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Factors influencing Voluntary Tax Compliance Among Small and Medium sized Enterprises in Kenya

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Abstract

Tax compliance is essential for generating revenue to fund government activities and public services. Despite the efforts of the Kenyan Revenue Authority (KRA), compliance remains a challenge due to factors such as complex tax systems, high compliance costs, and negative taxpayer attitudes. The study examines the factors that influence voluntary tax compliance, including information availability, tax compliance costs, and individual attitudes and perceptions. It delves into tax compliance theories, such as the Contingency Theory of Taxation and the Ability to Pay Theory, shedding light on their impact on organizational behavior and financial performance. Empirical evidence from previous studies is discussed, highlighting the importance of tax education and the perception of tax fairness in promoting compliance. The study also identifies challenges specific to Kenya, such as a complex tax system, high compliance costs, and negative attitudes toward taxation, which hinder compliance, particularly among SMEs. It underscores the efforts made by the Kenyan Revenue Authority (KRA) to enhance compliance but acknowledges the persistence of challenges. The abstract concludes by emphasizing the need for a comprehensive understanding of tax compliance to ensure an equitable and efficient tax system that supports economic growth and national development in Kenya and other developing nations.

Keywords: Voluntary Tax Compliance, Tax compliance costs, Taxpayers Attitudes, Information availability, Ability to Pay

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1. Introduction

Taxes are payments that individuals and corporations must make to the government. They can be based on earnings, corporate profits, or the prices of goods, services, and transactions. The main goal of taxes is to generate revenue for the public.

A country's economic growth depends on the money it earns from providing services and building infrastructure.

In order to make sure these services are delivered effectively, the government needs resources to support them. Tax revenue plays a role in funding the government's activities (Ndekwa, 2014).

Tax compliance is the free and complete fulfillment of all legal tax responsibilities (Atawodi & Ojeka, 2012). One important source of public finance is the payment of taxes, which are small deductions from an individual's income that the government expects in order to cover the costs

involved with carrying out its duties (Yohannes & Sisay, 2009). The more accountable the government is with taxpayer money, the more righteous its acts become (Fjeldstad et al., 2012). Kenyans have increased their expectations of tax officials in terms of better services during the last ten years (Grampert, 2002). By establishing a taxpayer services unit in April 2000, KRA responded to public demand and ensured that it met the growing demand for enhanced taxpayer services. So taxpayers usually go to the offices of revenue authorities for various reasons. The main purpose is to get information about taxes, register as taxpayers, and so on. As service providers, tax revenue organizations have a responsibility to offer top-notch service to their clients, who're mostly taxpayers. The officials in charge of tax revenue should demonstrate qualities like being prompt, efficient, knowledgeable about taxes, and clear in order to provide service. Front-line revenue officers must avoid being haughty, unpleasant, irritable, unreceptive, and appearing bored since the attitude of the revenue officers has a significant role in providing high-quality taxpayer service (Surrey & McDaniel, 1975).

Regardless of whether the citizens of a country agree with it or comprehend it, Gcabo, and Robinson (2007) asserts that tax remittance is essential for any country. They went on to state that although taxpayers are aware of the need to pay taxes in order to benefit from the government's benefits in the form of public services, most individuals do not support tax compliance. Because tax compliance impacts how the government shapes the lives of its residents, it is crucial to comprehend its relevance (Oberholzer, 2008).

According to Otioku (1988), a nation cannot enjoy remarkable economic development without the support of knowledgeable governments. However, the provision of financing is the only thing that can guarantee a nation's development strategy and objectives. One of the most reliable ways for governments to generate revenue is through taxation. On the other hand, numerous studies on tax compliance have revealed that, in general, SMEs do a poor job of adhering to the income tax requirements. The tax system has been crucial to controlling national wealth since the dawn of civilized civilization many years ago, especially in industrialized nations (Oats, 2012). Remembering that not all payments paid to the government are taxes is essential. For instance, levies such as fees, tolls, and other charges are made in return for a particular service and are not regarded as taxes.

Equality, simplicity, predictability, and efficiency are some of the essential concepts that make up an effective tax system. According to Bird (2012), most developing countries fail to collect more than half of their prospective tax revenues. This is because a huge informal sector is dominated by small-scale business owners. Tax compliance is a challenge on a worldwide scale because the majority of countries prefer to raise domestic revenue to cover their ongoing expenses. In an effort to promote tax compliance,

KRA has implemented measures such as electronic monitoring, audits, compliance checks, investigations, and the closure of non-compliant taxpayers' enterprises, as well as heavy fines and legal action against tax evaders. Additionally, persons who provide information that results in the recovery of taxes may be eligible for whistleblower compensation. This punishment and reward have improved the overall level of tax compliance. The government saves money by avoiding the time-consuming and expensive task of calculating each taxpayer's debt and using alternative means of collection. However, one drawback of relying so much on individual taxpayers' compliance is that not all taxpayers voluntarily pay their taxes on time.

The overall individual income tax gap, as calculated by Bird (2012), is the discrepancy between income countries, and as a result of the difficult task of ensuring effective and resourceful tax administration, tax compliance in Kenya has been relatively low. KRA provides monthly training to all newly registered taxpayers in an effort to enhance tax compliance. Few studies have been conducted to ascertain if greater taxpayer education has improved tax compliance. This study's main concern is whether or not SMEs are following tax regulations in relation to the income they receive from their businesses. Any revenue received from an investment in Kenya must be taxed, according to legislation. Since 2003, Kenya as a country has concentrated on utilizing domestic resources to finance ongoing expenses.

In general, tax evasion is socially detrimental since it can lower tax receipts, skew the labour market, and erode state stability by enhancing the perception of deceit and fraud. If the cause of a taxpayer's noncompliance is understood, it may be possible to reduce it effectively. The tax authority benefits from knowing the drivers behind taxpayers' attitudes and behaviours toward voluntary tax compliance since it can help them develop strategies that are more effective and suitable.

Tax noncompliance has become a considerable obstacle to tax revenue for many developing nations. According to Waris (2018), a lack of trust between the populace and the government is another cause of noncompliance. People in poor countries think their governments are dishonest. As a result, they don't think their money will be used in good faith to strengthen the country (Waris & Latif, 2014). The ultimate outcome, voluntary tax compliance among SMEs, is influenced by information availability, compliance costs, and SMEs' attitudes and perceptions. SMEs that find tax information accessible, face reasonable compliance costs, and maintain positive attitudes are more likely to comply voluntarily with tax obligations.

2. Statement of the Problem

Despite the implementation of sanctions, there is still a low level of tax compliance; armed monitoring, routine audits, fines, and the closure of companies run by non-compliant taxpayers have not increased revenue collections

to the desired levels. Self-assessment, which was implemented by KRA, calls on taxpayers to voluntarily register, keep records, file returns, and pay the necessary taxes. Unfortunately, it has had a minimal effect on tax compliance. Since then, the government has been forced to create an incentive for any person who voluntarily provides information that would result in the collection of larger taxes because the taxes on SMEs income have not increased in parallel with the growth of the economy.

Employees were also required to submit self-assessment questionnaires and share information about their landlords in order to improve voluntary compliance. Through the media, road shows, and talk shows, KRA has actively pressed landlords to reveal their rental income, yet little has changed. This may be the result of ill intentions and a negative attitude toward paying taxes. It might be challenging for the government to determine the crucial objectives for supporting the national budget if compliance rates continue to be so low. In addition, if this issue is not remedied, it could result in a national catastrophe (Flynn, 2003).

Tax concerns are challenging in the majority of developing nations. This has therefore gained greater attention in recent years as many countries seek to make sure that all of their citizens properly abide by tax regulations. Numerous obstacles exist, including ineffective government management, insufficient tax revenue collection, structures in the taxation system where concerns about horizontal and vertical tax equality are not cohesive, and political and economic instability. The inability of tax administrations in many developing countries to successfully monitor taxpayer compliance has been noted (Tanzi, 2014). Like most developing countries, Kenya has trouble raising the necessary amount of money (mainly from income) to advance economic growth.

3. Literature Review

The main objective of this chapter is to look at the relevant and available literature pertaining to tax compliance and non-compliance. The chapter also highlights and explains issues and factors influencing taxpayers' attitudes in regard to compliance, avoidance, and evasion of taxes and the relationship among the three factors.

3.1. Theoretical framework

Regarding the variables influencing voluntary tax compliance on income, there have been previous studies and hypotheses developed by different academics. Results from relevant studies are given, debated, and criticized in this section. Three theories—the Agency Theory, the Profit Maximization Theory, and the Theory of the Growth of the Firm—support the tax compliance on SMEs income. Although this research is supported by other hypotheses, the aforementioned theories are examined and sharply critiqued

in this study.

3.1.1 Ability to Pay Theory

Since the goal of the firm is to generate a profit and pay expenses in accordance with the firm's financial situation or how the firm can afford to pay the expenses, which include tax charges, the ability to pay theory is one of the most crucial theories of the firm (Ross et al., 2015). Profit is the difference between marginal cost and marginal income, and the larger the profit, the more taxes the company will have to pay. The quality of the product is not taken into account by the ability to pay theory; thus, it is up to the business to make sure high-quality products are created, and for the business to expand, it will pay taxes in accordance with its ability (Ross et al., 2015).

According to the amount of revenue they get, SMEs are required to pay taxes; those who earn more do so at a higher rate. There are other homes made of iron sheets, but the tenants get to pick which one they want to live in. The results of a recent market survey indicate that tenants favour stone homes. In comparison to those in rural regions, those close to major cities charge greater rent, which also translates to higher taxes for businesses which earn larger revenue (Bunyasi et al., 2014).

The ability to pay theory of taxation will assist in determining if it is accurate that SMEs are earning profits in their business and whether they are paying the income tax to KRA using the accurate actual revenue they receive from their businesses (Law & Mills, 2015). When a goal is set, the authority is acknowledged, given precedence, and followed in all management units in order to achieve the goal. Since capital and expenditures must increase as output increases, which results in an increase in taxes owed to the government, the expansion of the company is given significant consideration.

3.1.2 Contingency theory of taxation

A method of studying organizational behaviour known as the contingency theory of taxation explains how contingent elements like technology, culture, and the external environment have an impact on the structure and operation of organizations. The premise of contingency theory is that there is no one organizational structure that applies to all organizations equally, but rather that organizational structures vary depending on the different types of organizations. Instead, organizational efficiency depends on how well the organization's size, organizational structure, information system, technology, and environmental volatility all work together. The variables influencing voluntarily reported tax compliance on income in Kenya. The sociological functionalist theories of organizational structure, such as the structural approaches to organizational studies, served as the foundation for contingency theories (Woods, 2009).

The contingency theory is used to explain the

connections between organizational performance, particularly the accuracy of financial reporting, and the context and structure of internal control effectiveness. The study provides clear evidence of the connection between tax compliance and other variables. According to empirical research, internal auditors with specialized skills and higher levels of internal audit competence will be able to analyze the effectiveness of internal controls, and the company will gain from this analysis through the effectiveness of internal control mechanisms. The external environment, technology, structure and scale, strategy, and national culture are some elements that have an impact on management control systems. It implies that the demands placed on the organization by technical tasks promote the creation of strategies to coordinate and regulate internal operations.

Organizational structure is greatly impacted by the location of information with respect to technology and environment. The organization's tax structure is also explained in detail in the contingency theory, along with how the organization makes sure taxes are paid on time to avoid fines. The tax system varies from one business to another due to organizational differences, such as those between manufacturing firms and those that import finished goods. Authority structure and activity structure, or the rules and procedures that govern people's discretion, are two examples of structure and control dimensions. Social power is related to authority. Decentralized authority is better suited to unpredictable circumstances, according to the contingency model. The deployment of control systems is dependent on the context of the organizational setting in which these controls work, according to [Allingham and Sandmo \(2006\)](#), who also used the concept of contingency theory to support his claim. The selection and use of a management control system are thus dependent on a number of internal and external factors, according to the contingency theory. It is evident that management control systems are impacted by elements including the external environment, technology, structure and scale, strategy, and national culture. The theory contends that the pressures placed on an organization by technical tasks drive the creation of plans to coordinate and manage internal operations ([Allingham & Sandmo, 2006](#)). Tax compliance is influenced by various theories, such as the Contingency Theory of Taxation, the Ability to Pay Theory, and others.

3.2. Factors influencing Voluntary Tax Compliance

3.2.1 Information Availability

Standard models presuppose that taxpayers are completely aware of every detail pertaining to the tax reporting procedures. It turns out that this strong assumption was incorrect. According to a tax study, the level of information has a significant impact on tax-payer behavior and how it affects tax evasion. Less educated taxpayers are more likely to engage in tax evasion because

they are less exposed to and knowledgeable about pertinent tax compliance information. The intricacy of tax information can be harder to interpret for some taxpayers than for others. If tax payers experience difficulties, perhaps when filling out tax returns, this complexity may result in unintended noncompliance.

Kenya introduced the self-assessment tax system in 1992. The taxpayer is in charge of properly declaring and paying their taxes. By the conclusion of the six months following the end of the tax year, a taxpayer is required by law to file a self-assessment return. The Kenya Revenue Authority (KRA) checks the returns after they are filed, and if it has cause to believe that a tax filer did not declare the correct taxes, it is authorized by law to conduct a thorough tax audit to confirm the facts supplied by the tax filer. This is where issues begin. When errors or omissions occur that could have been prevented had advance tax rulings been in place, the taxpayer must go through a laborious process that is both time-consuming and expensive ([Muiru, 2012](#)). On top of that, businesses that are thinking about significant transactions frequently suffer from the problem of not being completely certain how those transactions might affect their tax situation. Due to this uncertainty, deals may occasionally be abandoned since they may not be commercially feasible due to unfavorable tax treatment. The problem is made much more difficult by the intricacy of our tax regulations and the fact that they are frequently vulnerable to modification. Because tax regulations may not be explicit regarding how to approach complex company transactions, tax payers frequently find themselves in challenging situations while making crucial business decisions. Although our tax rules don't allow for advance tax decisions, in reality, tax payers frequently ask the Commissioner to interpret various tax laws or the tax ramifications of certain business activities. Sometimes, in order to maintain confidentiality, this is done on a no-name basis ([Muiru, 2012](#)).

The complicated tax structure in Kenya makes paying taxes expensive due to the increased cost of compliance. Because of the high implementation costs, Kenya's economy will suffer. A tax system's administration costs increase with its complexity, as does the cost for individuals to abide by it. Corporate income tax, individual income tax, value-added tax (VAT), and withholding tax are among the taxes that are managed in Kenya. The tax rates for corporations are 30%, for individuals they are 30%, for VAT they are 16%, and for withholding taxes they start at 25% and vary depending on the source of income and whether the taxpayer is a Kenyan or not ([Government of Republic of Kenya, 2022](#)).

SMEs in Kenya often face challenges related to the availability and accessibility of tax-related information. The level of information availability affects SMEs' understanding of tax laws, filing procedures, and compliance requirements. When tax information is easily accessible, clear, and well-communicated, SMEs are more likely to understand their tax obligations. This, in turn, positively influences their

voluntary tax compliance.

3.2.2 Tax Compliance Cost

Spending time or money to comply with legal or regulatory standards is known as a compliance cost. For instance, keeping thorough records of all input tax and output tax to make it easier to complete VAT returns is an additional burden placed on individuals or firms that are registered for value-added tax. They could need to hire a professional in this area as a result, which would be considered a compliance cost. In addition to the direct time and money spent on paperwork, compliance costs typically encompass all expenses related to abiding by the law, such as planning and administration.

In addition to the burden of tax payments, businesses, especially small ones, frequently incur high costs in the preparation, filing, and payment of taxes. In emerging and transitional nations, these compliance expenses frequently prevent the establishment and expansion of new businesses. They are frequently combined with fines, penalties, inspection risks, and demands for bribes. For the creation of reforms to lower compliance costs and hazards for small enterprises, information from a tax compliance cost survey can be helpful.

This paper summarizes the major outcomes of cost-benefit analyses of tax compliance carried out in South Africa, the Republic of Yemen, Ukraine, and Peru to assess the costs to businesses. These polls assisted in adjusting the reforms' design to reduce business expenses and increase their competitiveness (Segal et al., 2010). According to the findings of Kamau et al. (2021), the practice of creative accounting in Kenya is attributed to tax avoidance and evasion, which are considered significant factors. It is worth noting that tax compliance entails certain associated expenses.

High compliance costs can contribute to tax evasion and fraud, as well as thwart investment by lowering the country's competitiveness in terms of tax attractiveness (Atawodi & Ojeka, 2012). Tax payments alone do not represent the total cost of a tax system. It also includes the expenses of tax preparation and administration. According to a study on tax compliance and simplifications, compliance costs tend to rise with an entrepreneur's exposure to more taxes; the more complicated the tax laws are, the more frequently they must be filed, and the more levels of government are involved in tax levying and collection (Jesover & Kirkpatrick, 2005). Taxes add complexity and costs that are irrelevant to SMEs, and the complexity may increase where multiple levels of government are involved, as in the case of Kenya's decentralized government. As a result, SMEs avoid paying taxes because it has an impact on their business.

SMEs typically have limited resources, and the compliance costs associated with meeting their tax obligations can be significant. These costs include not only the financial expenses of tax compliance but also the time

and effort required for record-keeping, filling out tax forms, and seeking professional assistance. High compliance costs can be a deterrent for SMEs, leading to reduced voluntary tax compliance.

3.2.3 Tax Payer Attitude and perception

There are numerous of these variables that affect tax compliance behavior, and they vary from nation to nation and from person to person. They consist of how taxpayers view the tax system and revenue authorities, peer attitudes, taxpayers' comprehension of the tax system and tax laws, incentives like rewards and penalties, the cost of compliance, methods of enforcement like audit, the likelihood of detection, and cultural differences. Equity of tax systems and demographics, including sex, age, and income level (Deyganto, 2015).

In Kenya, there is a very high correlation between taxpayer attitudes and tax compliance. Taxpayer attitudes promote tax compliance, and anything that affects taxpayer views also has an equivalent impact on taxpayer compliance with tax laws. The findings of a study done in Kenya by Wanjohi et al., (2010) led to the following conclusions: The majority of taxpayers in Kenya believe that the tax system is unfair. This was due to the fact that the majority of respondents disagreed that they are paying their fair share of taxes and that their neighbors or friends find it difficult to grasp the tax laws, such as how to calculate the dates for filing and paying taxes. The inability to comprehend tax laws, such as rates of tax, filing and paying dates, a perception that they are not paying their fair share of tax, a pessimistic peer attitude, the conviction that their neighbors are not reporting and paying tax honestly, and non-rewarding taxpayers were found to be some of the other contributing factors for tax non-compliance.

The attitude issues from the various studies revolve around tax fairness, improper use of revenue collected by the government, and pure intent to evade payment of tax for the collective good vis-à-vis the individual interest. Attitudes represent the positive and negative evaluations that an individual holds of objects. It is assumed that attitudes encourage individuals to act according to them. Thus, a taxpayer with positive attitudes towards tax evasion is expected to be less compliant than a taxpayer with negative attitudes. Attitudes toward tax evasion are often found to be quite positive. Data collected from fined tax evaders and honest taxpayers showed that attitudes explain, in part, self-reported tax evasion but are insignificant predictors of actual behavior. However, the correlations between self-reported tax non-compliance and attitudes are significant but fairly weak. These findings suggest a rather complicated relationship between tax evasion and attitudes; nevertheless, we can be confident in our general prediction that if tax attitudes become worse, tax evasion will increase (Cullis et al., 2005). Attitudes are important for both the power and trust dimensions.

The attitudes and perceptions of SME owners and managers play a crucial role in their willingness to comply with tax regulations. If SMEs perceive the tax system as fair, transparent, and responsive to their needs, they are more likely to voluntarily comply. On the other hand, negative attitudes and perceptions, such as believing that taxes are unfairly burdensome or that the tax authority is corrupt, can lead to non-compliance among SMEs.

3.2.4 Voluntary Tax compliance

Voluntary tax compliance in Kenya is a critical aspect of the country's economic and fiscal landscape. It refers to the willingness of individuals and businesses to voluntarily and honestly fulfill their tax obligations without evasion, avoidance, or resorting to illegal tax practices. Voluntary tax compliance in Kenya is a multifaceted issue influenced by factors such as tax system complexity, taxpayer education, the perception of fairness, and the cost of compliance.

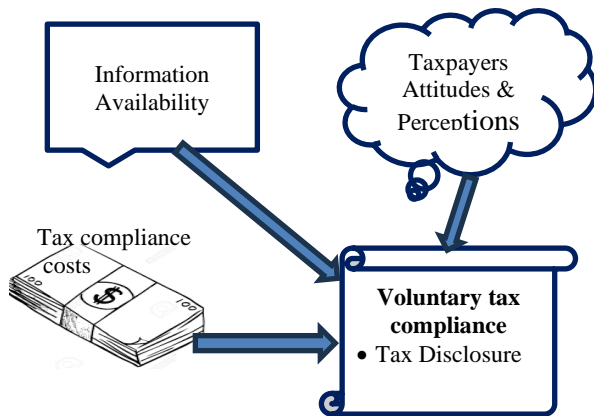


Figure 1: factors affecting voluntary compliance

Figure 1 illustrates the interconnected factors influencing voluntary tax compliance in Kenya. The central focus is "Voluntary Tax Compliance," which is influenced by four key elements. Information Availability, which refers to the extent to which taxpayers have access to clear and comprehensible information about tax regulations, filing procedures, and their rights and responsibilities as taxpayers. Adequate information availability means that taxpayers can easily understand what is expected of them in terms of tax compliance. Compliance costs, which represent the financial and time-related expenses that taxpayers must bear to fulfill their tax obligations. These costs can include expenses related to tax preparation, record-keeping, and other administrative tasks. High compliance costs may discourage voluntary tax compliance. Taxpayers' attitudes encompass their perceptions, beliefs, and feelings towards the tax system and taxation in general. Positive attitudes can lead to a higher willingness to comply with tax laws, while negative attitudes may result in non-compliance or tax evasion.

Figure 1 highlights the importance of providing accessible information, managing compliance costs, fostering positive attitudes, and addressing taxpayers'

perceptions to promote voluntary tax compliance. The Kenyan government and the KRA are actively working to address these challenges and encourage greater voluntary compliance among individuals and businesses. A well-functioning tax system is crucial for the country's economic development and the provision of public services.

The ultimate outcome of the relationship between information availability, compliance costs, and taxpayers' attitudes and perceptions is the level of voluntary tax compliance among SMEs in Kenya. When information is readily available and understandable, compliance costs are manageable, and taxpayers hold positive attitudes and perceptions, SMEs are more likely to voluntarily comply with tax regulations. This contributes to increased tax revenue for the government and a stronger formal economy.

4. Empirical Literature Review

Observations from previous studies show that a number of factors affect tax compliance. The empirical studies' identification of these factors demonstrates that they have an impact on tax compliance. Studies were conducted to determine the impact of tax education as a proactive measure to increase taxpayers' voluntary tax compliance in Malaysia. The formal tax assessment method was replaced by self-assessment in 2004. The taxpayer calculates their own tax liability under the self-assessment system, files their tax return, and pays the appropriate taxes to the revenue authorities. The revenue agency will conduct an audit much later, after the submitted tax return has been accepted, with the goal of confirming the accuracy of the disclosed transaction in the tax return and taxes paid. The results of the aforementioned Malaysian research showed a strong correlation between tax compliance and tax education.

The KRA I-tax system, which is used to collect income, has drawn criticism in the media for being difficult to use and inaccessible to those without computer literacy. It has been criticized by some for being ineffective, which results in tax compliance issues. Since the KRA online system just requires the taxpayer to have the most fundamental computer capabilities, cyber attendants can easily file their taxes, they are dispersed around the nation, and they simply need a foundational education. All SMEs must submit accurate tax returns and adhere to all KRA rules and regulations regarding tax compliance (Gcabo & Robinson, 2007).

Kakembo's (2007) research showed a positive relationship between tax compliance and revenue collection. Intention to pay taxes, according to him, is also strongly positively associated with attitudes and tax compliance, both of which would contribute to an increase in domestic income. The degree of taxpayer compliance is significantly affected by the intent and attitude of the taxpayer. Taxpayers who are in compliance with the law always have good intentions and a positive outlook on paying their taxes in order to comply with the requirements

of the taxation laws.

Research by Gilligan and Richardson (2005) on the "perception of tax fairness and tax compliance in Australia and Hong Kong" found no evidence of an overall relationship or pattern between the various aspects of tax fairness views and tax compliance behavior across cultures. It was determined that tax evasion analysis is a challenging endeavor and that people have a very strong motive to hide their tax evasion techniques.

The results of earlier studies about the variables influencing voluntary tax compliance on SMEs income have not been appropriately applied to obtain Kenya's most effective tax system. According to Mubanani and Fadhil (2023), technological progress is regarded as a consequence of economic activity. Historically, technology was perceived as an inherent factor or a product of influences beyond the realm of the market. The implementation of the Itax system has contributed to the enhancement of tax conformity. The KRA Itax system, which is used to collect income, has drawn criticism in the media for being difficult to use and inaccessible to those without computer literacy. It has been criticized by some for being ineffective, which results in tax compliance issues. Due to the cyber attendants' ease of use and nationwide distribution, the KRA online method simply necessitates that the taxpayer possesses rudimentary computer capabilities. All SMEs must submit accurate tax returns and adhere to all KRA rules and regulations regarding tax compliance (Kakembo, 2007). Within the context of SMEs in Kenya, there is a clear and interconnected relationship among these factors. Information availability serves as the foundation for understanding tax regulations, and it significantly affects SMEs' voluntary tax compliance. High compliance costs can deter SMEs from complying voluntarily, especially if they perceive them as burdensome.

5. Summary and Conclusion

According to Mehmet (2015), a summary is an account or a particular type of succinct statement that enumerates the key findings of a study. This study's main goal was to identify the various elements that have influenced voluntary tax compliance. In conclusion, taxes play a vital role in funding government activities, infrastructure development, and public services. Tax compliance, which involves the complete fulfillment of legal tax responsibilities, is crucial for the financial health of any nation. The challenge of tax

compliance is not unique to Kenya; it's a global issue, especially among small and medium-sized enterprises (SMEs). The factors influencing tax compliance are complex and multifaceted, including information availability, tax compliance costs, and individual attitudes and perceptions. Tax compliance is influenced by various theories, such as the Contingency Theory of Taxation, the Ability to Pay Theory, and others. These theories shed light on the relationship between taxation, organizational behavior, and financial performance. Moreover, the empirical evidence suggests that tax education and the perception of tax fairness can impact compliance positively.

In the context of SMEs in Kenya, enhancing voluntary tax compliance requires a holistic approach. Tax authorities should work to improve information dissemination, simplify compliance procedures, and address the concerns and perceptions of SMEs. Reducing compliance costs, perhaps through digital solutions and simplified tax processes, can encourage SMEs to meet their tax obligations willingly. Moreover, fostering a positive relationship between SMEs and tax authorities can help build trust and improve taxpayers' attitudes and perceptions, ultimately resulting in higher voluntary tax compliance.

Understanding and addressing these interrelated factors is crucial for policymakers, tax authorities, and organizations working with SMEs to create a tax environment that promotes voluntary compliance, supports economic growth, and enhances government revenue collection.

However, Kenya faces unique challenges in terms of tax compliance. The complexity of the tax system, high compliance costs, and a negative attitude towards taxation are key factors contributing to non-compliance, especially among SMEs. The Kenyan Revenue Authority (KRA) has implemented various measures to improve compliance, but challenges persist. In light of this, it is evident that a comprehensive understanding of tax compliance is crucial for the effective functioning of a country's tax system. Policymakers, tax authorities, and researchers must continue to explore and address the factors influencing tax compliance in Kenya and other developing nations to promote economic growth and fiscal sustainability. By addressing these issues, Kenya and other countries can work towards a more equitable and efficient tax system that benefits all citizens and supports national development goals.

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