and discovered a strong correlation between the two. According to the study's overall findings, tax compliance is more likely to occur if taxpayers believe that the tax burden is evenly divided among their peers. Similarly, Taing and Chang (2020) also confirm that tax justice, tax complexity, and tax morale have a statistically significant impact on citizens' intentions to pay their fair share of

taxes. According to Wenzel (2002), feelings of procedural and distributive justice are only likely to have a beneficial impact on tax compliance in circumstances when taxpayers strongly identify with their social group and country. The author also emphasizes the need for tax authorities to treat taxpayers with respect and dignity while also taking into account their sense of justice and fairness.

2.2.4 Concept of Perceived Trust in Government

The importance of trust in influencing adherence to organizational decisions and regulations has been highlighted in previous studies (Braithwaite & Makkai, 1994; Shapiro, 1990). Furthermore, trust fosters compliance, according to Braithwaite and Makkai (1994). A few empirical studies have also examined the connection between compliance and trust (Braithwaite & Makkai, 1994; Kim & Mauborgne, 1993; Scholz & Lubell, 1998). These studies support the idea that trust is crucial in deciding whether or not a group's rules and decisions are accepted and followed.

Taxpayers must anticipate a comparable fiscal exchange between the taxes they pay and the goods and services the government offers for them to pay taxes voluntarily (Feld & Frey, 2007). This pertains to how taxpayers' trust in the government affects their tax-compliance choices. For instance, taxpayers will have more faith in their government and engage in compliance behavior if they believe that tax monies are handled wisely and that the tax administration is open and honest.

2.2.5 Perceived Power of Tax Authority

The effectiveness of the government in enforcing tax compliance depends on how the taxing authority treats its residents through coercive and lawful power (Hartl, Hofmann, Gangl, Hartner-Tiefenthaler, & Kirchler, 2015; Kastlunger, Lozza, Kirchler, & Schabmann, 2013).

Becker (1968) defined authority as "the capacity of coercion implementing punishment and prosecution as determinants of tax compliance."

According to Kastlunger *et al.*, (2013), while enforced compliance tends to increase the number of tax evaders, power benefits it. In four experiments, Hartl et al. (2015) examine the effects of fine rates, coercive power, legitimizing power, and the combination of coercive and legitimating power on tax compliance behavior and the perception of the taxing authority's power. The findings show that coercive and legitimizing power greatly impacts the taxation authority's perceived power and raises compliance decisions.

2.3 Theoretical Review

2.3.1 Theory of Planned Behaviour

Ajzen (1985; 1988) advanced this theory, arguing that attitudes toward the behavior, subjective norms and perceptions of behavioral control can all be used to predict an individual's intentions to perform various behaviors with high accuracy. These intentions, combined with perceptions of behavioral control, can explain a significant amount of variation in actual behavior, creating a setting for decision-making. Individual behavior is divided into four categories: trusting, envious, pessimistic, and optimistic. General attitudes and personality traits only indirectly affect specific actions by impacting some variables more directly related to the conduct in issue, such as tax information disclosure. Since an individual's personality is a critical component in the notion of planned conduct, a given behavior, intentions are assumed to capture the motivational factors that influence behavior; serve as indicators of the degree of effort people are prepared to put forth to carry out the behavior.

Generally, the more an activity is likely to be performed, the stronger the intention to engage. But it should be evident that only voluntary control over behavior may allow a behavioral intention to manifest itself in that behavior. The notion that ability (behavioral control) and motivation (intention) work together to influence behavior is not new. It is the foundation for theories on attribution and human perception (e.g., Heider, 1944; Anderson, 1974). People's perceptions of how easy or difficult it is to carry out the desired activity are referred to as perceived behavioral control. Perceived behavioral control can, and typically does, change in contrast to Locus of control, which is a generalized expectation constant across contexts and modes of activity. Thus, a person may believe that, in general, her outcomes are determined by her behavior (internal Locus of control).

According to the Theory of Planned Behavior, behavioral intention is significantly influenced by one's impression of behavior control (Ajzen, 1991). Perceived behavioral control affects intentions and behavior (Wahyuni *et al.*, 2021). According to studies by Hoda *et al.*, (2020) and Nguyen *et al.*, (2020), perceived behavior control impacts intention. If abilities, resources, and opportunities are not met, people won't act in specific ways. If people cannot control the circumstances and outcomes, they will not act appropriately. (Ajzen, 1991) For instance, a tenant with tax knowledge knows the consequences of information disclosure if the tax authority requires and gets the information from the landlord for tax purposes. Such a tenant may either fail or partly disclose some information. According to TPB, the behaviour of tax compliance will be determined by the intention to comply.

Locus of control is the primary variable that explains human behavior in any setup (Spector, 1982). Locus of control is the degree to which individuals believe the outcome depends on their behavior or personal characteristics (Ajzen, 1991). Ajzen (1991) stated

that locus of control is a personality characteristic that can indirectly influence the intention, for instance, willingness to disclose information. Wardana *et al.*, (2020) state that the Locus of control affects intention. Miceli and Near (1985) state that an individual's characteristics, such as Locus of control, will influence a person's ethical decisions. Miceli and Near (1992) explain that Locus of control is a variable that strongly influences willingness to disclose rental income tax information. Rotter (1966) states that individuals with an internal locus of control tend to rely more on their determination in determining right or wrong for their actions and are more responsible for the consequences. Someone with an external locus of control believes that life is determined by fate, luck, and destiny, so they are more likely to be responsible for themselves (Trevino, 1986).

2.3.2 Social Norm Theory

According to Akerlof (1980) and Sunstein (1996), social norm theory has substantially contributed to the contemporary understanding of how economic attitudes are formed and institutionalized. The term "social norms" refers to the accepted standards of behavior that a community upholds and serves as the primary motivation mechanisms for individuals (Festré, 2010). Typically, sanctioned behaviors are maintained through feelings of guilt and shame, which encourage group members to put the needs of the group before their own (Festré, 2010).

Community acceptance and support are linked to conformity to norms and peer-group expectations, but unconventional attitudes may result in social discrimination. Social approval and disapproval are viewed within the framework of social norm theory as instruments that help people internalize acceptable beliefs and recognize conformity as a moral duty (Sunstein, 1996).

Previous studies have shown that social norms influence people's economic conduct (Akerlof, 1980). The views, expectations, and accepted patterns of behavior of the larger community impact decisions regarding work effort, consumption, deals, contracts, and an infinite number of other issues (Durlauf & Blume 2008). Kirchler (2007) notes that it is challenging to comprehend the idea of norms in tax compliance because these standards may come from the taxpayer's internal standards, socially accepted standards, or collective or national societal norms that are reflected in the tax law. Ajzen (1991) argues that subjective norms or significant referent others are external social pressures from a person's family and friends that may have an impact on that person's ethical decision-making because what is deemed ethical is not always consistent (Westerman *et al.*, 2007).

Fadjar (2012), overview of ethics studies, views subjective norm as an organizational aspect, the subjective norm is a relatively unexplored topic in the field of ethics research and needs more investigation. Subjective norms in the form of peer influence are recognized as a significant element in tax compliance (Richardson & Sawyer, 2001; Jackson & Milliron, 1986; James, Zaimah & Kamil, 2011). Thus, if individuals believe that members of their reference groups voluntarily comply with tax laws, they are more likely to do so, just as they are more likely to do the opposite if they believe that their referent group members do not. Previous research has employed this theory to explain the connection between people's standards for conduct and ethical convictions (personal norms), expectations of close friends and family (subjective norms), and tax compliance choices (Bobek, Hageman & Kelliher, 2013; Shaharuddin, Tajuddin & Palil, 2018; Blay *et al.*, 2018).

2.4 Review of Empirical Literature

2.4.1 Perceived Social Norm and Attitude towards Tax Compliance

Using a sample of 174 seasoned taxpayers, Bobek, Hageman, and Kelliher (2013) investigated how social norms influenced tax behavior. A factor analysis was performed on social norms, revealing four social norm constructions. The results of the road analysis demonstrate that individuals' moral standards and ethical convictions (personal norms) and the expectations of those closest to them (subjective norms) directly influence tax compliance decisions. In contrast, the general public's expectations (mandatory norms) and facts about other people's behavior have an indirect influence. This reveals that social norms significantly influence tax compliance in both a direct and indirect manner.

Evik and Yeniçeri (2013) assessed the linkages between social norms and tax compliance in Turkey and if the effectiveness of the tax administration in Turkey moderated the relationship. The study used 321 questionnaires. The results of their research suggest that the effectiveness of tax administration significantly and favorably moderated the relationship between social norms and tax compliance.

Mutatembwa (2013) studied the effects of the tax system and societal norms on Tanzania's small and medium-sized taxpayers' compliance with the tax code. The data on dealers, distributors, producers, and service providers were compiled from a representative sample of 108 small and medium-sized taxpayers in Tanga City. The study showed a positive association between the elements of social norms and tax compliance for the chosen system, taxation system compliance, and social norms and taxation systems. The study revealed the positive connection between social norms, taxation, and tax compliance.

Nguyen *et al.*, (2020) assessed factors influencing Vietnamese firms' tax compliance. Both qualitative and quantitative research techniques were employed in the study. 200 Vietnamese firms' chief accountants or finance directors were interviewed to gather data. The findings show that the three variables—audit probability, sanction severity, and social norms—directly influence enforced tax compliance. Additionally, the results imply that mandatory and voluntary compliance impact tax compliance, with compulsory compliance having a more substantial influence.

Alshira (2019) studied the effect of peer pressure on the sales tax compliance of Jordanian Small and Medium-Sized Businesses (SMEs). The study sample consisted of 212 owner-managers of SMEs and was surveyed to gather data. PLS-SEM software was used to test the study hypothesis. According to the study, there was no evidence that peer pressure affects Jordanian SMEs' adherence to sales tax laws.

2.4.2 Perceived Tax Knowledge and Attitude towards Tax Compliance

There needs to be more consensus in the empirical research on tax compliance behaviors and knowledge. Saad (2014) investigated taxpayers' perceptions of the income tax system's perceived complexity and their level of tax expertise. Two thousand two hundred sixty-seven prospective participants were recruited for this study. However, only 30 participants were subsequently telephone-interviewed. The study also makes an effort to explore the underlying causes of non-compliance. Thirty participants were contacted for telephone interviews to collect data, which was then thematically analyzed. The findings imply that taxpayers need more technical understanding and consider the tax system complicated. Tax complexity and expertise are contributing factors to taxpayers' non-compliance behavior.

Fauziati (2020) evaluated how tax knowledge affects tax compliance in Indonesia. The survey research design was used for the investigation. A sample of three hundred (300) questionnaires was distributed, and data were gathered using self-administered questionnaires. The study's findings showed that tax compliance is unaffected by one's tax knowledge.

Palil, Akir, and Ahmad (2013) assessed the association between religiosity in the relationship between tax education and tax knowledge toward tax compliance. A sample of 70 working adults pursuing an MBA program in one Malaysian public university was used. The authors found that the respondents' tax compliance was lower than their education and knowledge of tax. The study's results suggested that religious values play a very important role in making taxpayers liable for tax compliance. Palil, Akir, and Ahmad (2013) examined the relationship between religion and tax education, knowledge, and compliance. A sample of 70 working individuals enrolled in an MBA program at a public university in Malaysia was used. The authors discovered that the respondents' tax compliance was lower than expected, given their level of education and tax understanding. The study's findings indicated that religious beliefs are a significant factor in determining whether taxpayers must comply with tax laws. Al-Taffi, Bin-Nashwan, and Amrah (2020) studied the effects of tax knowledge on the tax compliance behaviors of Yemeni taxpayers. Specifically, the study looked at the impact of tax literacy on taxpayer behavior. The survey took into account a sample of 287 respondents. The main conclusion of this study was that compliance behavior rises with tax knowledge.

2.4.3 Perceived Tax System Fairness and Attitude towards Tax Compliance

In Rivers State Nigeria, Gberegbe and Umoren (2017) examined the connection between tax fairness perception and personal income tax compliance. For this study, a

survey design was used. The study's sample size was determined using the Yamane formula. 380 SMEs were included in the sample of taxpayers. The findings show that perceptions of distributive fairness, procedural fairness, retributive fairness, and tax fairness all positively and significantly affect personal income tax compliance.

Verbon (2013) examined the relationship between fairness considerations and tax compliance attitudes and intentions. The study used a sample of 2098 Dutch small business owners. The results of these studies demonstrate that attitudes about tax compliance are influenced by personal norms and beliefs about justice. The findings of this study supports the idea that among business owners with relatively low personal norms, distributive fairness positively influences both tax compliance views and intentions, whereas distributive justice has no discernible impact on business owners with high personal norms. Van Dijke and Verboon (2010) investigated the moderating effect of trust in authorities on the connection between the procedural fairness of the tax office and voluntary tax compliance. A sample of 567 respondents was used. According to the study, the tax office's procedural fairness has a beneficial impact on taxpayers' willingness to cooperate with tax authorities.

Tan and Chin-Fatt (2000) examined the impact of increased tax knowledge on attitudes toward tax compliance and perceptions of justice. A sample of 83 students taking an introductory taxation course at a New Zealand tertiary institution was taken into account for the study. The findings show that attitudes toward tax compliance and perceptions of justice were not significantly impacted by an increase in tax knowledge.

2.4.4 Perceived Trust in Government Rental Income Tax Compliance Behaviour

The literature on tax compliance largely agrees that taxpayer perceptions of government trust have a positive impact on tax compliance. The study used survey data collected

from 2292 taxpayers accused of tax avoidance. The findings showed a positive relationship between governmental trust and tax compliance. Muehlbacher, Kirchler, and Schwarzenberger (2011) assessed the relationship between trust in the government and voluntary compliance. A sample of 3,071 taxpayers from Austria, the UK, and the Czech Republic were used in the study. According to the study's findings, trust encourages tax compliance that is voluntary and lessens the sense of tax obligation. Güzel, Ozer, and Ozcan (2019) found that there is a positive and statistically significant association between tax compliance and trust in government using a sample of 92 independent accounting professionals in Turkey. In Armenia, Langenmayr (2017) investigated the connection between trust in the government and the attitude toward reporting tax evaders. 258 observations were sampled for the study. The results of the study show that those who have a high level of faith in official authorities are more likely to have a good attitude toward reporting the fraudulent actions of taxpayers. Additionally, Chong and Arunachalam (2018) reported that awareness, power of the Inland Revenue Board of Malaysia, and trust in the government and tax administrators influence enforced compliance. 340 respondents were considered in the study. On the other hand, a study by Taing and Chang (2021) that employed a sample of 402 respondents in Phnom Penh found that the power of authority, trust in the government, access to tax information, and tax awareness do not demonstrate a statistically significant relation to tax compliance intention.

2.4.5 Perceived Enforcement Power and Attitude towards Tax Compliance

Despite the fact that the threat of punishment has been highlighted as one of the most effective strategies to change taxpayers' attitudes about noncompliance, the empirical literature reveals contradictory results. The study used data from 402 respondents in Phnom Penh. The results of the study confirm that tax power of authority does not

statistically affect tax compliance intention. Using a sample of 500 questionnaires, a study by Modugu and Anyaduba (2014) found that tax compliance in Nigeria is significantly influenced by the likelihood of being audited, perceptions of government spending, penalties and enforcement, and the interactive effects of tax audit and penalties. Remali *et al.*, (2018) used a sample of 105 respondents and concluded that tax compliance among SMEs was significantly influenced by tax knowledge, tax penalties, and tax rates. According to research by Mohdali, Isa, and Yusoff (2014), the impact of the threat of punishment on taxpayers who are ready to follow tax regulations is minimal. When tax audits and fines are imminent, people have a tendency to not pay their taxes. Overall, it indicates that the threat of penalties has no impact on compliant taxpayers and even makes them want to be less compliant. In the same vein, a study by Swistak, (2016) found that a tax system that is too harsh is a major impediment to firm formalization and that enhancing the severity of tax penalties does not have the desired effect. The author goes on to say that for tax penalties to be effective, they should discourage and inspire taxpayers rather than oppress them. According to a recent study by Augustine and Enyi (2020), trust in the government and efforts to combat corruption had a positive impact on individual taxpayers' willingness to voluntarily file their taxes. A sample of 1,200 people from South West Nigeria was employed in the study.

2.5 Conceptual Framework

The conceptual framework provides a visual representation of the link between the socio-psychological factors (perceived tax fairness system, perceived enforcement powers, perceived tax knowledge, perceived trust in government, perceived social norm) and tenants attitude towards residential rental income tax (dependent variable). The conceptual framework is presented in figure 2.1.

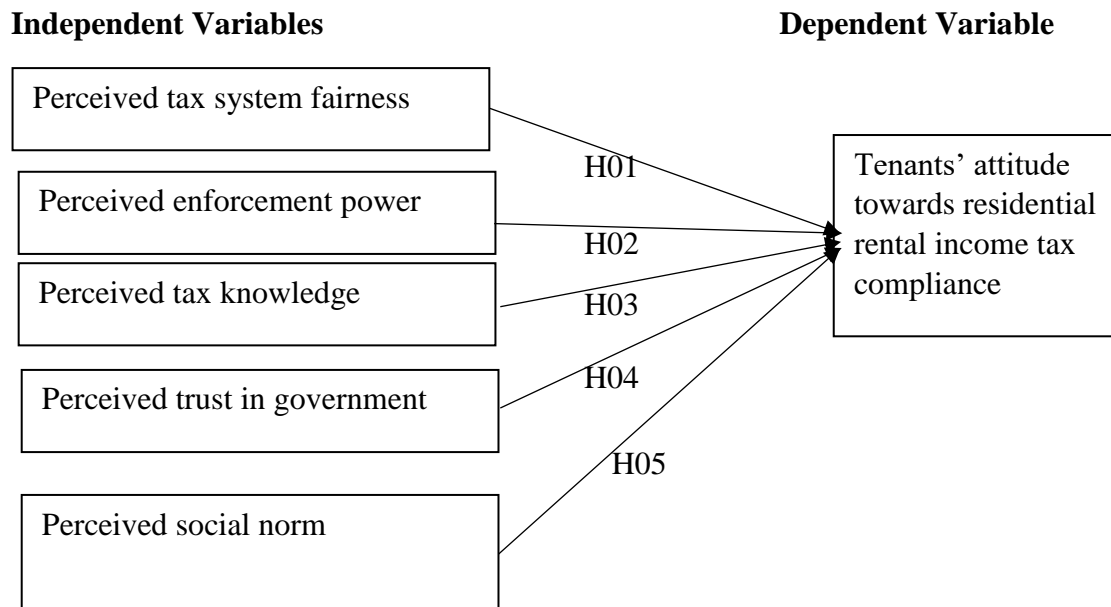


Figure 2.1: Conceptual Framework

Source: Researcher, 2022

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter discusses the research methodology comprising of the research design, the population, sample and sampling procedures, data collection methods, reliability and validity, research model, data analysis procedures and ethical considerations.

3.1 Research Design

A study design is a "blueprint" that aids in problem solving and provides instructions for gathering, evaluating, and interpreting data and observations (Bell *et al.*, 2018). The study adopted both the cross section and longitudinal research design. A cross-sectional research design is utilized when data are gathered at a singular point in time (Stander, De Beer & Stander, 2017). This design was ideal for this study since data was collected from the tenants at one point in time. The aim of an explanatory research design is to establish the cause and effect relationship (Levin, 1966). Thus, the current study employs explanatory research design to establish the effects of socio-psychological factors on tenants attitude towards residential rental income tax compliance.

3.2 Target Population

According to Kombo and Tromp (2006), a population is a well-defined set of people, services, elements, and events, group of things or households that are being investigated to generalize the results. This definition assumed that the population is not homogeneous. Lumley (2004) defines population as a larger collection of all subjects from where a sample is drawn. It refers an entire group of individuals, events or objects having common observable characteristics (Mugenda & Mugenda, 2003). Cooper and Schindler (2006) observe that a population is the total collection of elements about which one wants to make inferences. Similar view is also expressed by Kothari (2004).

The target population for this study were tenants in Eldoret to The study was carried out in Eldoret Municipality; Langas, Mwanzo, Huruma, Kimumu, Annex and Kapsoya There are about 119,042 tenants in Eldoret Municipality (Municipality of Eldoret Urban Integrated Development Plan (2021-2026). In this study, the target population was 119,042 tenants as shown in the table below.

Table 3.1 Target Population

SN	Tenants	Target population
1	Langas	21, 950
2	Mwanzo	20, 732
3	Huruma	18,738
4	Kimumu	17, 941
5	Annex	18,739
6	Kapsoya	20, 942

Source: Municipality of Eldoret Urban Integrated Development Plan (2021-2026)

3.3 Sample Size and Sampling Technique

A sample, according to Kombo and Tromp (2006), is a limited portion of a statistical population whose characteristics are investigated in order to learn more about the entire or universe. One can make generalizable inferences about the population of interest by analyzing the sample (Mugenda & Mugenda, 2003; Kothari 2004). The fundamental concept behind sampling is that by choosing a subset of a population, we can infer information about the whole population. A good sample should accurately reflect the population, have a low sampling error, be feasible, affordable, and methodical, and produce findings that can be confidently extrapolated to the entire universe (Kothari, 2004). Consistent with (Mugenda & Mugenda, 2003), a sample size is a subject chosen from the target population to give data for the study. It is the actual number of responders who were really supply the study with data. The sample size for this study was established using a simplified version of Taro Yamane's (1967:886) formula.

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

Where:

n = sample size,

N = population size.

e = margin error or the level of precision

1 = Constant

This formula assumes a degree of variability (i.e., proportion) of 0.5, the level of precision of 5% and a confidence level of 95%. Applying the formula to 119,042 target population, the sample size for the study was:

$$n = 119,042 / \{1 + 119,042 (0.05)^2\}$$

$$n = 398.66$$

The sample size for the study was therefore comprise of 399 tenants. The questionnaire were distributed proportionately among the six areas. The questionnaires were administered randomly to one respondent per residential property.

3.4 Data Collection Research Instruments

The research employed primary data collection methods through the utilization of close-ended questionnaires. Questionnaires are considered advantageous due to their ability to extract information from participants, hence facilitating a more comprehensive comprehension and insightful interpretation of the research outcomes (Creswell, 2003). Furthermore, questionnaires serve as a means of gathering up-to-date data and eliciting information that may not have been attainable through alternative techniques of data collecting (Marshall & Rossman, 2006). The closed-ended questionnaire utilized a 5-point Likert scale, with response options ranging from strongly disagree (1) to strongly agree (5). The Likert scale is widely recognized as the

predominant approach for quantifying responses in survey research (Borg & Gall, 1989). The questionnaire items utilized in this study were sourced from existing literature and afterwards adapted to align with the specific requirements of the present research.

3.5 Pilot Test

For the purpose of to ensuring that the collected data adequately addressed the research inquiries, a pilot test was carried out (Saunders et al., 2012; Reaven et al., 2009). Newing (2011) emphasizes the significance of pilot testing, as it serves to address potential challenges in survey design. This includes addressing questions that may be ambiguous or difficult for respondents to comprehend, as well as identifying areas where respondents may feel uncertain about how to proceed within the questionnaire.

Cooper and Schindler (2006) assert that the primary objective of conducting a pilot test is to detect any potential shortcomings in the implementation and design of a study, while also serving as a substitute for gathering data from a probability sample. In accordance with Schindler and Cooper (2006), while assessing the validity and reliability of instruments, it is not important to employ statistical methods for selecting respondents during a pilot test. In order to ensure the applicability and efficiency of the data collection instrument, specifically a questionnaire, a subset comprising 10% of the total sample size was employed for testing purposes. Consequently, a pilot study involving a sample of 40 participants was conducted in Kapsabet, located in Nandi County. This approach allowed for the mitigation of response bias by excluding participants from the pilot study when conducting the actual study.

3.6 Validity

Validity is defined as the precision and significance of inferences drawn from study findings (Golafshani, 2003). The study assessed the instruments' content validity in order to guarantee the reliability and accuracy of the data to be collected from the field. In order to ascertain whether the construct truly represents the domain, the supervisor and peers were examined the area of the principle as it relates to the research study's content validity, a descriptive sort of reputation. According to Creswell & Creswell (2017), validity is the extent to which the results of an instrument's test actually reflect the world being studied.

Additionally, validity refers to how successfully a tool establishes what it is intended to determine (Creswell & Creswell, 2017). Therefore, the significance of the research component has an interest in validity. Construct legitimacy explains how successfully a thought, recommendation, or behavior was operationalized, or changed from a construct into a working, operational reality. According to Creswell & Creswell (2017), there are normally two ways to assess the trustworthiness of content: by asking a variety of questions about the tool or assessment and/or by seeking advice from experts in the field, primarily supervisors and peers. This study's exploratory factor analysis (EFA) was used to assess the construct validity while also measuring Bartlett's sphericity and Kaiser-Meyer-Olkin (KMO) values. Decision Rule: The construct is deemed acceptable if the KMO value is greater than 0.5 and the Bartley significance is less than 0.05. (Williams, Osnman & Brown, 2010).

3.7 Reliability

According to Mugenda & Mugenda (2003), reliability is the degree to which a research instrument produces consistent outcomes or data following repeated use. In order to improve the quality of the research instrument and increase its reliability, the study was

able to modify any questionnaire items that are discovered to be insufficient or vague through the use of the pilot study. In this study, the reliability of the questionnaire items was tested using Cronbach's alpha as a reliability testing tool. Reliability, according to Creswell & Creswell (2017), is the situation in which a person administers a questionnaire to a responder twice as a data collecting tool and receives similar answers on the second interview that are similar to the first outcome. This was determine whether the constructs were clear and whether many responders could interpret the questions similarly. Decision Rule: For this to be realized from the test data, this study considered a Cronbach alpha coefficient of 0.7 or higher. According to Kothari & Gaurav (2014), reliable questionnaire items have a Cronbach alpha value of 0.7 and higher, which means that they have a high level of internal consistency.

3.8 Data Collection Procedure

Lewin (2005) define data collection as the precise, systematic gathering of information relevant to the research sub-problems. The study was obtained an approval from the university in order to conduct the study; permission was obtained from the National Commission of Science Technology and Innovation (NACOSTI). Primary data to be used in this study was collected using questionnaire which was administered to the respondents by the researcher.

3.9 Data Analysis and Presentation

Data analysis is a procedure in which unorganized raw data is arranged and organized to enable usable analysis, which includes computing various indices or measurements and looking for relationships between groups of data. According to Mugenda & Mugenda (2003), in order for the researcher to understand the data, it is necessary to clean, code, and analyze it. According to Zikmund et al. (2010), data analysis is the process of using logic to comprehend the data that has been obtained in order to identify

recurring patterns and summarize the important information discovered throughout the inquiry. Ott and Longnecker (2015), on the other hand, define data analysis as a method for condensing and organizing data to obtain insights from the interpretation.

The data obtained from the close-ended questionnaire was subjected to coding, followed by a thorough examination to ensure consistency and completeness. Subsequently, the data was imported into the Statistical Package for Social Sciences (SPSS version 26.0). The analysis employed inferential analysis and descriptive statistics. The descriptive analysis technique is employed to generate concise summaries of the sample data, including measures such as the mean, standard deviation, minimum, and maximum values. In order to evaluate the relationship between variables, a correlation analysis was conducted to determine the nature and degree of the association. A multivariate linear regression analysis was conducted to ascertain the causal connection between the dependent and independent variables.

The repressor coefficients for each variable was tested against zero using the ANOVA F-statistic in order to answer the study objectives. The total impact of all the independent factors was examined through analysis. The analysis included and integrate all of the independent variables. The research hypothesis that the repressor coefficients of all the independent variables are collectively equal to zero was then be tested using the ANOVA and F-Statistic. Significant levels was measured at a 95% confidence level, and significant differences was noted at an alpha level of 0.05 ($p < 0.05$) (Churchill & Iacobucci, 2002)

3.10 Research Model

To establish a relationship between the independent variable (socio-psychological factors) and the dependent (tenants' attitude towards residential rental income tax compliance), the study employed a multiple linear regression model shown below:

$$TATRRITC = \beta_0 + \beta_1PTSF + \beta_2PEP + \beta_3PTK + \beta_4PTG + \beta_5PSN + \varepsilon_i$$

Where:

TATRRITC, is the tenants' attitude towards residential rental income compliance; PTSF, perceived tax system fairness; PEP, perceived enforcement power; PTK, perceived tax knowledge; PTG, perceived trust in government; PSN, perceived social norm; B0 is the constant; B1..... B5 are the beta coefficient and e, an error term.

3.11 Regression Assumptions

Before attempting to estimate a regression equation, it is imperative to check that the assumptions of the multiple linear regression model are not violated. The estimation of these equations, in cases where the assumptions of linear regression are broken, carries the potential for yielding parameter estimates that are biased, inefficient, and inconsistent (Brooks, 2008). As a result, various statistical tests were performed to assess the presence of linearity, normality, multicollinearity, and heteroscedasticity. The tests are discussed in subsequent sub-sections.

3.11.1 Normality

To ensure the validity of inferences derived from regression analysis, it is imperative that the residuals of the regression conform to a normal distribution. The residuals refer to the error terms, which represent the discrepancies between the observed value of the dependent variable and its corresponding anticipated value. Through the analysis of a typical Predicted Probability (P-P) plot, it becomes feasible to ascertain whether the

residuals exhibit a normal distribution. If the data points adhere to the diagonal line of normality depicted in the plot, it can be inferred that they are conforming to the expected pattern. Consequently, the study utilized P-P plots.

3.11.2 Homoscedasticity

Homoscedasticity in regression analysis refers to a situation where the variance of the dependent variable is the same throughout all of the data, implying that the error is constant along the dependent variable's values. To test for heteroscedasticity, the White Test for Heteroskedasticity was applied. The null hypothesis indicates that the error variance is homoscedastic, while the alternative hypothesis is heteroscedasticity.

3.11.3 Linearity

The linear regression model is predicated on the assumption that a linear association exists between the predictor factors and the result variables. There are multiple approaches available for assessing the presence of a linear relationship between two variables. However, the most frequently employed method for examining this link is by the use of a scatterplot. This approach involves graphically representing the dependent variable in relation to the independent variables, followed by a visual examination of the scatterplot to assess the presence of linearity.

3.11.4 Multicollinearity

When two or more exogenous variables are correlated, this is referred to as multicollinearity (Hair *et al.*, 2010). When independent variables have a high degree of correlation with one another, multicollinearity occurs (Hair *et al.*, 2010). As a result, when two or more variables are strongly correlated, it suggests that they contain more information. The VIF (Variance Inflation Factor) was used in this study to statistically test for multicollinearity. If a predictor has a significant linear relationship with the

other predictors, it is indicated by its VIF. VIF is the tolerance's inverse. High levels of Multicollinearity are indicated by a larger VIF greater than 10 (Stevens, 2012).

However, an analysis of tolerance and Variance Inflation Factor (VIF) with thresholds of more than 0.1 and VIF of 10 is the most trustworthy statistical test of multicollinearity (Hair *et al.*, 2010).

3.12 Operationalization of the Variables

Table 3.2: Operationalization of Study Variables

Variable	Type	Measurement	Studies that have used the variable
Perceived tax knowledge	Independent Variable	<ul style="list-style-type: none"> • Knowledge on tax existence • Knowledge on record keeping • Dissemination of information by tax authority • Varying groups of tax payers 	Nandal, Diksha and Jaggarwal (2021); Jayawardane (2015).
Perceived enforcement power	Independent Variable	<ul style="list-style-type: none"> • Possibility of auditing • Discrepancy in tax audit • Severity of Penalty • Probability of evasion • Bribing of tax officials 	Vincent, O. (2021); Abdolrahimi and Ahmadi Mousavi (2022); Vincent (2021).
Perceived trust in government	Independent Variable	<ul style="list-style-type: none"> • Utilization of tax revenue • Effectiveness in combating corruption • Transparency • Fairness of tax authority 	Augustine and Enyi (2020); Kiow, Salleh and Kassim (2017).
Perceived social norm	Independent Variable	<ul style="list-style-type: none"> • Moral obligation to pay taxes • Reporting of evaders • Society perception of tax obligation 	Sudarno, Suyono, Yusrizal and Regita, (2021); Tan & Braithwaite (2018, June); Cain and Montaña (2021),
Perceived tax system Fairness	Independent Variable	<ul style="list-style-type: none"> • Distribution of tax burden • Structure of tax system 	Mas' ud, Abd Manaf & Saad, 2019; Oladipupo and Obazee (2016); Mckerchar & Hansford, 2015
Tenants attitude toward residential rental income tax compliance	Dependent Variable	<ul style="list-style-type: none"> • Payment of taxes when tenants default on rent • Withdrawal of basic services by property owners • Property owners support government in provision of housing, shouldn't be taxed • Rental income is small to be taxed 	Vincent, O. (2021); Abdolrahimi and Ahmadi Mousavi (2022); Vincent (2021).

Source: Researcher (2022)

3.13 Ethical Consideration

Ethical issues pertain to the ethical principles that researchers must take into account during all stages of the research design, encompassing various study methodologies. The researcher should keep ethical considerations in mind throughout the whole study process, especially when the research involves people. Bordens and Abbott (2008) advice that a researcher should secure official permission from the linked institutions prior to doing research, in order to comply with regulations. The researcher acquired the relevant paperwork prior to starting data collecting, including an introduction letter from the Kenya School of Revenue Administration and a research permission from the National Commission for Science, Technology, and Innovation (NACOSTI).

The researcher obtained informed consent from the participants before commencing the task at hand. The participants were informed about their rights and freedoms pertaining to their involvement in the study. The requisite consent form was duly executed prior to the commencement of the research. The purpose of this procedure was to adhere to the idea of voluntary consent (Saunders et al., 2014) by allowing respondents to willingly engage in the research. During the course of this study, the researcher took precautions to ensure compliance with non-disclosure agreements, preservation of respondent confidentiality, accurate representation of findings, and avoidance of deception. The identities of the responders were protected, and their actual names were not disclosed. The study period was characterized by the strict maintenance of information and data confidentiality.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, AND INTERPRETATION

4.0 Introduction

The purpose of this chapter is to present the findings including the response rate, reliability and validity assessments, descriptive statistics, results for regression assumptions tests, correlation analysis, and regression results

4.1 Response Rate

As shown in Table 4.1 and Figure 4.1, the response rate for the study was calculated based on the ratio of the total number of questionnaires distributed to respondents to those that were completed, returned to the researcher, and recorded. Based on Table I, out of the self-administered 399 questionnaires, 394 were duly filled.

Table 4.1: Response Rate

	Frequency	Percentage
Response	394	98.75%
Non Response	5	1.25%
Total	399	100

Source: Research Data (2022)

This response rate is deemed sufficient for drawing study-related conclusions. According to Bailey (2000), a response rate of 50% is considered sufficient, while one of more than 70% is considered excellent. This suggests that given this claim, the response rate in this instance, which was 98.997% is excellent. This high response rate might have been caused by the data collection methods employed. These included pre-notification of respondents, voluntary involvement by respondents, drop-and-pick of questionnaires to enable adequate time for completion, promise of confidentiality and anonymity, and follow-up calls to address the respondents' questions.

4.2. Reliability and Validity Results

The first step in factor analysis is determining whether it is necessary to perform it on the data. This is done by testing the adequacy with which the data can be sampled. The measuring of sampling adequacy is a measure of how suited the data is for factor analysis and this was evaluated using the Kaiser-Meyer-Olkin (KMO) and Bartlett's test of sphericity. The study used the Cronbach Alpha internal consistency test to determine the reliability of the instruments.

The results for the Cronbach Alpha and the KMO are presented in table 4.2. The Cronbach Alpha coefficient values for each of the six study variables are all over 0.7, as can be shown in Table 4.2. According to Mugenda and Mugenda (1999), the greater the value, the more consistent and reliable the instrument is. As a result, if the alpha coefficient is at 0.7, the research instrument is consistent and reliable to answer the research questions. All of the study variables' KMOs are greater than 0.5, which is considered acceptable. In all scales, Bartlett's test of sphericity was statistically significant ($p < 0.05$). After the pilot study, some items on the questionnaire were deleted, while others were modified.

Table 4.2: Results for Cronbach Alpha and the KMOs

	No. of Items	Cronbach Alpha Coefficients	KMO and Bartlett's Test	Decision rule
Attitude toward rental income tax compliance	4	0.766	0.718	Accept
Tax System Fairness	3	0.798	0.701	Accept
Enforcement Power	6	0.740	0.802	Accept
Tax knowledge	5	0.781	0.812	Accept
Trust in government	6	0.707	0.815	Accept
Social norm	3	0.820	0.704	Accept

Source: Research Data (2022)

4.3 Descriptive Statistics

The study formulated statements on independent variables and the dependent variable. Statements about the independent variables and the dependent variable were made in the study. The statements were rated on a Likert scale of 1–strongly disagree, 2–disagree, 3–neutral, 4–agree, and 5–strongly agree, with 1 being the strongest response. The following subsections present the descriptive statistics on the data gathered in respect to the responses.

4.3.1 Perceived Tax System Fairness

This section examined a variety of statements on tenants' perceptions of the fairness of the tax system. The results are displayed in Table 4.3.

Table 4.3: Descriptive Statistics for Perceived Tax System Fairness

	N	Minimum	Maximum	Mean	Std. Deviation
I believe that the tax laws are fair.	394	1	5	2.59	1.023
I believe the burden of taxes is fairly distributed.	394	1	5	2.51	1.037
Property owners would be more willingly to pay rental tax if tax system was well-structured	394	1	5	2.66	1.156
Composite index	394	1.00	5.00	2.59	.906
Valid N (listwise)	394				

Source: Research Data (2022)

According to Table 4.8, the first item's mean value was 2.59, indicating that the respondents did not feel that the tax laws were just. The second item had a mean of 2.51, which suggests that the respondents did not feel that the tax burden was shared equitably. The respondents appeared to disagree with the idea that property owners would pay taxes if the system was fair, as indicated by the third item's mean of 2.66. The average of the composite index shows that respondents didn't agree that the tax system was fair in most cases.

4.3.2 Perceived Trust in Government

This section evaluated several statements on respondent's perception on trust in government to determine its effect on voluntary residential income tax compliance.

Table 4.4 shows obtained results.

Table 4.4: Descriptive Statistics for Perceived trust in Government

	N	Minimum	Maximum	Mean	Std. Deviation
I think the government utilizes tax revenues properly.	394	1	5	2.19	1.225
I feel government is not doing enough to control misappropriation of tax revenue	394	1	5	3.51	1.348
I believe that the tax authority is fair and honest in the application of tax laws to all tax payers	394	1	5	2.59	1.222
I believe that anti-graft agencies are effective in handling fraudulent crime and misappropriation of tax revenues.	394	1	5	2.47	1.146
The government exhibits fairness, openness and transparency in dealing with tax payers	394	1	5	2.52	1.270
The government is open and transparent in the award of state contracts financed by taxpayer's money.	394	1	5	2.39	1.245
Composite index	394	1.00	5.00	2.61	.793
Valid N (listwise)	394				

Source: Research Data (2022)

The first item's mean of 2.19 in Table 4.4 reveals that the majority of respondents did not feel that the government was using tax revenue appropriately. The second question's mean was 3.51, demonstrating that participants were largely concerned about how much the government was actually doing to prevent tax payer money from being misused. The second question's mean score of 2.59 suggests that respondents did not think that tax authorities applied the law fairly. The respondents appeared to disagree that the pertinent state agencies could handle fraud in the fourth item, which had a mean of 2.47. The respondents did not feel that the government treated taxpaying citizens

fairly and transparently, as indicated by the fourth item's mean of 2.52. The last question had a mean of 2.31, indicating that respondents did not think that the government awarded contracts funded by taxpayer money in a fair and transparent manner. The respondents' overall score of 2.61 indicates that they did not have trust in the government.

4.3.3 Perceived Tax Knowledge

This section evaluated a number of tax knowledge statements to assess their impact on voluntarily reporting residential rental taxes. The descriptive statistics for the responses are presented in table 4.5

Table 4.5: Descriptive Statistics for Perceived Tax Knowledge Items

	N	Minimum	Maximum	Mean	Std. Deviation
KRA disseminates information about rental income tax issues using various outlets (i.e., television, newspaper, radio, Facebook).	394	1	5	3.11	1.225
As a tenant, I understand that property owners should pay rental income tax monthly.	394	1	5	3.53	1.219
KRA has explained well to tax payers why property owners should pay rental income tax	394	1	5	2.70	1.140
Lack of adequate knowledge on proper record keeping can contribute to tax noncompliance among property owners	394	1	5	3.64	1.171
Effective tax education can change the attitude and perception of tenants & property owners towards rental income tax compliance.	394	1	5	3.72	1.231
Composite index	394	1.0	5.0	3.339	.8587
Valid N (listwise)	394				

Source: Research Data (2022)

According to table 4.5's result, the respondents were indifferent as to whether KRA was disseminating information on residential rental income tax, as evidenced by the first item's mean of 3.11. The second question's mean of 3.53 shows that respondents were

unsure whether if they were aware that property owners were obligated to pay rental income tax. The third item had a mean of 2.70, shows that the participants didn't agree with KRA's explanation as to why property owners should pay taxes on their properties. When asked whether knowledge of bookkeeping may help with tax compliance, respondents' responses on the fourth question had a mean of 3.64, indicating that they were undecided. The participants were neutral on whether tax education can change property owners' opinions of rental income tax and, ultimately, compliance, as indicated by the fourth item's mean score of 3.72. The respondents appeared to have a fairly neutral understanding of taxes, as indicated by the average score of 3.339.

4.3.4 Perceived Enforcement Power of Authority

This section sought to evaluate several statements on perceived enforcement power to determine its effect on tenants attitude towards residential rental income tax compliance. Table 4.6 shows the results obtained.

Table 4.6: Descriptive statistics for perceived enforcement power of authority Items

Item	N	Minimum	Maximum	Mean	Std. Deviation
Property owners have a tiny chance to evade rental income tax.	394	1	5	3.02	1.176
Property owners in Kenya cannot operate without paying tax	394	1	5	3.01	1.203
Property owners are more likely to file nil or incorrect returns to avoid penalties of non-compliance	394	1	5	3.38	1.249
Fines and penalties encourage rental tax compliance.	394	1	5	3.44	1.115
KRA undertakes regular property inspection within residential areas to encourage compliance with residential income tax.	394	1	5	2.95	1.149
Payment of bribes to tax officials reduces the chances of rental income tax compliance.	394	1	5	3.10	1.399
Composite index	394	1.00	5.00	3.15	0.800
Valid N (listwise)	394				

Source: Research Data (2022)

The first question's mean score of 3.2 in Table 4.6's results suggests that respondents were undecided about whether property owners can avoid paying taxes. According to the mean of 3.01 for the second question, respondents were unsure about whether property owners can operate without paying taxes. The participants' responses to the third question, which had a mean of 3.38, indicated that they were also undecided about whether property owners may file null returns to avoid penalties. The respondents were indecisive as to whether fines and penalties encourage compliance in the fourth item, which had a mean of 3.44. The participants did not agree that KRA undertakes regular inspection to promote compliance, as shown by the fifth item's mean of 2.95. The final question had a mean of 3.10, indicating that participants were undecided about whether bribing of officials makes it less likely for property owners to comply with the tax laws. The final score of 3.15 indicates that participants had a neutral opinion of the ability of tax authorities to enforce existing tax laws.

4.3.5 Perceived Social Norm

This section sought to assess several statements on social norm to determine its effect on voluntary residential rental income tax compliance. The responses are summarized in table 4.7.

Table 4.7: Descriptive Statistics for Perceived Social Norm Items

Item	N	Minimum	Maximum	Mean	Std. Deviation
Most people think that property owners should honestly declare their rental income tax	394	1	5	3.43	1.188
My family and I feel that it is ethically wrong for a property owners to evade rental income tax	394	1	5	3.61	1.219
I would report a property owner to tax authorities for not paying rental income tax	394	1	5	3.23	1.202
Composite index	394	1.0	5.00	3.42	1.031
Valid N (listwise)	394				

Source: Research Data (2022)

As shown in the table, the first item had a mean value of 3.43, signifying that the respondents were undecided about the general public's viewpoint whether or not property owners should be required to pay rental income tax. With a mean of 3.61, the second question revealed that respondents' opinions on how their families felt regarding paying rental income taxes were neutral. The final question had a mean of 3.23, implying that respondents were undecided about whether they would notify the tax authorities if they discovered property owners avoiding rental income tax. The respondents had a neutral opinion on social norms, according to the average composite index of 3.42.

4.3.6 Tenants' Attitude toward Residential Rental Income Tax Compliance

The study's dependent variable was tenants' attitude towards residential rental income compliance with residential rental income tax. In this regard, this section sought to evaluate several statements related to attitude toward tax compliance. The summary statistics are presented in table 4.8.

Table 4.8: Tenants' Attitude toward Residential Rental Income Tax Compliance Items

Descriptive Statistics					
Item	N	Minimum	Maximum	Mean	Std. Deviation
Property owners support government in the provision of housing and therefore should not pay rental income tax	394	1	5	2.60	1.164
Income tax from rental business is too little for the government to follow	394	1	5	2.52	1.177
Paying rental income tax would deny tenants basic services from the property owner.	394	1	5	2.78	1.199
Property owners should not pay rental income taxes when tenants default paying rent	394	1	5	2.90	1.310
Composite index	394	1.00	5.00	2.6999	.93040
Valid N (listwise)	394				

Source: Research Data (2022)

Because the mean for the first item was 2.60, it was clear that the respondents disagreed that property owners support the government providing housing. The average response to the second question was 2.52, which suggests that respondents disagreed that rental income was just too low to be taxed. With a mean of 2.78, the third question revealed that respondents also disagreed with the idea that paying residential income tax would have an impact on their ability to access basic services provided by property owners. The average score to the fourth question was 2.90, which indicates that respondents disagreed that property owners should not pay taxes when rent is overdue. Based on the overall average score of 2.70, the respondents did not agree that property owners should be exempt from paying residential rental income taxes.

4.3.7 Summary Descriptive Statistics

The summary descriptive results for the study's variables, which include tax system fairness, tax knowledge, trust in the government, enforcement power, social norm, and tax compliance, are presented in table 4.9.

Table 4.9: Summary Descriptive Statistics Items
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis		
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Tax system fairness	394	1.00	5.00	2.58	.906	.259	.123	-.717	.245
Enforcement power	394	1.00	5.00	3.15	.804	-.439	.123	-.398	.245
Tax knowledge	394	1.00	5.00	3.34	.859	-.506	.123	-.489	.245
Trust in government	394	1.00	5.00	2.61	.79	.355	.123	-.098	.245
Social norm	394	1.00	5.00	3.42	1.03	-.785	.123	-.283	.245
Tax compliance	394	1.00	5.00	2.70	.93	.276	.123	-.783	.245
Valid N (listwise)	394								

Source: Research Data (2022)

According to the tables, most respondents (2.58) did not agree that the tax system was fair and did not really have trust in the government (2.61). Regarding tax authorities' ability to enforce the law (3.15), and their level of tax knowledge (3.34), the respondents appeared to be indifferent. As for how the general public and their social networks felt about whether property owners should pay rental income tax, the respondents were also undecided (3.42). According to the respondents' mean attitude score about compliance with residential rental income tax (2.70), respondents were in favour of property owners paying residential income tax.

4.4 Diagnostic Tests

The study utilized Ordinary Least Squares (OLS) in the estimation of regression models. The use of OLS is based on several assumptions including normality, linearity, multicollinearity, heteroscedasticity, and autocorrelation. This section presents the test statistics to verify the satisfaction of these assumptions by the sample data.

4.4.1 Linearity

The study employed scatter plots to test for linearity, where the outcome variable was plotted against the predictor variables. The results indicated that there exist, a linear relationship between perceived tax system fairness, perceived enforcement power, perceived tax knowledge, perceived trust in government, perceived social norm and tenants' attitude towards residential rental income tax compliance.

4.4.2 Normality Test

Regression makes the assumption that variables have normal distributions. Relationships and significance tests can be distorted by variables with non-normal distributions. The normality assumption was examined by checking the values of the skewness and kurtosis and by also visually by looking at data plots. The results of the

normality tests were extracted alongside the summary descriptive statistics are a presented in table 4.10. Based on the table, the variables are not skewed suggesting a normal distribution. Further, the Normal P-P plot was extracted together with the regression results. Figure 4.1 shows clearly that the regression model's residuals have a normal distribution along the diagonal.

Table 4.10: Normality Test

Variable	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Perceived tax system fairness	.259	.123	-.717	.245
Perceived enforcement power	-.439	.123	-.398	.245
Perceived tax knowledge	-.506	.123	-.489	.245
Perceived trust in government	.355	.123	-.098	.245
Perceived social norm	-.785	.123	-.283	.245
Perceived tax compliance	.276	.123	-.783	.245
Valid N (listwise)				

Source: Research Data (2022)

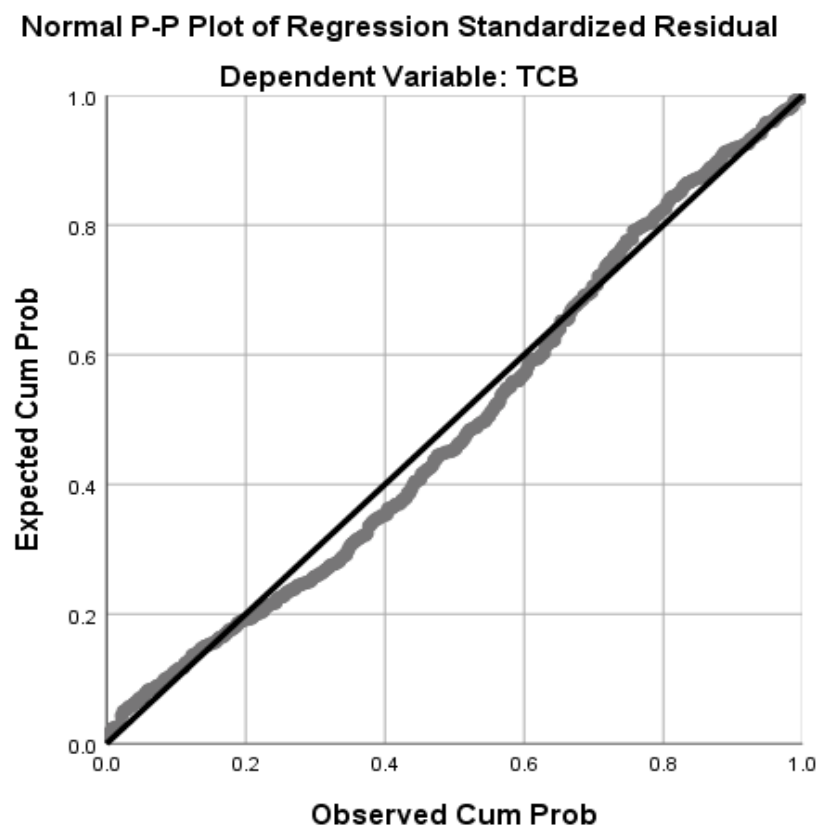


Figure 4.1: P-P

4.4.3 Multicollinearity

The study used the Variance Inflation factors to check for multicollinearity. These figures were extracted directly together with the regression results and are presented below. The VIF factors range between 1.115 and 1.186, which are presented in table 4.11. This implies that the explanatory variables are not highly correlated.

Table 4.11 Multicollinearity Test

Variable	Tolerance	VIF
Perceived tax system fairness	.897	1.115
Perceived enforcement power	.843	1.186
Perceived tax knowledge	.767	1.304
Perceived trust in government	.871	1.148
Perceived social norm	.890	1.123

Source: Research Data (2022)

4.4.4 Homoscedasticity

Results in Table 4.12 indicate a probability value of $0.065 > 0.05$. Therefore, we fail to reject the null hypothesis of constant variance. Therefore, the error term was homoscedastic implying that there was no problem of heteroskedasticity.

Table 4.12 White Test for Heteroskedasticity

White Test for Heteroskedasticity^{a,b,c}

Chi-Square	df	Sig.
16.822	20	.664

a. Dependent variable: TATTRITC

b. Tests the null hypothesis that the variance of the errors does not depend on the values of the independent variables.

Source: Research Data (2022)

4.5 Correlation Analysis

The study used Pearson correlation to test for the association between the variables.

Table 4.13: Correlation Analysis

		TATTRITC	PTSF	PEP	PTK	PTG	PSN
Tenants' attitude toward tax Compliance (TATTRITC)	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	394					
Perceived Tax system (PTSF)	Pearson Correlation	-.138**	1				
	Sig. (2-tailed)	.006					
	N	394	394				
Perceived Enforcement Power (PEP)	Pearson Correlation	-.178**	.201**	1			
	Sig. (2-tailed)	.000	.000				
	N	394	394	394			
Perceived Tax Knowledge (PTK)	Pearson Correlation	-.165**	.222**	.354**	1		
	Sig. (2-tailed)	.001	.000	.000			
	N	394	394	394	394		
Perceived Trust in Government (PTG)	Pearson Correlation	.119*	.247**	.184**	.303**	1	
	Sig. (2-tailed)	.018	.000	.000	.000		
	N	394	394	394	394	394	
Perceived Social Norm (PSN)	Pearson Correlation	-.169**	.151**	.225**	.298**	.118*	1
	Sig. (2-tailed)	.001	.003	.000	.000	.019	
	N	394	394	394	394	394	394

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

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

Source: Research Data (2022)

From the results in Table 4.13, perceived tax system fairness ($r=-0.138$; $p<0.05$), perceived enforcement power ($r=-0.178$; $p<0.05$), perceived tax knowledge ($r=-0.165$; $p<0.05$) and perceived social norm ($r=-0.169$; $p<0.05$) had a weak and negative correlation with tenants' attitude toward residential rental income tax compliance. The association between perceived trust in government and tenants' attitude towards residential rental income tax compliance was positive and weak ($r= 0.119$; $p<0.05$)

4.6 Regression Analysis

A strong method for estimating the associations between variables is multiple regression analysis. Multiple regression was used to forecast the combined impact of the tax system's fairness, tax knowledge, enforcement power, and social norm on

tenants' attitudes toward the rental income tax. Below are the findings of the multiple regression analysis.

Table 4.14: Regression Analysis

Model Summary^b

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate	Durbin-Watson
1	.325 ^a	.106	.094	.17877	1.908

a. Predictors: (Constant), perceived social norm, perceived trust in government, perceived enforcement power, perceived tax system fairness, perceived tax knowledge

b. Dependent Variable: tenants' attitude toward residential rental income tax

Source: Research Data (2022)

The included explanatory factors only explained 32.5 percent of the variance, as seen in table 4.14 where the R square of the regression was 0.325. Other explanatory factors outside of the model accounted for the remaining 67.5 percent. This suggests that these elements are very important and should be taken into account in any efforts to change tenants' perceptions of residential rental income tax.

4.6.1 Assessing the Fit of the Multiple Regression Model

To investigate the relationship between predictor variables and tenants' attitudes regarding residential rental income tax, multiple regression analysis was used. F statistics was used to test each of the five null hypotheses. The test results are displayed in table 4.15.

Table 4.15: Assessing the Fit of the Multiple Regression Model

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.467	5	.293	9.178	.000 ^b
	Residual	12.432	389	.032		
	Total	13.899	394			

a. Dependent Variable: tenants' attitude toward residential rental income tax compliance

b. Predictors: (Constant), perceived social norm, perceived trust in government, perceived enforcement power, perceived tax system fairness, perceived tax Knowledge

Source: Research Data (2022)

Table 4.15's findings from the study revealed a statistically significant link between the independent variables and the dependent variable ($F= 9.178$; $p=0.000$). The results in Table 4.20 shows that the overall model was a good fit since This proves that the multiple regression model provided a satisfactory fit for the data. Additionally, it shows that the fairness of the tax system, tax knowledge, the strength of the enforcement, and social norms all affect tenants' attitudes toward the rental income tax. ANOVA was used to test whether the regression analysis model used is fit or the relationship of the variable just occurred by chance. Significance of F ratio is used to determine whether model used was fit or not. If the F ratio is significant the model used is considered fit and vice versa. If the probability of F-value is less than 0.05 indicates that the F statistics is high and that the null hypothesis of independent needs to be rejected since it's not true

4.6.2 Overall Regression Coefficients

The study used multiple regression analysis to examine the relationship between the study variables of tax system fairness, tax knowledge, tax enforcement power, trust in the government, and social norm on tenants' attitudes about rental income tax. The level of significance used for this analysis was 95%. Table 4.16 displayed these findings.

Table 4.16: Overall Regression Coefficients

Coefficients ^a		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	.712	.050		14.283	.000
	Perceived tax system fairness	-.126	.052	-.123	-2.430	.016
	Perceived enforcement power	-.139	.059	-.124	-2.377	.018
	Perceived tax knowledge	-.138	.059	-.128	-2.343	.020
	Perceived trust in government	.262	.060	.224	4.356	.000
	Perceived social norm	-.100	.046	-.111	-2.184	.030

a. Dependent Variable: tenants' attitude towards residential income tax compliance

Source: Research Data (2022)

The regression coefficient results presented in table 4.16 show that perceived tax system fairness tax ($\beta = -0.123$; $\rho < 0.05$), enforcement power tax ($\beta = -0.124$; $\rho < 0.05$), perceived tax knowledge tax ($\beta = -0.128$; $\rho < 0.05$) and perceived social norm tax ($\beta = -0.111$; $\rho < 0.05$) have a negative impact on tenants attitude towards residential rental income tax compliance. Further, the findings show a positive association between perceived trust in government and tenants attitude towards rental income tax compliance ($\beta = 0.224$; $\rho < 0.05$). Based on the regression output, the estimated regression model is show below

$$TATTRITC = \beta_0 + \beta_1 PTSF_{it} + \beta_{2P} PEP_{it} + \beta_3 PTK_{it} + \beta_4 PTG_{it} + \beta_5 PSN_{it} + \varepsilon_i$$

$$TATTRITC = .712 - .123X_1 - .124X_2 - .128X_3 + .224X_4 - .111X_5 + \varepsilon_i$$

The coefficient perceived tax system fairness, is - 0.123, so we expect a unit increase in perceived tax system fairness to result to a -0.124 unit decrease in tenants' attitude towards residential rental income tax compliance holding all other variables constant. The coefficient for perceived enforcement power is -0.124 so for every unit increase in perceived enforcement power, we expect -0.124 unit decrease in tenants' attitude towards residential rental income tax holding all other variables constant. For perceived tax knowledge, is represented by a coefficient of -0.128, meaning for every unit increase in perceived tax knowledge we expect a -0.128-unit decrease in rental income tax is predicted holding all other variables constant. The findings further reveal that for each unit increase in perceived trust in government we expect a 0.224 unit increase in tenants' attitude towards residential rental income tax compliance, holding all other variables constant. As for perceived social norm, coefficient of -0.111 means that for every unit increase in perceived social norm we expect a -0.111 unit decrease in the

tenants' attitude towards residential rental income tax compliance, assuming that all other factors remain constant.

4.7 Hypotheses Testing

H₀₁: *Perceived tax system fairness has no significant effect on tenants' attitude toward residential rental income tax compliance in Eldoret Municipality.*

The findings presented on table 4.16 indicate that perceived tax system fairness has a negative and significant effect on tenants' attitude toward rental income tax compliance in Eldoret Municipality ($\beta = -0.123$; $\rho < 0.05$); therefore, H₀₁ was rejected. The results corroborate Oladipo *et al.*, (2022) and Kwok and Yip (2018) but contradict those some studies that claim a positive association between fairness perception and tax compliance (Faizal & Palil, 2015; Klosko, 1987; Gilligand & Richardson, 2005).

H₀₂: *Perceived enforcement power of tax authority has no significant effect on tenants' attitude toward residential rental income tax compliance in Eldoret Municipality.*

The results shown in the table demonstrate that there is a statistically significant negative relationship between perceived fairness of the tax system and tenants' attitude towards residential rental income tax in Eldoret Municipality ($\beta = -0.124$; $\rho < 0.05$). As a result, the null hypothesis H₀₂ was rejected. The findings are consistent with the study conducted by Rashid *et al.* (2021), which demonstrated a positive association between committed partnership and lawful foundation power, reward power, and implicit trust, while also observing a negative relationship with coercive power. The present study's results are in disagreement to the conclusions drawn by Muehlbacher, Kirchler, and Schwarzenberger (2011), Kogler *et al.* (2013), and Batrancea *et al.* (2021), as they reported a positive relationship between power and both voluntary and enforced compliance.

H₀₃: *Perceived tax knowledge has no significant on tenants' attitude toward residential rental income tax compliance in Eldoret Municipality.*

The results show a negative association between perceived tax knowledge and tenants' attitude towards residential rental income tax compliance in Municipality in Eldoret ($\beta = -0.128$; $\rho < 0.05$), hence H₀₃ was rejected. The findings support Kami (2015) and Puspitasari and Siswo (2021) who reported a negative link between tax awareness and tax compliance behaviour. However, Fauziati *et al.*, (2020) found no association between tax knowledge and tax compliance.

H₀₄: *Perceived trust in government has no significant effect on tenants' attitude toward residential rental income tax compliance in Eldoret Municipality.*

The study found that perceived trust in government had a positive and significant effect on tenants' attitude toward residential rental income tax compliance in Eldoret Municipality ($\beta = 0.224$; $\rho < 0.05$); therefore, H₀₄ was rejected. The findings agree with those of Nguyen *et al.*, (2021), Batrancea *et al.*, (2021) and Gobena and Van Dijke (2017). The results contradict those of Benk and Budak (2012) who reported a negative but insignificant relationship between trust in government and enforced tax compliance.

H₀₅: *Perceived social norm has no significant effect on tenants' attitude toward residential rental income tax compliance in Eldoret Municipality.*

The results confirm that perceived social norm had a negative and significant effect on tenants' attitude toward residential rental income tax compliance in Eldoret Municipality ($\beta = -0.111$; $\rho < 0.05$); hence H₀₅, was rejected. The findings agree with those of Edlund and Aberg (2002).

4.8 Discussion of Key Findings

The key findings of the study are discussed in this section as per study objectives.

4.8.1 Perceived tax system fairness and tenants' attitude towards residential rental income tax compliance in Eldoret Municipality

The first objective was to determine the effect of perceived tax system fairness on tenants' attitude towards residential rental income tax compliance Eldoret Municipality.

The regression analysis revealed a statistically significant negative relationship ($\beta = -0.123$; $p < 0.05$) between the perceived fairness of the tax system and tenants' attitudes towards compliance with rental income in Eldoret Municipality. These findings are consistent with the previous research conducted by Oladipo et al. (2022).

As stated by Kwok and Yip (2018), the effectiveness of a tax system hinges on the perception of fairness among taxpayers, especially when it comes to their voluntary compliance with paying their fair share. The findings also indicate that the government failed to achieve equitable distribution of the tax burden and failed to efficiently implement tax policies that appealed to the interests of all citizens.

Participants' mistrust of the government, particularly for the higher income group, may be the cause of this negative affect. The study's findings suggest that while making decisions on tax compliance, tax fairness must be taken into account. Similarly, the tenants' tax knowledge may explain the poor attitude tenants have toward rental income compliance. According to Kirchler *et al.*, (2010), determining the fairness of taxation, however, necessitates in-depth knowledge and proper interpretation of the tax legislation, and taxpayers often struggle to comprehend the complicated tax rate structure. Through tax education, taxpayers understand the government fiscal policy and appreciate the tax authority's role and functions, hence raising taxpayers'

perception of fairness of the tax system, leading to tax compliance (Strümpel, 1969; Crane & Nourzad, 1990; Christensen *et al.*, 1994; Richardson, 2005). Hamilton (2012) describes 'knowledge' as one 'compliant constraint', which could be removed by educating taxpayers about tax law requirements and the tax authority's expectations, thus making taxpayers more able and ready to comply (Eriksen & Fallan, 1996; Mahmoodi *et al.*, 2012)

4.8.2 Perceived Enforced Powers and Tenants' attitude towards Residential Rental Income Tax Compliance in Eldoret Municipality.

The second objective was to assess the effect of perceived enforcement power on tenants' attitude towards residential rental income tax compliance. The regression results indicate that perceived enforcement power had a negative and significant effect on tenants' attitude toward rental income tax ($\beta=-0.124$; $p<0.05$). The results corroborate those of with the findings by Rashid *et al.*, (2021). According to the slippery slope concept (Kirchler, 2007; Kirchler *et al.*, 2008), authorities are seen as powerful if they operate effectively and can detect and punish noncompliant taxpayers. Tax authorities are seen as powerful if they have the capacity to make citizens who would otherwise not file returns properly declare their income.

The results of earlier empirical and experimental studies reveal that raising the degree of enforcement measures may reduce compliance (Fjeldstad & Semboja, 2001; Chovart, 2006). One explanation for this link is that tax laws (as reflected by these enforcement components) are significant in a "psychological contract" between taxpayers and tax authorities. People will reduce their compliance if this contract is broken, and if raising the amount of enforcement is seen as breaking the psychological (or implicit) contract, this may indicate a "spite effect" (Feld & Frey, 2002). Social

dilemma games frequently show that people are not just driven by instrumental rationality. There has been attention in the idea of reciprocity. This implies that people are able to react in a "hot blooded" manner. People have a strong sense of self and are sensitive to how others regard those (Bowles & Gintis, 2006). The concept of "reciprocity" pertains to the observation that individuals often exhibit greater levels of kindness and cooperation in reaction to friendly behaviors, as opposed to hostile actions, which contradicts the predictions of the self-interest model (Fehr & Gächter, 2000). An essential consideration is the manner in which individuals, specifically the government, interact with taxpayers.

Taxpayers will regard the current climate as adversarial if authorities' power grows and they are seen as acting in an untrustworthy manner. The expectation is that they will weigh the benefits of compliance with the costs of evasion (if costs of detection and fines for evasion exceed the gains). The power of the government to effectively control and penalize noncompliance is used in this instance to enforce tax payments (James & Alley 2002).

Taxpayers may perceive an adversarial atmosphere because of the perception of overwhelming power. Taxpayers might feel restrained by the government, which is probably going to make them respond negatively (Brehm, 1966). Due to this, taxpayers could feel inclined to engage in tax evasion by taking advantage of security flaws in the monitoring system and indulging in rivalry with the tax authorities (strategic taxpaying behavior).

According to a study by Murphy (2008), feelings of resentment induced by forced tax compliance are a significant factor in determining whether a person will comply with tax obligations in the future. The author argues, in particular, that compliance among

those affected seems to decline because of enforcement tactics that arouse anger toward authority and compliance. Intervention and prevention strategies, on the other hand, appear to encourage adherence to the rules by lowering hostility.

4.8.3 Perceived Tax Knowledge and Tenants' Attitude towards Residential Rental Income tax Compliance in Eldoret Municipality.

The third objective sought to investigate the effect of perceived tax knowledge on tenants' attitude towards residential rental income tax compliance in Eldoret Municipality. The regression results shows that perceived tax knowledge was negatively related to tenants' attitude toward rental residential income tax compliance in Eldoret Municipality ($\beta=-0.128$; $p<0.05$). According to Kasipillai, Aripin, and Amran (2013), tax knowledge has a harmful effect on compliance behavior. The researchers noted that older and less educated taxpayers had greater rates of tax compliance. The authors also point out that as taxpayers get more knowledge about tax issues such audit procedures and tax regulations; they have a greater chance of engaging in tax evasion.

These findings can also be attributed to the fact that a majority of respondents reported that the Kenya Revenue Authority (KRA) has not effectively increased public awareness on the rental income tax. There is a prevailing belief that individuals' views about taxation are notably shaped by their understanding of tax law and regulations. In an optimal scenario, the level of tax compliance should correspondingly rise as taxpayer awareness improves. In contrast, the results of this study suggest that individuals with a greater understanding of tax regulations are more likely to exhibit noncompliance with their tax obligations.

4.8.4 Perceived Trust in Government and Tenants' Attitude towards Residential Rental Income Tax Compliance in Eldoret Municipality.

The fourth objective was to determine the effect of perceived trust in government on tenants' attitude towards residential rental income tax compliance. Perceived trust in government was assessed using 6 items and the overall mean score or responses regarding trust in government of 2.61 suggests that the respondent did not have trust in the government. The regression results indicate that perceived trust in government had a positive and significant effect on tenants' attitude toward rental residential income tax compliance in Eldoret Municipality ($\beta=0.224$; $p<0.05$). The results agree with the findings by Nguyen *et al.*, (2021).

If citizens believe the tax authority is doing their job effectively, they are more likely to follow the law and refrain from tax evasion and other forms of noncompliance (for example, in processing tax returns, tax investigations, and tax refunds). Wahl *et al.*, (2010) assert that strategic tax behavior (such as utilizing tax system loopholes) will increase in low-trust environments as contrasted to high-trust environments. Residents are more likely to strive to maximize their own benefits by avoiding taxes when trust in authorities is low and the power of authorities is limited, according to Kirchler *et al.*, (2008). The findings support the widely held belief that the government's capacity to manage taxpayer funds fosters public confidence in the institution and fosters a supportive attitude toward its policies, laws, and programs. This result implies that the amount of individual voluntary tax (Yamen *et al.*, 2018; Abu Bakar, Palil & Maelah, 2021).

4.8.5 Perceived Social Norms and Tenants' Attitude towards Residential Rental Income Tax Compliance in Eldoret Municipality.

The five objective was to investigate the effect of perceived social norm on tenants' attitude towards residential rental income tax compliance in Eldoret Municipality. The regression results show that the relationship between perceived social norm and tenants' attitude towards residential rental income tax compliance in Eldoret Municipality was negative and significant ($\beta = -0.111$; $p < 0.05$). The results agree with the findings of by Cullis *et al.*, (2008). Taxpayers' tax evasion behaviour is influenced by social norms and culture (Cullis, Joanes, & Sloviao, 2012).

If people believe that adherence to tax regulations is the societal norm, they are more likely to do so (Alm, 2012). A person's perception of the social norms driving honesty and ethics changes when they witness widespread tax evasion within the society (Gino, Ayal & Arely, 2009). Literature shows that taxpayers usually comply with laws (such as tax laws) when other members of society also do so (Fray & Torgler, 2007; Traxler, 2010). Therefore, how others perceive someone's tax compliance behavior in their social circle directly affects the person's own tax compliance behavior.

According to Yesegat and Fjeldstad (2016), taxpayers may violate tax laws if their actions are in line with the expectations and standards of their social networks. In other words, if there is a strong perception that other taxpayers are not complying, taxpayers are likely to be non-compliant. Tusubira and Nkote (2013) point out that the existence of social norms suggests that tax payments will be made in accordance with the law so long as taxpayers think that compliance is the normal and that it is therefore widespread. People's desire to pay taxes will decline if they learn that many other people avoid taxes.

Similarly, high tax rates may nonetheless have the tendency to undermine accepted tax norms. Similarly, high taxes result in more welfare spending, redistribution, and societal disputes when it comes to tax policy. Strong tax norm support, however, is probably not the best method for lowering tax evasion. Tax rules are rarely so firmly embedded in people's consciousness as to be able to negate chances and incentives for tax evasion. Taxpayers consistently misinterpret the ideas and actions of other taxpayers. They might seek to rationalize or "normalize" their own tax fraud by claiming that it is widespread. By claiming that many people cheat on their taxes, they might attempt to demonstrate how honest they are in comparison. Alternatively, they can mistakenly believe that other people's approval of tax evasion is a result of genuine convictions rather than just peer pressure. In any case, taxpayers may have a tendency to believe that they are more morally upright and sincere when it comes to paying taxes than the majority of others.

Table 4.17 Summary of Hypotheses Testing

Hypothesis	Beta	P-value	Decision
H₀₁: Perceived tax system fairness has no significant effect on tenants' attitude towards residential rental income tax compliance in Eldoret Municipality.	-0.123	0.016	Reject
H₀₂: Perceived enforcement power has no significant effect on tenants' attitude towards residential rental income tax compliance in Eldoret Municipality.	-0.124	0.018	Reject
H₀₃: Perceived tax knowledge has no significant effect tenants' attitude towards residential rental income tax compliance in Eldoret Municipality.	-0.128	0.020	Reject
H₀₄: Perceived trust in government has no significant effect on tenants' attitude towards residential rental income tax compliance in Eldoret Municipality.	0.224	0.00	Reject
H₀₅: Perceived social norm significant effect on tenants' attitude towards residential rental income tax compliance in Eldoret Municipality.	-0.111	0.030	Reject

Source: Research data (2022)

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter summarizes the findings of the study, concludes and presents the recommendations. The chapter further highlights suggestions for further studies.

5.1 Summary of the Findings

The findings of the study have been summarized below as per the study objectives. The findings were supported by the frequencies of the responses

5.1.1 Perceived Tax System Fairness and Tenants' attitude Towards Residential Rental Income Tax Compliance in Eldoret Municipality

The first objective of the study was to evaluate the effect of perceived tax system fairness on tenants' attitude towards rental income tax compliance in Eldoret. The overall mean score of responses regarding perceived tax system fairness indicated that majority of the respondents disagreed that perceived tax system was fair. The regression analysis further revealed that perceived tax system fairness had a negative and significant influence on tenants' attitude towards residential rental income tax compliance in Eldoret Municipality in Kenya.

5.1.2 Perceived enforced power and tenants' attitude towards residential rental income tax compliance in Eldoret Municipality

The second objective of the study sought to determine the effect of perceived enforced power on tenants' attitude towards residential rental income tax compliance in Eldoret. The overall mean score of response regarding perceived enforced power and rental income indicated that majority of the respondents were neutral on the ability of tax authority to enforce tax law in Kenya. The regression results indicated that there was

negative and significant relationship between perceived enforced power and tenants' attitude toward residential rental income tax compliance.

5.1.3 Perceived tax knowledge and tenants' attitudes towards residential rental income tax compliance in Eldoret Municipality.

The third objective of the study sought to find out` the influence of perceived tax knowledge on tenants' attitude towards rental income tax compliance in Eldoret Municipality. The regression results demonstrate that perceived tax knowledge had a negative and significant effect on tenants' attitude towards residential rental income tax compliance in Eldoret Municipality.

5.1.4 Perceived trust in government and tenants' attitudes towards residential rental income tax compliance in Eldoret Municipality

The fourth objective of the study was to evaluate the effect of perceived trust in government on tenants' attitude towards residential rental income tax compliance in Eldoret Municipality. The findings indicate that the respondents expressed a neutral opinion towards trust in government. The results revealed that trust in government had a positive and significant effect on tenants' attitude towards residential rental income tax compliance in Eldoret Municipality in Kenya.

5.1.5 Perceived social norms and tenants' attitudes towards residential rental income tax compliance in Eldoret Municipality

The fifth objective of the study sought to investigate the impact of perceived social norms on tenants' attitude towards rental income tax compliance in Eldoret. The study found out that perceived social norms had a significantly negative influence on tenants' attitude towards residential rental income compliance in Eldoret Municipality.

5.2 Conclusion

The study's results indicate that tenants' perception of compliance with residential rental income taxes is influenced negatively by factors such as the fairness of the tax system, the enforcement capacity of tax authorities, individuals' understanding of tax legislation, and societal norms. Consequently, it can be concluded that these factors have a detrimental impact on tenants' perception of residential income tax compliance. The research additionally revealed that the perceptions of tenants on residential income taxes are positively impacted by their level of trust in the government.

5.3 Recommendations

Based on the findings, the paper presents numerous recommendations. First, it is recommended that the Kenya Revenue Authority (KRA) take the initiative to provide training programs aimed at enlightening tenants regarding the importance of property owners fulfilling their obligations in paying rental income tax. Second, it is recommended that the Kenya Revenue Authority (KRA) develop policies that are proficient in establishing a positive relationship and fostering trust with taxpayers. This strategic approach is crucial as it will ultimately enhance tax compliance rates. Third, concerning the enforcement mechanism, the findings suggest that it is advisable for the Kenya Revenue Authority (KRA) to foster a culture wherein individuals willingly disclose their rental income tax obligations. The implementation of punitive enforcement measures often leads to the development of an adversarial dynamic, which is expected to result in a higher level of resistance towards compliance. Fourth, the results indicate that societal norms exert a detrimental influence on tenants' perspectives towards tax compliance. In conclusion, the study suggests that it would be beneficial for KRA to foster a culture of tax compliance among society, as this would have a positive impact on overall tax compliance rates.

5.4 Limitations of the Study and Suggestions for Further Research

The primary focus of the study was to examine tenants' attitudes towards residential rental income tax compliance. Therefore, the findings and conclusions of the study are specifically relevant to the domain of residential rental income tax compliance, and do not extend to other forms of tax compliance.

The research also examined social-psychological elements that influence tenants' attitudes towards adhering to residential rental income tax legislation. Future research may explore the influence of additional factors on renters' perceptions of property owners' noncompliance with rental income tax requirements. This research proposes that conducting a study focused on additional players in the real estate business, such as property managers and agents, could reveal additional factors that contribute to non-compliance with residential rental income taxes by property owners.

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APPENDICES

Appendix I: Questionnaire

My name is Elijah Kandie doing a Masters in Tax and Customs Administration and the research project title is “**Socio-psychological determinants of tenants’ attitude towards residential rental income tax compliance in Eldoret Town Municipality.**”

The research is purely academic in nature and any information obtained will be kept confidential. Your cooperation and support will be highly appreciated.

SECTION A

The following statements relate to the factors affecting rental income tax compliance in Kenya. Please insert a tick as it applies

Part I: Perceived tax system fairness

1. Evaluate the following statements and tick where appropriate under the choices below on a scale of 1-5.

Where; 1 = strongly disagree, 2=disagree, 3=neutral, 4=agree and 5= strongly agree.

No.	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
TF1	I believe that the tax system is fair.					
TF2	I believe the burden of taxes is fairly distributed.					
TF3	The 10% rental income tax rate is too low on property owners					
TF4	The current 10% rental income tax rate has influenced compliance among property owners					
TF5	Poor people pay more taxes that the rich					
TF6	Property owners would be more willingly to pay rental tax if tax system was well-structured					

Part B: Perceived enforcement power of tax authority

2. Evaluate the following statements and tick where appropriate under the choices below on a scale of 1-5.

Where; 1 = strongly disagree, 2=disagree, 3=neutral, 4=agree and 5= strongly agree.

No.	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
EP1	Property owners have a tiny chance to evade rental income tax.					
EP2	Property owners in Kenya cannot operate without paying tax					
EP3	Property owners are more likely to file nil or incorrect returns to avoid penalties of non-compliance					
EP4	Fines and penalties encourage rental tax compliance.					
EP5	KRA undertakes regular property inspection within residential areas to encourage compliance with residential income tax.					
EP6	Payment of bribes to tax officials reduces the chances of rental income tax compliance.					

Part C: Perceived tax Knowledge

3. Evaluate the following statements and tick where appropriate under the choices below on a scale of 1-5.

Where; 1 = strongly disagree, 2=disagree, 3=neutral, 4=agree and 5= strongly agree.

No.	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
TK1	KRA disseminates information about rental income tax issues using various outlets (i.e., television, newspaper, radio, Facebook).					
TK2	As a tenant, I understand that property owners should pay rental income tax monthly.					
TK3	KRA has conducted adequate training to all taxpayers before introducing rental income tax.					
TK4	KRA has explained well to tax payers why property owners should pay rental income tax					
TK5	Lack of adequate knowledge on proper record keeping can contribute to tax noncompliance among property owners					
TK6	Effective tax education can change the attitude and perception of tenants & property owners towards rental income tax compliance.					

Part D: Perceived trust in government

4. Evaluate the following statements and tick where appropriate under the choices below on a scale of 1-5.

Where; 1 = strongly disagree, 2=disagree, 3=neutral, 4=agree and 5= strongly agree.

No.	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
TG1	I think the government utilizes tax revenues properly.					
TG2	I feel government is not doing enough to control misappropriation of tax revenue in the State					
TG3	I believe that the tax authority is fair and honest in the application of tax laws to all tax payers					
TG4	I believe that anti-graft agencies are effective in handling fraudulent crime and misappropriation of tax revenues.					
TG5	The government exhibits fairness, openness and transparency in dealing with tax payers					
TG6	The government is open and transparent in the award of state contracts financed by taxpayer's money.					

Part E: Perceived social norm

5. Evaluate the following statements and tick where appropriate under the choices below on a scale of 1-5.

Where; 1 = strongly disagree, 2=disagree, 3=neutral, 4=agree and 5= strongly agree.

No.	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
SN1	Most people think that property owners should honestly declare their rental income tax.					
SN2	My family and I feel that it is ethically wrong for a property owners to evade rental income tax					
SN3	My family and peers think that property owners should pay less taxes					
SN4	I would report a property owner to tax authorities for not paying rental income tax					
SN5	My fellow tenants would look down on me if I reported a property owner for evading rental income tax					
SN6	My friends feel that property owners should not pay rental income tax					
SN7	Property owners should not pay rental income taxes because many other people in this society do not comply with tax laws					

Part F: Tenants attitude towards residential rental income tax compliance.

6. Evaluate the following statements and tick where appropriate under the choices below on a scale of 1-5.

Where; 1 = strongly disagree, 2=disagree, 3=neutral, 4=agree and 5= strongly agree.

No.	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
CI1	Property owners should pay rental income taxes					
CI2	Property owners support government in the provision of housing and therefore should not pay rental income tax					
CI3	Paying rental income tax is a property owner's obligation.					
CI4	Income tax from rental business is too little for the government to follow					
CI5	Property owners should be allowed to claim expenses incurred before declaring residential rental income tax					
CI6	Paying rental income tax would deny tenants basic services from the property owner.					
CI7	Property owners should not pay rental income taxes when tenants default paying rent					

THANK YOU FOR PARTICIPATING

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