Taxpayers' Attitudes And Tax Compliance Behaviour In Kenya: A Survey Of Top 100 Smes

John Kuria[1], Dr Omboi[2]

[1,2]United States International University, Kenya

Abstract: *Governments in both developed and developing countries collect taxes mainly to fund public services. In Kenya, taxpayers exhibit varying levels of tax compliance. The purpose of this study was to extend the tax knowledge in Kenya and in particular to help establish how taxpayer's attitudes affect tax compliance, especially among the top SMEs in Kenya. The study was conducted on the top 100 medium-sized firms (SMEs) in Kenya, according to the 2013 survey of the top 100 SMEs that was conducted by KPMG and the Nation Media. The study sought to address the following research questions: What is the level of tax compliance among the top 100 mid-sized firms in Kenya? How taxpayers' attitude and the factors influencing that attitude impacts tax compliance behaviors of the top 100 mid-sized firms in Kenya? Does the taxpayers' perception of government accountability significantly influence taxpayers' attitudes? Does the perception of the burden of tax influence taxpayers' attitudes? Does the level of taxpayers understanding of the tax laws influence taxpaying attitudes? The study sought to find the factors that affect taxpayer's attitude and tax compliance among the top 100 mid-sized firms according to KPMG survey in 2013. The study adopted a cross-sectional study as data was only collected at one occasion in time and it represents the responses of the respondents at that point in time. The study randomly selected 35 firms that were used in this study. The data was collected through interviews by the researcher and was guided by a detailed questionnaire. The findings revealed that tax payer perception of tax burden was significant predictors of taxpayers' attitude. Tax payer attitude was found to be significantly related to tax compliance. The influence of taxpayer perception towards government accountability and taxpayer understanding of tax law on taxpayer attitude was found to be insignificant. Governments in both developed and developing countries collect taxes mainly to fund public services. Tax policy decisions have different impacts on different individuals, businesses and the economy at large. Governments need to develop tax policies and tax systems that are guided by certain tenets. To address this tax non compliance issues the government should formulate a clear strategy. The taxpayer perception towards the tax system and government accountability should be properly addressed.*

Keywords: *taxpayers, attitude, accountability, perception, tax compliance*

I. Introduction

Background of the Study

Governments in both developed and developing countries collect taxes mainly to fund public services. Marina et al. (2002) argue that, "taxation is the only known practical manner for collecting resources in order to finance public expenditure for goods and services consumed by any citizenry". However, this is not strictly true, as developing countries and in particular Kenya get revenue from other sources besides taxation, including non-tax revenue such as user-fees and licenses charged for services rendered by ministries, department and agencies, as well as income from sale of government assets and privatization. In addition many developing countries are dependent on foreign aid as an external source of revenue (Barnett and Grown, 2004).

Kenya's dependency on foreign aid and borrowing has declined over the last five years, averaging about 11% of the total budget relative to the East Africa Community member states, whose budgets are financed to the tune of 30-40% by development partners. According to Barnett and Grown (2004), tax policy is at the heart of the political debate on the level of public services that should be provided and who should pay for them because taxes are the principal source of recurring revenue under government control. Besides, taxes are used to assist in the redistribution of wealth and incomes and to regulate economic activities.

Albert Einstein (as cited in Slemrod and Bakija, 1996), said that the hardest thing in the world to understand is income tax. But it is important that income tax is understood as it forms a critical element of how a government affects the lives of its citizens. Of all the powers of government other than its authority to declare war, none bears so incisively upon the welfare of citizens, both privately and in their economic enterprise, as does its power to tax (Lamont 1992). Coetzee, 1993 states that one of the effects of taxation is that subjects are forced to give up hard earned earnings or possessions, or, in the early days, also payments in kind, without receiving visible benefits in return.

Empirical evidence on the ground shows there has been hostility between the taxpayers and tax collectors on issues relating to tax compliance for instance the tax evasion cases reported daily in our local

newspaper (Daily Nation, July 7, 2006, pg 3) and outward resistance from taxpayers for example the recent protest by taxpayers over implementation of Electronic Tax Registers and tracking devices on trucks ferrying goods to neighboring countries.

Hostility towards tax compliance dates back to the History of Taxation. "Taxes are considered a problem by everyone. Not surprising, taxation problems date back to the earliest recorded history" (Director, Tax world Organization, April 7, 1999). According to the Director, Tax world Organization, (1999), during the Roman empire, in 60A.D, Boadecia queen of East Anglia led a revolt that can be attributed to corrupt tax; in Great Britain, the 100 years' war (1337-1453) between England and France was renewed in 1369 by among other key factors, the rebellion of the nobles of Aquitaine over the oppressive tax policies of Edward, The Black Prince and in Post-Revolution America, Tax Act of 1864 was challenged several times.

Hostile taxpayer's behavior implies that given a chance taxpayers would not comply with tax laws and would not voluntarily pay taxes. By endeavoring to understand the taxpayers' behavior in terms of factors which influence their attitude towards tax compliance and how to influence the very factors would be a possible solution to this issue (Trivedi & Shehata, 2005).

Various researchers have tried to define tax compliance. According to Brown and Mazur (2003), tax compliance is multi-faceted measure and theoretically, it can be defined by considering three distinct types of compliance such as payment compliance, filing compliance, and reporting compliance.

In Kenya, taxpayers exhibit varying levels of tax compliance. Some studies have been conducted in Kenya to try and establish the level of compliance and even try to understand the attitudes of tax papers in Kenya. For instance the unpublished study by Simiyu (2003) whose objective was to identify factors influencing taxpayers' voluntary compliance among local authorities and the study by Marti (2010) whose objective was identify how the taxpayers' attitudes influence compliance behavior among SMEs business income earners in Kerugoya Town, Kirinyaga District.

The purpose of this study is to extent the tax knowledge in Kenya and in particular to help establish how taxpayer's attitudes affect tax compliance, especially among the top SMEs in Kenya. The study was conducted on the top 100 medium-sized firms (SMEs) in Kenya, according to the 2013 survey of the top 100 SMEs that was conducted by KPMG and the Nation Media.

Research Problem

Kenya is ranked among low-income countries or low compliance countries with hard task of ensuring efficient and effective tax administration. In order to ensure tax compliance, hence raising more revenue the administration of tax in Kenya is by Kenya Revenue Authority (KRA) established through an Act of Parliament on July 1st 1995 (Cap 469). A lot of the work of a tax administration is based on trying to influence the behavior of taxpayers and this is not a new concept. Tax administrations have a wide range of compliance and customer service programs and all aim to change behavior among the taxpayer population.

What is new is an increasing focus on developing a better understanding of taxpayer behavior. Research is being carried out by tax administrations in other countries and at EU and OECD levels to improve knowledge of the motives of taxpayers and their behavior towards taxation. The extent of the impact of attitudes and attitude change on tax compliance behavior in Kenya is not well understood. This study therefore aims at addressing this knowledge gap. The study will therefore attempt to find out how taxpayers' attitudes influence tax compliance behavior in Kenya.

Contributions of the Study

The contributions of the study are as follows:

- The area of tax compliance in Kenya has not received a lot of attention in Kenya and in particular studies around the taxpayer's attitude and behavior. As such one of the aims of this study is to enhance knowledge in taxpayer's behavior and its influence on tax compliance.
- An improved understanding of taxpayer behavior and attitudes to taxation, Kenya not being an exception, can help tax administrations to develop stronger and more effective compliance risk treatments.
- The results of the study can greatly help the KRA develop policies that will help enhance tax compliance amongst SMEs and possibly improve its literacy campaigns to improve taxpayers' ability to understand tax laws and improve peer attitude i.e. a belief that neighbors are reporting and paying tax honestly.
- By empirically establishing which factors affect tax compliance in the selected countries, the research will propose feasible policy recommendations for policy makers and the KRA.

Research Objectives

The Key research questions that this study will aim to answer are:

- What is the level of tax compliance among the top 100 mid-sized firms in Kenya?

- How taxpayers' attitude and the factors influencing that attitude impacts tax compliance behaviors of the top 100 mid-sized firms in Kenya?
- Does the taxpayers' perception of government accountability significantly influence taxpayers' attitudes?
- Does the perception of the burden of tax influence taxpayers' attitudes?
- Does the level of taxpayers understanding of the tax laws influence taxpaying attitudes?

II. Literature Review

Theoretical Framework

The theory of planned behavior was developed by Ajzen in 1988. The theory proposes a model which can measure how human actions are guided. It predicts the occurrence of a particular behavior, provided that behavior is intentional.

The model is out lined in figure below and represents the three variables which the theory suggests will predict the intention to perform a behavior. The intentions are the precursors of behaviour
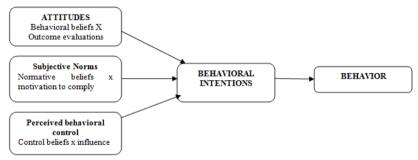

Figure 1 Illustrating the Theory of Planned Behaviour

Ajzen and Fishbein formulated the TRA after trying to estimate the discrepancy between attitude and behavior. This TRA was related to voluntary behavior. Later on behavior appeared not to be 100% voluntary and under control, this resulted in the addition of perceived behavioral control. With this addition the theory was called the theory of planned behavior (TpB). The theory of planned behavior is a theory which predicts deliberate behavior, because behavior can be deliberative and planned.

The economic deterrence theory also provides the basis for this study. It states that taxpayer's behavior is influenced by factors such as the tax rate determining the benefits of evasion, and the probability of detection and penalties for fraud which determine the costs (Allingham and Sandmo 1972; Becker 1968). This implies that if detection is likely and penalties are severe, few people will evade taxes. In contrast, under low audit probabilities and low penalties, the expected return to evasion is high. The model then predicts substantial noncompliance.

The fiscal exchange theory suggests that the presence of government expenditures may motivate compliance and that governments can increase compliance by providing goods that citizens prefer in a more efficient and accessible manner (Cowell and Gordon 1988; Levi 1988; Tilly 1992; Moore 2004; 1998). Alm et al. (1992) note that compliance increases with (perceptions of) the availability of public goods and services. This may imply that the main concern of a taxpayer is what they get a direct in return for their tax payments in the form of public services (quid pro quo).

Conceptual Framework

This research is performed within the framework of the theory of planned behavior. The TPB posits that the immediate antecedent determinant of behavior is the intention behind that behavior. Intentions are the motivational factors that influence behaviors that are under the control of the individual (Ajzen, 1991).
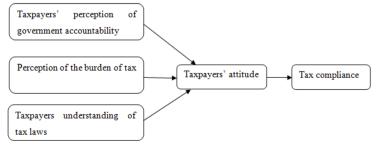

Figure 2: Conceptual Framework

Empirical Review

Kenya is ranked among low-income or low compliance countries and has a hard task of ensuring efficient and effective tax administration in order to ensure tax compliance and to raise more revenue. A recently carried out research on "Taxpayers' Attitudes and Tax Compliance Behavior in Kenya", (Marti, 2010) revealed that in general there a various reasons given to low compliance rate which include: taxpayers perceptions of the tax system and revenue authority; taxpayers' understanding of a tax system and tax laws; image of the government based on whether it is achieving the tax objectives under prescribed; motivation such as rewards and punishment e.g. penalties; cost of compliance; enforcement efforts such as audit; probability of detection; ethics or morality of the taxpayer and tax collector; equity of the tax systems; and also demographic factors such as sex, age, education and size of income.

As Cowell (1990) notes, "… the issue of evasion is, unlike other illegal activities, inseparably bound up with the instruments of fiscal control that the government attempts to use in carrying out its economic policy." While reducing evasion improves the government's revenue, it is a broader issue for the development of a civil order (Knack and Keefer, 1997).

Tax compliance has therefore generated huge international concerns for tax authorities and policy makers as tax evasion seriously threatens the capacity of governments to raise public revenue (Gerald et al., 2009). Developing and emerging economies are particularly vulnerable to tax evasion and avoidance activities of individual taxpayers and corporations as the tax losses arising in course of tax evasion and avoidance activities do largely contribute to the poor performance of the state revenue mobilization in these countries (GIZ, 2010).

Eshag (1983) argues that, the amount of tax revenue generated by a government for its expenditure programs depends among other things, upon the willingness of the taxpayer to comply with the tax laws of the country. This willingness could also be attributed to the attitude that taxpayers demonstrate at any given point in time on the one hand and the purpose of the tax on the other hand (Noami and Joel, 2009).

Some of the empirical researches on tax compliance and evasion undertaken from various angles in the context of the business and economic environments of the developed countries of the world include those of: Andreoni, et al., (1998); Torgler (2003); Wenzel (2002); Diego and Luca (2011); Serdan et al. (2011) and Coskun et al. (2009). It has been argued that the findings of these works could not be favourably applied within the context of developing countries due mainly to the noticeable differences in the socio-political, cultural and even demographic constitution of the developed and developing economies (Alabede et al., 2011).

Alabede et al. (2011) postulated that, a tax payer whose motive is to demonstrate his beliefs in a system will evaluate the fairness of the systems with objectivity whereas the taxpayer whose attitude is motivated by what benefit to derive from the system may label the tax system fair only if he is benefiting from it. Also Richardson (2006) indicated that perceived fairness of tax system is significantly related to tax non-compliance. Roth et al. (1989) and Jackson and Milliron (1986) found that tax payers concerns about fairness have links with attitudes and behavioral intentions about tax compliance. Therefore, to understand a particular individual tax payer's behavior, it is important to identify the determining variable of behavioural intentions (Hanno and Violette, 1996).

Apart from individual tax payers' perception about the fairness of the tax system, its complexity or otherwise influences the compliance of tax payers. The Internal Revenue Act 2000 of Ghana (Act 592) as amended stated in section 1 (i) that "a person who has a chargeable income shall pay subject to this Act, for each year of assessment income tax as calculated in accordance with this Act"(Ghana, 2000). As a civic duty, the expectation is that citizens may comply with the Act, but that is not the case with some citizens (Alabede et al., 2011).

Terkper (2007) advanced the reason that tax payers demonstrate various degrees of compliance owing to factors such as lack of understanding of the tax laws; improper book keeping and apathy towards government. Jackson and Milliron (1986) contended that the complexity of tax system has been considered as a possible reason for tax non-compliance. To Young et al. (2013), the rules should be simple and clear allowing taxpayers to read and understand the requirement and the rules they need to follow easily and quickly. Otherwise, tax payers' intentions of compliance may reduce. Beck et al. (1991) also concurred with this view by arguing that reducing tax complexity may lead to an increased perception of fairness on tax system and subsequent reduction of tax non- compliance.

Taxpayers' expectations are that the revenue generated from taxes should be spent and accounted for meaningfully by the state, (Young et al., 2013). Where this is lacking it can cause a slack in tax payers' commitment to pay their taxes. This is corroborated by Thorndike (2009) as he posited that citizens must comply with their obligations as part of their bargains, while governments are expected to secure the safety and security of individuals including the right to property. Braithwaite (2001) contended that the taxpayers' evaluation of local tax bureau's performance is proposed to affect tax compliance. Thus, the extent to which the tax office is delivering on its charter is suggested to be a factor affecting compliance. Young et al. (2013)

concurred to this as they put it that as tax authority is fulfilling its promise their willingness to follow tax requirement may be higher.

III.   Methodology

The study sought to find the factors that affect taxpayer's attitude and tax compliance among the top 100 mid-sized firms according to KPMG survey in 2013. The study adopted a cross-sectional study as data was only collected at one occasion in time and it represents the responses of the respondents at that point in time. Due to the constraints of time, budget and geographical distance it was not be possible to collect data from the entire population of SMEs in Kenya. Therefore a census was not conducted and a convenient sample was selected from the top 100 mid-sized firms that participated in the KPMG SME survey in 2013. The study randomly selected 35 firms that were used in this study. The data was collected through interviews by the researcher and was guided by a detailed questionnaire. This sample enabled generalization of the research findings on how the taxpayers' positive attitudes influence business income tax compliance among SMEs and in general in Kenya.

The study used primary data of the top 100 mid-sized taxpayers' in 2013. This data was collected using structured questionnaire, which was delivered directly to the top management and collected within one week. It consisted of closed ended matrix and contingency questions. Likert scale was used with the matrix questions. Inferential test at 5% level of significance were performed in order to test the hypothesis that taxpayers' positive attitudes do not influence tax compliance in Kenya. Strength of the relationship between dependent and independent variables was tested using regression analysis. The data was analyzed using procedures within Statistical Package for Social Sciences (SPSS 20) and SPSS Amos.

IV.   Findings And Discussion

Demographic Characteristics of the Respondents

The study sought to find out the years the SMEs had been in operation. The findings are given in the figure below. The results show that 28 of the respondents who participated in the study indicated that their SMEs have been in operation for more than 10 years**.** Five of the respondents indicated that their SMEs have been in operation for between 5-10 years.
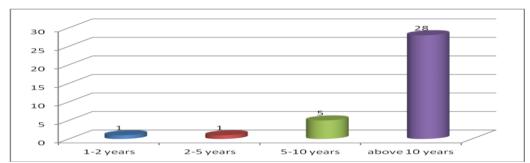

Figure 3: Years of Operation

Annual Turnovers

The annual turnover of the SMEs from 2011 to 2014 was also assessed. The results revealed that over 80% of all the SMEs in this study recorded an annual turnover of more than kshs 10 million from 2011 to 2014.
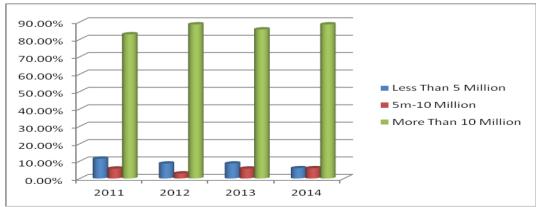

Figure 4: Annual Turnovers

Number of Employees

The SMEs in the study had varied number of emoployees. the findings indicate that 74% of the SMEs had more than 50 employees, while 23% had between 10 and 50 employees and finally 3% of the SMEs had 1-9 employees respectively.
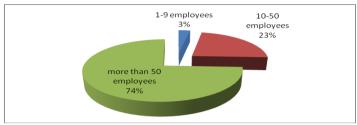

Figure 5: Annual Turnovers

Level of Compliance

The study sought to find out the level of tax compliance among the top mid sized firms in Kenya. The findings are given in the table below.

Table 1: Level of Compliance

Statements	Very Poor	Poor	Neutral	Good	Excellent
Timely filling of the tax returns	0.00%	0.00%	11.40%	68.60%	20.00%
Keeping records accurately and using them to compile taxes payable.	0.00%	0.00%	8.60%	62.90%	28.60%
Payment of taxes arrears on time	0.00%	5.70%	11.40%	54.30%	28.60%

The findings showed that 68.6% of the respondents' rated timely filling of tax returns among the top 100 mid sized firms as good while 20% of the respondents' rated timely filling of tax returns among the top mid sized firms as excellent. On whether the mid sized firms kept their records accurately and used to them to compile their taxes, 62.9% rated it as good.

Awareness of Online Tax filing

The study sought to find out the level of awareness of online tax filing among the top 100 mid sized firms in Kenya. Majority (61%) of the respondents indicated to be aware of the online tax filing while 39% indicated that they were not aware of online tax filing.
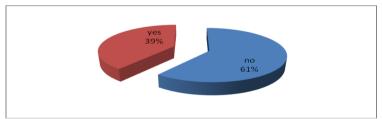

Figure 6: Awareness of Online Tax filing

Online Filing of Tax Returns

An assessment was conducted to investigate how often mid sized firms in Kenya filed their taxes online. The results indicate that 57% of the firms in this study indicated that they always file the tax online while 31% indicated they sometimes use online filing of tax returns. Those who don't use online filing at all were 12% of the firms.
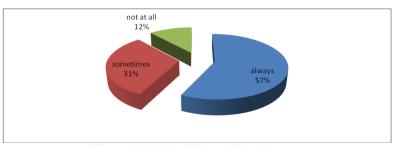

Figure 7: Online Filing of Tax Returns

However, out of those who were aware of the online tax filing,79% indicated that they rarely filed their tax return online with 21% indicated to frequently use online filing of tax return.
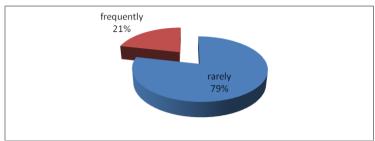

Figure 8: Online Filing of Tax Returns

Tax Payers' Attitude Towards Tax System

The study assessed the attitude of the tax payer toward the tax system. the results shows that 45.7% and 17.1% of the respondents agreed and strongly agreed that Kenya's tax system is not favourable to small businesses. These findings could imply why there is low compliance among the small and medium sized firms in Kenya.

Similarly, the respondents agreed that the Kenya's tax system is not fair compared to the tax systems of other countries and that Kenya's tax revenue is not put to good use by the government. These findings imply that there is a poor attitude towards the Kenya system from the small and medium size companies. More than half (51%) of the respondents disagreed that they would evade taxes provided other people also avoiding tax.

Table 2: Tax Payers' Attitude Towards Tax System

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean
Kenya's tax system is not favourable to small businesses.	14.3%	2.9%	20.0%	45.7%	17.1%	3
Kenya's tax system is not fair compared to the tax systems of other countries.	8.6%	2.9%	25.7%	40.0%	22.9%	4
Kenya's tax revenue is not put to good use by the government.	5.7%	2.9%	28.6%	31.4%	31.4%	4
It is not wrong to evade tax if other people are also avoiding tax	31.4%	20.0%	20.0%	17.1%	11.4%	3

Taxpayer Perception of Government Accountability

The study sought to find out the taxpayers' perception of government accountability. the finding show that majority of the respondents agree and strongly agreed with the statement in the table below. the study revealed that 45.7% and 40.0% of the participants agreed and strongly agreed that there was so much wastage of tax revenue in the government, 37.1% and 28.6% of the participants agreed and strongly agreed that they would pay tax if it was put to good use by government. Over 50% of the respondents also agreed and strongly agreed that they pay tax if there was transparency on how it was used. The respondents also highlighted that corruption played a significant role in tax evasion

Table 3: Taxpayer Perception of Government Accountability

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean
There is so much wastage of tax revenue in the government	2.9%	0.0%	11.4%	45.7%	40.0%	4
I would pay tax if it is put to good use by government	5.7%	5.7%	22.9%	37.1%	28.6%	4
I would pay tax if there was transparency on how it was used	5.7%	5.7%	31.4%	25.7%	31.4%	4
Tax officers are corrupt which affect the attitude of taxpayers towards paying tax	0.0%	11.4%	14.3%	28.6%	45.7%	4
Corruption in government contributes to increase in tax evaders	0.0%	5.7%	11.4%	20.0%	62.9%	4

Perception of Burden of Tax

The study conducted an assessment to find out whether the small amd medium sizes firms in kenya perceived paying tax as aburden to their firms. the findings revealed that over 50% pf the respondents in this study agreed that complying with the small amd medium sizes firms tax regime posed a significant costs to their business. Further, the respondents agreed that the cost of complying with taxes interrupts with the cash

flow of their business, and that the cost of compliance make them to think of evading or avoiding tax payments. Similarly, 51.4% of the participant agreed that the cost of hiring an accountant to compute tax posed a significant cost to their businesses.

These findings could imply that lack of compliance to tax by small amd medium sizes firms in kenya could be as a result of perception of the burden tax filing posed to their businesses.

Table 4: Perception of Burden of Tax

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean
Complying with the SME tax regime pose a significant cost to my business.	8.6%	8.6%	20.0%	57.1%	5.7%	3
The cost of complying with taxes interrupts with the cash flow of my business.	5.7%	14.3%	17.1%	57.1%	5.7%	3
Cost of compliance make me to think of evading or avoiding tax payments.	11.4%	22.9%	14.3%	40.0%	11.4%	3
Cost of hiring an accountant to compute tax pose a significant cost to my business.	11.4%	17.1%	2.9%	51.4%	17.1%	3
Cost of maintaining books of accounts pose a significant cost to my business	17.1%	14.3%	5.7%	48.6%	14.3%	3

Level of Taxpayers Understanding of Tax Laws

The study sought to assess the level of taxpayers understanding of the tax laws. The findings show that over 50 % of the respondents agreed and strongly agreed to the statements in the table below. The study showed that 60.0% and 8.6% agreed and strongly agreed that the tax laws were complex to understand for majority of the public while 57.1% of the respondents agreed that most of tax evaders did not understand tax laws. Similarly, 57.1% and 28.6% of the participants agreed and strongly agreed that educating SMEs owners on tax laws would increase tax compliance with 68.6% and17.1% of the participants agreed and strongly agreed that lack of understanding of tax law bred poor attitude among tax payers. Furthermore, 51.4% and 11.4% of the respondents agreed and strongly agreed that most evaders don't understand the penalties for evading tax with 40.0% and 57.1% of the respondents agreed and strongly that the tax officers should conduct public campaigns to educate people on tax laws.

Table 5: Level of Taxpayers Understanding of Tax Laws

	Strongly Disagree	disagree	neutral	agree	strongly agree	Mean
Tax laws are complex to understand for majority of the public.	2.9%	8.6%	20.0%	60.0%	8.6%	4
Most of tax evaders don't understand tax laws	8.6%	20.0%	14.3%	57.1%	0.0%	3
Educating SMEs owners on tax laws would increase tax compliance	0.0%	0.0%	14.3%	57.1%	28.6%	4
Lack of understanding of tax law breeds poor attitude among tax payers	2.9%	0.0%	11.4%	68.6%	17.1%	4
Most evaders don't understand the penalties for evading tax	8.6%	17.1%	11.4%	51.4%	11.4%	3
Tax officers should conduct public campaigns to educate people on tax laws	0.0%	0.0%	2.9%	40.0%	57.1%	5

Correlations

The finding of this study indicated that taxpayer understanding of tax law and tax payer perceptions of tax burden are significantly related. The relationship between tax payer perceptions of government accountability had no association with taxpayer understanding of tax law. The results further revealed that the level of understanding of tax law was significantly associated to taxpayers' attitude towards compliance. The findings also show that taxpayers' attitude towards compliance is significantly associated to Taxpayer Perception of tax burden.

These findings imply that taxpayers' level of understanding of tax law influences perception of taxpayers towards tax burden and attitude toward compliance. The findings further imply that increasing the level of understanding of tax law is likely to increase compliance by improving attitude and perception toward tax compliance. These findings are consistent with Alabede et al. (2011) who postulated that, a tax payer whose motive is to demonstrate his beliefs in a system will evaluate the fairness of the systems with objectivity.

Richardson (2006) on the other hand indicated that perceived fairness of tax system is significantly related to tax non-compliance. Roth et al. (1989) and Jackson and Milliron (1986) found that tax payers concerns about fairness have links with attitudes and behavioral intentions about tax compliance. Therefore, to understand a particular individual tax payer's behavior, it is important to identify the determining variable of behavioural intentions

Table 5: Correlation Matrix

			Estimate	P
Taxpayers perception towards Govt accountability	<-->	Taxpayer perception of tax burden	.324	.011
Taxpayers perception towards Govt accountability	<-->	Taxpayer understanding of tax law	.011	.863
Taxpayer Perception of tax burden	<-->	Taxpayer understanding of tax law	-.183	.031

Regression Analysis

The study used SPSS Amos to conduct regression tests to ascertain the relationship between independent variables which are taxpayers attitude towards tax system, taxpayers attitude towards compliance, taxpayers perception towards government accountability, tax Payer Understanding of tax law and tax Payer Perception of tax burden and dependent variable in this case taxpayer compliance.

Table 6: Regression Weights

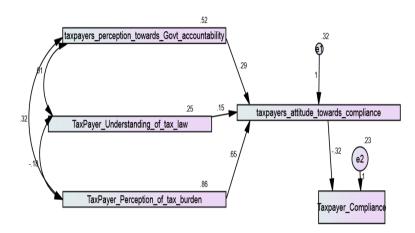|			Estimate	P
Taxpayers attitude	<---	Taxpayer Understanding of tax law	.148	.508
Taxpayers attitude	<---	Taxpayer Perception of tax burden	.652	0.00
Taxpayers attitude	<---	Taxpayers perception towards Govt accountability	.293	.069
Taxpayer Compliance	<---	Taxpayers attitude towards compliance	-.317	0.00

Figure 5: Model Illustrating Determinants of Tax Compliance

The findings revealed that tax payer perception of tax burden was significant predictors of taxpayers' attitude. The influence of taxpayer perception towards government accountability and taxpayer understanding of tax law on taxpayer attitude was found to be insignificant. Tax payer attitude was found to be significantly related to tax compliance.

These findings suggest that in order to improve tax compliance, the tax man should address taxpayer attitude towards compliance. Similarly, taxpayer should be enlightened on the tax laws to boost their level of understanding. The government should also be more accountable to the people on how taxes are put in use. The results in the model below show that tax payers' perception towards government accountability accounts for 52% of the variation in taxpayers' attitude while taxpayers' understanding of tax law and taxpayers' perception of tax burden accounts for 25% and 86% of the variation in taxpayers' attitude towards compliance.

Eshag (1983) argues that, the amount of tax revenue generated by a government for its expenditure programs depends among other things, upon the willingness of the taxpayer to comply with the tax laws of the country. This willingness could also be attributed to the attitude that taxpayers demonstrate at any given point in time on the one hand and the purpose of the tax on the other hand.

Marti (2010) also revealed that taxpayers perceptions of the tax system and revenue authority; taxpayers' understanding of a tax system and tax laws influenced the level of tax compliance in Kenya. Similarly, Richardson (2006) indicated that perceived fairness of tax system is significantly related to tax non-compliance. Roth et al. (1989) and Jackson and Milliron (1986) found that tax payers concerns about fairness have links with attitudes and behavioral intentions about tax compliance.

V.   Conclusion

Governments in both developed and developing countries collect taxes mainly to fund public services. Tax policy decisions have different impacts on different individuals, businesses and the economy at large. Governments need to develop tax policies and tax systems that are guided by certain tenets. Since taxation

affects incomes and prices of goods and services, individuals and businesses react differently in response to changes in income, and in relative prices, emanating from taxation.

To address this tax non compliance issues the government should formulate a clear strategy. The taxpayer perception towards the tax system and government accountability should be properly addressed. Taxpayers' poor perception about the tax system and perception that the government does not utilize taxes properly will surely leads to non compliance. in Kenya the high rate of corruption among government officers creates a bad perception among taxpayers which is likely to influence their tax compliance. To further enhance tax compliance, the public should be enlightened on tax laws since the level of understanding of tax laws enhances tax compliance.

VI.   Recommendations

1. The Kenya revenue authority should address corruption to increase confidence of the taxpayer in the tax system.
2. The Kenya revenue authority should find ways to address the attitude of the taxpayer towards tax system
3. Government of Kenya should properly utilize taxes and be accountable to the people this will increase taxpayer confidence hence increase the level of tax compliance
4. Awareness campaigns should be undertaken by the tax man to enlighten the public o the tax law which will assist in addressing the poor attitude people have towards compliance and the system at large.

References

[1].   Allingham, M. G. & A. Sandmo 1972. Income tax evasion: a theoretical analysis. Journal of Public Economics, 1, 323- 338.
[2].   Alm, J., G. H. McClelland & W. D. Schulze 1992. Why do people pay taxes? Journal of Public Economics, 48, 21-38.
[3].   Andreoni, J., B. Erard & J. Feinstein 1998. Tax compliance. Journal of Economic Literature, 36, 818-860.
[4].   Banerjee, A. V. 1992. A simple model of herd behavior. The Quarterly Journal of Economics, 107, 797-817.
[5].   Barnet K. and G. Caren. 2004. "Gender impact of government revenue collection: The case of taxation." Commonwealth Economic Paper Series Economic. Affairs of the Commonwealth Secretariat, London, United Kingdom.
[6].   Becker, G. 1968. Crime and punishment: an economic approach. Journal of Political Economy, 76, 167-217.
[7].   Cobham, A. 2005. Tax evasion, tax avoidance and development finance. Queen Elisabeth House Working Paper No. 129. Oxford: Oxford University.
[8].   Cowell, F. A. 1990. Cheating the government: The economics of evasion: The MIT Press.
[9].   Cowell, F. A. & J. P. F. Gordon 1988. Unwillingness to pay: Tax evasion and public good provision. Journal of Public Economics 36, 305-321.
[10].   D'Arcy, M. 2011. Why do citizens assent to pay tax? Legitimacy, taxation and the African state. Afrobarometer Working Paper No. 126.
[11].   Drummond, P., W. Daal, N. Srivastava & L. E. Oliveira 2012. Mobilizing revenue in sub-Saharan Africa: empicial norms and key determinants. IMF Working Paper WP/12/108. Washington DC.: International Monetary Fund.
[12].   Fauvelle-Aymar, C. 1999. The political and tax capacity of government in developing countries. Kyklos, 52, 391-413.
[13].   Fjeldstad, O.-H. 2001. Taxation, coercion and donors. Local government tax enforcement in Tanzania. The Journal of Modern African Studies, 39, 289- 306.
[14].   Fjeldstad, O.-H. & J. Semboja 2001. Why people pay taxes: The case of the development levy in Tanzania. World Development, 29, 2059-2074.
[15].   Fuest, C. & N. Riedel 2009. Tax evasion, tax avoidance and tax expenditures in developing countries: A review of the literature. Report prepared for the UK Department for International Development. Oxford: Oxford University Centre for Business and Taxation.
[16].   Kirchler, E., E. Hoelzl & I. Wahl 2008. Enforced versus voluntary tax compliance: The "slippery slope" framework. Journal of Economic Psychology, 29, 210- 225.
[17].   Levi, M. 1988. Of rule and revenue, Berkeley: University of California Press.
[18].   Masinde, Muyundo. 2012. Unlocking the Revenue Potential in Kenya. Munich: GRIN Publishing GmbH.
[19].   McKerchar, M. & C. Evans 2009. Sustaining growth in developing economies through improved taxpayer compliance: Challenges for policy makers and revenue authorities. eJournal of Tax Research, 7, 171-201.
[20].   Persson, A. 2008. The institutional sources of statehood - Assimilation, multiculturalism and taxation in Sub-Saharan Africa Doctoral Thesis, Gothenburg University.
[21].   Richupan, S. 1987. Determinants of income tax evasion: Role of tax rates, shape of tax schedules and other factors. In: Gandhi, V. P. (ed.). International Monetary Fund.
[22].   Sacks, A. 2012. Can donors and non-state actors undermine citizens' legitimating beliefs? World Bank Policy Research Working Paper No. 6158. World Bank.
[23].   Sah, R. K. 1991. Social osmosis and patterns of crime. Journal of Political Economy, 99, 1272-1295.
[24].   Sandmo, A. 2005. The theory of tax evasion: A retrospective view. National Tax Journal, 58, 643- 633.
[25].   Snavely, K. 1990. Governmental policies to reduce tax evasion: coerced behavior versus services and values development. Policy Sciences, 23, 57- 72.
[26].   Tayler, T. R. 2006. Psychological perspectives on legitimacy and legitimation. Annual Review of Psychology, 57, 375-400.
[27].   Waris, A., M. Kohonen, J. Ranguma & A. Mosioma 2009. Taxation and state building in Kenya: Enhancing revenue capacity to advance human welfare. Kenya Report. Tax Justice Network for Africa.
[28].   Yankelovich, Skelly & White 1984. Taxpayer attitudes study: Final report. Public opinion survey prepared for the Internal Revenue Services. Washington, DC: Internal Revenue Service, U.S. Department of the Treasury.