

Taxpayers' attitudes and tax compliance behaviour in Kenya

Abstract:

The major purposes of this study were to document the taxpayers' attitudes and tax compliance behaviour in Kenya, the case of SMEs business income earners in Kerugoya town, Kirinyaga district. and also to identify taxpayers' attitudes towards tax systems, to identify factors which influence taxpayers' attitudes and to establish relationship between attitudes and tax compliance behaviour among SMEs business income earners in Kerugoya town, Kirinyaga district. This research was a survey involving business income earners among small and medium size enterprises in Kerugoya town, in Kirinyaga district. Data was collected from two hundred and sixty (260) small and medium size enterprises taxpayers, analyzed using descriptive statistics, and summarized and presented in the form of proportions, tables and percentages. The following conclusions were also arrived at: First, most taxpayers view the Kenyan tax system as unfair. This was because most respondents differed that they are paying a fair share of tax; that their neighbours, friends etc are reporting and paying tax honestly; that tax laws are easy to understand i.e. calculation of tax filing and paying dates. They were also indifferent with the paying of tax fines and penalties: the aggressive tax enforcement efforts by KRA e.g. ensuring tax audits and prosecutions of tax evaders take place. Secondly, most taxpayers have complied with the possession of PINs; the taxpayers in the district have partially complied in terms of keeping up to date records and books of accounts. This is because most of them keep Cash receipts, Cashbook, Balance sheet, Invoices, and Profit and Loss accounts. But other records like the trial balance; Journals and Ledgers are not up to date. Thirdly, the taxpayer file tax returns on or before 30th June, a sign that they actually comply with the dead lines given by KRA, which they file themselves instead of doing it using the Accountant/ tax advisor. Fourthly, most taxpayers in the district have never paid penalties. Fifthly, some of the factors for tax non-compliance were found to be: the inability to understand tax laws , a feeling that they are not paying a fair share of tax, positive peer attitude and Rewarding. Lastly, testing the hypothesis of the study that "Taxpayers' attitudes do not encourage tax compliance in Kenya", it was found that there is a very strong relationship between the taxpayers' attitudes and tax compliance in Kenya i.e. taxpayers' attitudes encourages tax compliance in Kenya since the correlation of 0.846 @1.