INTERNATIONAL JOURNAL OF SOCIAL Sciences and Information Technology
ISSN 2412-0294 www.ijssit.com
http:// www.ijssit.com

DETERMINANTS OF TAX COMPLIANCE BY PUBLIC TRANSPORT SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN KENYA: A CASE STUDY OF KIAMBU COUNTY

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Abstract

In Kenya, taxation is the critical source of revenue, which has been used to provide public services to the citizens. However, taxation among the informal business sectors like SMEs and public transport SACCOs is still a pressing issue. The primary objective of this study was to establish the determinants of tax compliance by public transport savings and credit cooperative societies in Kenya. The study adopted a descriptive research design, and a population of this study was made of 40 public transport Saccos in Kiambu County. The survey carried out a census of the 40 officer managers of the public transport Sacco's in Kiambu town and used a questionnaire to collect data. The collected data were summarized using descriptive statistics such as mean and frequencies, which helped in meaningfully describing the distribution of responses. Additionally, to establish the relationship between the tax compliance determinants and tax compliance by public transport Sacco's in Kiambu County a Binary logit regression model was used. The findings revealed tax deterrence sanction, tax compliance costs and tax knowledge levels had a statistically significant relationship with tax compliance levels by public transport SACCOs in Kenya. The study, however, did not find a significant relationship between the tax system and tax compliance levels by public transport SACCOs in Kenya. The study concluded that tax compliance by tax compliance levels by public transport SACCOs in Kenya was influenced by tax deterrence sanctions, tax compliance costs, and tax knowledge levels.

Keywords: *Tax compliance, Tax deterrence sanctions, Tax knowledge, Public transport, Taxation, Binary Logit regression, Source of Revenue*

INTRODUCTION

1.1 Background of the study

Taxation is a vital root to generate national income in most countries since it is the vital source for the governments to finance their public spending and manage their economy regarding economic development (Widianto, 2015). Taxation provides a predictable and stable flow of revenue to fund development objectives in most countries across the world. As such, the 2002 Monterrey Consensus recognized taxation's pivotal role in domestic resource mobilization, an acknowledgment made at the 2008 United Nations Doha conference on development financing (Akinboade, 2015). Tax revenue remains the primary source of funds used for development projects such as the provision of infrastructure like good roads, stable power supply, stable water supply all of which combine to create an enabling environment for businesses and in turn the economy at large-to grow (Atawodi & Ojeka, 2012).

Tax compliance remains a topical policy issue in most developing countries, as governments are seeking ways to improve efficiency in tax revenue collection to finance their budgets (Maseko, 2013). In most developing countries, tax administration is usually weak and characterized by extensive evasion, corruption, and coercion. In many cases, overall tax compliance levels are the low and a large proportion of the informal sector of the economy escapes the tax net entirely (Oladipupo & Obazee, 2016). Many factors affect the low level of tax compliance in developing countries, such as attitudes, penalty, income, education, knowledge, corruption, high marginal tax rates, lack of availability of information and accounting systems, a large informal sector, weak regulatory systems, ambiguity in the tax law (Fjeldstad, 2016).

The administration and collection of taxes in Kenya is carried out by the Kenya Revenue Authority (Kuria, Ngumi & Rugami, 2013). KRA has the mandate to collect revenue from individuals and businesses on behalf of the government (Tanui, 2016). To encourage tax compliance, the Kenya Revenue Authority has recently started to organize an event aimed at recognizing the top-ranked institutions based on tax remittance. In the 2011/12 financial year rankings, Safaricom topped the list followed by the East African Breweries Limited and the Teachers Service Commission (Akinboade, 2015). However, most efforts by the KRA are yet to bear fruits. To finance, the increased government expenditure and government activities using local sources of funds in Kenya, the government started targeting the net tax sectors like SMEs and public service vehicles that have remained untaxed before (Thananga, Wanyoike & Wagoki, 2013).

Public service vehicles (PSVs) commonly known as "*matatu*," forms the primary public transport in Kenya, estimated to control 80% of the public transport and are estimated to have an annual turnover of Kshs73 billion (Owino, 2015). At the country level, transport in Kenya plays an essential role in integrating the various sectors in the economy and the sector makes a crucial contribution to economic growth and development (Otundo, 2016). The Kenyan public transport authorities observed that the voluntary organization of some fragmented inter-city matatu businesses into Savings and Credit Cooperatives (SACCOs) had resulted in improved service and regulatory compliance. They, therefore, decreed in 2010 that all *matatu* operators should either join a SACCO or a transport management company (McCormick et al., 2015).

1.2 Statement of the Problem

Taxation in Kenya is the critical source of revenue used to provide public services to the citizens. However, taxation among the informal business sectors like SMEs and public transport SACCOs is still a pressing issue (Tanui, 2016). For instance, during the 2011/2012 financial year, KRA was able to collect Shs 707.4 billion against a target of 717 billion (Osebe, 2013). To increased tax compliance and reduce the deficit in the government budget, the Kenyan government through the parliament tapped to informal economy especially SMEs and public service vehicles through Sacco's to ensure they pay taxes (Musau, 2015). However, despite inclusion public transport SACCOs in the tax bracket, KRA is yet to meet the tax target set by the treasury even though the number of Public Service vehicles registered by National and Transport and Safety Authority increasing year by year. This calls for a study of the factors affecting tax compliance by public transport Saccos in Kenya. A series of studies have also been carried out on tax compliance locally and across the globe. A study by Beesoon, Soondram, and Jugurnath (2016) assessed the determinants of individual income tax compliance in Mauritius and revealed that tax compliance was influenced by the probability of being audited, perceptions of government spending and penalties. Musau (2015) in Kenya, studied the factors influencing tax compliance among SMEs in Nairobi County and found that SMEs satisfied with public services provision; tax information; trust in government officials are more likely to be tax compliant. This leads to the question, what are the determinants of tax compliance by public transport Saccos in Kiambu County.

1.3 Objectives of the Study

The primary objective of this study was to establish the determinants of tax compliance by public transport savings and credit cooperative societies in Kenya. The following specific objectives were assessed

1. To determine whether tax deterrence sanctions influence tax compliance by public transport savings and credit cooperative societies in Kenya
2. To examine whether the tax system influences tax compliance by public transport savings and credit cooperative societies in Kenya
3. To establish whether tax compliance costs influence tax compliance by public transport savings and credit cooperative societies in Kenya
4. To examine whether tax knowledge levels influence tax compliance by public transport savings and credit cooperative societies in Kenya

LITERATURE REVIEW

2.1 Theoretical Literature Review

The study explored the economic deterrence theory, the fiscal exchange theory, the social influence theory as the fundamental underlying theories underpinning the study.

2.2.1 Economic Deterrence Theory

The economic deterrence theory was proposed by Allingham and Sandmo (1972) based on the project of Becker (1968) on the economics of crime model (Widianto, 2015). This theory is based on the concept that, if the consequence of committing a crime outweighs the benefit of the crime itself, the individual will be deterred from committing the crime. The economic deterrence theory states that taxpayer behavior is influenced by factors determining the benefits and cost of evasion, such as the tax rate, the probability of detection and penalties for fraud (Ali, Fjeldstad & Sjursen, 2014).

The theory emphasizes the benefits that can accrue individuals who comply with the law. The model then predicts substantial noncompliance (Ali, Fjeldstad & Sjursen, 2014). Therefore, according to the theory, in order to improve compliance, penalties for non-compliance should be increased. Thus, there is a generally positive relationship between tax penalty and tax compliance. Increase in tax penalty would lead to an increase in tax compliance and vice versa (Oladipupo & Obazee, 2016).

The economic deterrence theories hold that taxpayers are a moral utility maximizes. Economic motives such as profit maximization influence them. Therefore, they analyze alternative compliance paths for instance whether or not to evade tax (Thananga, Wanyoike & Wagoki, 2013).

2.2.2 Fiscal Exchange Theory

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 demand in a more efficient and accessible manner (Ali, Fjeldstad & Sjursen, 2014). According to the theory, although most taxpayers cannot assess the exact value of what they receive in return for taxes paid, it can be argued that they have general impressions and attitudes concerning their own and others' terms of trade with the government (Oladipupo & Obazee, 2016).

The fiscal exchange theory presupposes that it is reasonable to assume that taxpayers' behavior is affected by their satisfaction or lack of satisfaction with their terms of trade with the government. Thus, if the system of taxes is perceived to be unjust, tax evasion may, at least partly, be considered as an attempt by the taxpayers to adjust their terms of trade with the government (Musau, 2015). Therefore, the theory posits that individuals may pay taxes because they value the goods provided by the government, and they recognize that their payments are necessary both to help finance the goods and services and to get others to contribute. The existence of positive benefits may increase the probability that taxpayers will comply voluntarily without direct coercion (Ali, Fjeldstad & Sjursen, 2014).

2.2.3 Social Influence Theory

According to the social influence theory, compliance behavior and attitudes towards the tax system are thought to be affected by the behavior and social norms of an individual's reference group. It is reasonable to assume that human behavior in the area of taxation is influenced by social interactions much in the same way as other forms of behavior. Tax behavior and attitudes may, therefore, be affected by the behavior of an individual's reference group such as relatives, neighbors, and friends (Ali, Fjeldstad & Sjursen, 2014). The social influence theory posits that taxpayers are influenced to comply with their tax obligations by psychological factors. The theory focuses on the taxpayers' morals and ethics and suggests that a taxpayer may comply even when the probability of detection is low (Atawodi & Ojeka, 2012).

2.2 Conceptual Framework

A conceptual framework aims to depict the relationship between the study variables diagrammatically. Figure 2.1 shows the conceptual framework

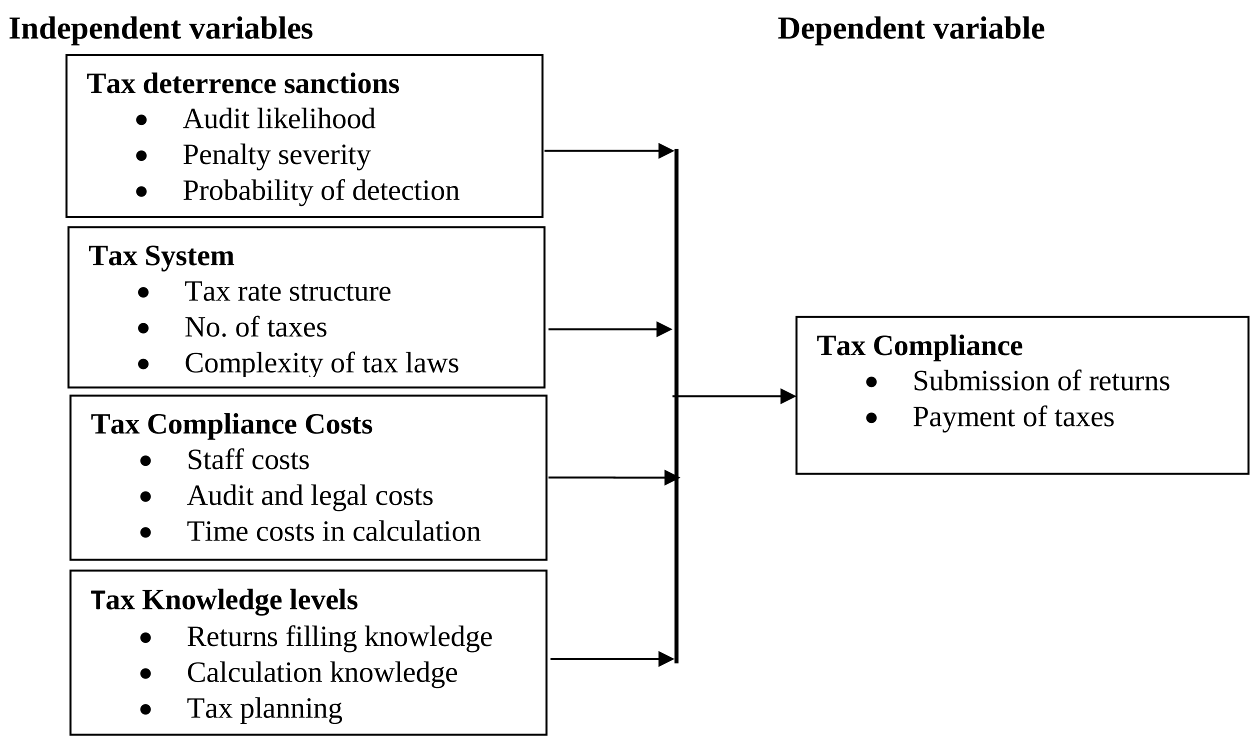

Figure 2.1 Conceptual Framework

2.2.1 Tax Deterrence Sanctions

Deterrence can be achieved through some approaches, punitive and persuasive. That is, deterrence may take on the form of increasing the probability of detection, increasing the tax rate or by the imposition of harsher penalties (Ahmed & Kedir, 2015). Fines and penalty rates may substitute each other due to their multiplicative linkages as long as neither of them is set to zero. Higher fines merely make evading taxes more hazardous for taxpayers and should deter them from evasion. Taxpayers, when made to pay higher fines for evading taxes, has the effect of deterring them from future evasion (Osebe, 2013). Tax penalties may have both positive and negative impact on taxpayers. If tax penalties are fair and acceptable, they strengthen taxpayers' compliance. If they are perceived as oppressive, they are likely to create resistance and result in even more non-compliance (Ali, Fjeldstad & Sjursen, 2014).

2.2.2 Tax System

The tax system has been a key factor in the development of an accountable and functioning state. When the state depends on tax income from wide sections of citizens and businesses, the authorities have incentives to expand their presence also in rural and peripheral areas (Akinboade, 2015). The tax system should be as simple as possible for the reason that taxpayers come from various background, with different level of education, income level, different culture, and different tax knowledge. In helping taxpayers to complete the tax returns accurately, the tax authority should have come up with a simple, but sufficient, tax return (Ahmed & Kedir, 2015).

2.2.3 Tax Compliance Costs

Compliance costs involved in taxation are major impediments to elicit compliance behavior of taxpayers (Thiga & Muturi, 2015). Most tax policy researchers also believe that compliance costs for tax payment are quite high especially for small firms, which lack knowledge and skills of the tax laws and regulation (Chepkurui et al., 2014). Compliance costs can be divided into three parts: time spent, cash expenses and psychological costs. The total time spent contains employee costs (in-house staff) and external costs (fees paid to outside accountants and other advisors). These compliance costs include costs that are incurred by a company but are beyond the control of its management (Akinboade, 2015). Compliance costs involved in taxation are major impediments to elicit compliance behavior of taxpayers (Kuug, 2016).

2.2.4 Tax Knowledge Levels

Tax knowledge is the level of awareness or sensitivity of the taxpayers to tax legislation. Tax knowledge refers to the processes, by which taxpayers become aware of tax legislation and other tax-related information. The level of formal general education received by taxpayers is an important factor that contributes to the understanding of tax requirements, especially regarding registration and filing requirements (Gachiku, 2015). Taxation knowledge is necessary to increase public awareness especially in areas concerning taxation laws, the role of tax in national development, and especially to explain how and where the money collected is spent by the government (Osebe, 2013). Knowledge about taxpayer attitudes and behavior is essential when analyzing opportunities and constraints for reform, and for the design and implementation of effective policy and administrative measures to enhance compliance (Fjeldstad, 2016). Knowledge about taxation, the benefits of taxation and the dangers of non-compliance remain a key impediment to tax compliance in many countries (Thananga, Wanyoike & Wagoki, 2013).

2.3 Empirical Review

Lumumba et al. (2010) studied the taxpayers' attitudes and tax compliance behavior of SMEs business income earners in Kerugoya town, Kirinyaga district in Kenya. The study employed a survey involving business income earners among small and medium-sized enterprises in Kerugoya town, in Kirinyaga district and data was collected from two hundred and sixty (260) SMEs and analyzed using descriptive statistics. The study concluded that most taxpayers viewed the Kenyan tax system as unfair. The findings further revealed that there were also indifferent with the paying of tax fines and penalties and most taxpayers had complied with the possession of PINs; the taxpayers in the district have partially compiled regarding keeping up to date records and books of accounts.

Doran (2009) examined the relationship between tax penalties and tax compliance. The study explored current accounts, drawing from deterrence theory and norms theory, assume that the relationship is purely instrumental that the function of tax penalties is solely to promote tax compliance. The study found that tax penalties determine the standards of conduct that satisfy a taxpayer's obligations to the government; they distinguish compliant taxpayers from non-compliant taxpayers. The study concluded that tax compliance in a self-assessment system should require the taxpayer to report her tax liabilities only based on legal positions that she reasonably and in good faith believes to be correct.

Atawodi and Ojeka (2012) studied the factors that affect tax compliance among small and medium enterprises (SMEs) in North Central Nigeria. The study found that high tax rates and complex filing procedures are the most crucial factors causing non-compliance of SMEs. The study also found that multiple taxations and lack of proper enlightenment affect tax compliance among the SMEs surveyed only to a lesser extent. The study thus recommended that SMEs should be levied lower percentage of taxes to allow enough funds for business development and better chances of survival in a competitive market.

Sapici, Kasipilai, and Eze (2014) studied the determinants of taxpayer compliance behavior concerning corporate income tax reporting requirements in Malaysia. A researcher-administered questionnaire survey method for data collection was utilized. The findings of this study revealed that business age, tax liability and tax complexity consistently influence the likelihood of tax non-compliance behavior in the areas of under-reporting income, over-claiming expenses, and overall non-compliance. Nonetheless, the study found that the tax compliance costs have an insignificant relationship with the non-compliance behavior of corporate taxpayers.

Thiga and Muturi (2015) analyzed the factors influencing tax compliance among the SMEs in Kiambu County in Kenya using a case study design. The study used questionnaires and oral interviews to collect data from a sample of 400 SMEs. The findings of the study established that tax rates and tax compliance cost are the most significant contributing factor in tax compliance. The study concluded that tax compliance cost had the most significant effect on tax compliance and recommended that KRA should implement more tax incentives in order to encourage taxpayers

Munyeki and Olweny (2016) examined how tax knowledge and tax remission laws affect tax remittance behavior of SMEs is Uasin Gishu County in Kenya. The study employed a qualitative research design and collected data using a questionnaire. The results of the study found that SMEs face different business conditions from large companies, which cause them to bear high tax remission burdens. The results also established that the perceptions of SME operators about tax fairness, tax service quality and government spending priorities significantly affect their tax remission decisions while tax knowledge did not correlate with tax administration practices but weak negative correlations with tax collection procedure. The study established that tax laws had a negative correlation with tax remittance.

Osebe (2013) studied the effect of tax compliance cost, tax education and knowledge, fines and penalties and perceived opportunity for tax evasion on tax compliance in the real estate sector in Kenya. The study used an explanatory research design and sampled 271 respondents. The study collected data using structured questionnaires and analyzed using both descriptive and inferential statistics. The findings revealed that compliance cost had the adverse effect on the level of tax compliance. However, tax knowledge and education had a positive effect on the level of tax compliance among real estate investors. The study also revealed that fines/penalties had a positive effect on the level of tax compliances, while the perceived opportunity for tax evasion had a negative effect.

2.4 Research Gaps

The study sampled and reviewed several studies on tax compliance as advanced by various authors in both Kenya and other parts of the world. A study by Sapici, Kasipilai, and Eze (2014) in Malaysia studied the determinants of taxpayer compliance behavior concerning corporate income tax reporting requirements. In Nigeria, Atawodi and Ojeka (2012) & Oladipupo and Obazee (2016) explored tax compliance by small and medium enterprises. In Ethiopia, Ahmed and Kedir (2015) & Engida & Baisa (2014) also concentrated on SMEs while in Zimbabwe Maseko (2013) investigated the determinants of tax compliance in SMEs.

In Kenya, studies by Lumumba et al. (2010), Tanui (2016), Thiga & Muturi (2015), Chepkurui et al. (2014) & Munyeki and Olweny (2016) focused on small and medium enterprises in various localities within Kenya. Finally, Osebe (2013) & Kuria, Ngumi and Rugami (2013) examined tax compliance in the real estate sector. From the reviewed studies it evident most studies have focused more on tax compliance among SMEs. This creates an empirical literature gap, which necessitates a study on the factors influencing tax compliance by public transport Saccos in Kenya.

RESEARCH METHODOLOGY

3.1 Research Design

This study adopted a descriptive research design. The descriptive research aims at providing an accurate and valid representation of the factors or variables that pertain to or are relevant to the research question (Wyk, 2012). This study carried out a census of the 40 office managers of the public transport Saccos in Kiambu town. The study used census inquiry through questionnaires 40 office managers of the public transport Saccos in Kiambu town. To establish the instrument's reliability, the Cronbach Alpha Coefficient was used. The study yielded a Cronbach alpha of values of 0.979, 0.835, 0.890 and 0.796, which met the threshold value of 0.7 indicating the research instrument were reliable. The collected data was analyzed using Binary logit regression model was using the statistical package for social sciences. The binary logit regression model took the following form

$$Pr.(TC) = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where; TC = Tax Compliance, which is the dependent variable, which is a dummy with a value of 1 for good tax compliance status and a value of 0 for poor compliance status

X_1 = Tax deterrence errors

X_2 = Tax System

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X_3 = Tax compliance costs

X_4 = Tax knowledge levels

α & ε = constant and the error term

β_1 - β_4= Coefficients of the model

Pr = Probability

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

The study obtained complete data from the 40 office managers hence a 100% response rate. The response rate was adequate for the study and was attributed to the cooperation and support by the managers of the SACCOs

4.2 Inferential Statistics

To determine the relationship between the tax compliance determinants and tax compliance SACCOs, a Binary logit regression model was used using the statistical package for social sciences. Logit regression is a dichotomous discrete choice model where the dependent variable (responsiveness) is a dummy that takes a value of zero or one depending on the compliance status of public transport Sacco.

4.2.1 Model Significance

Table 4.1: Model Significance

	B	S.E.	Wald	df	Sig.	Exp(B)
Step 0 Constant	.969	.354	7.494	1	.006	2.636

The model significance results in table 4.1 show that the Wald statistics value was 7.494 which was significant as shown by the significant value of 0.006<0.05. This showed that the binary logistic model is fit and a good predictor of the relationship between the dependent and independent variables.

4.2.2 Model Summary

Table 4.2: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	37.594[a]	.211	.305

a. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

The model summary results on table 4.2 show that the Cox & Snell R Square value is 0.211 which shows that the independent variables (tax deterrence sanctions, tax system, tax compliance costs, and tax knowledge levels) explain 21.1% of the variation in the in the dependent variable (tax compliance). The other 78.9% is explained by other factors not considered by the model.

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4.2.3 Coefficients

Table 4.3 Coefficients

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	Tax deterrence sanctions	-2.635	1.303	4.093	1	.043	.072
	Tax system	1.325	1.198	1.223	1	.269	3.762
	Tax compliance costs	-.662	.086	7.698	1	.000	.190
	Tax knowledge levels	1.595	.256	6.230	1	.003	1.813
	Constant	6.693	6.727	.990	1	.320	806.543

a. Variable(s) entered on step 1: Tax deterrence sanctions, Tax system, Tax compliance costs, Tax knowledge levels

From the results on tables 4.3, the regression equation can be rewritten as follows

$$Pr.(TC) = 6.693 - 2.635X_1 + 1.325X_2 - 0.662X_3 + 1.595X_4 + \varepsilon$$

The coefficient results on table 4.3 show that there is a negative (-2.635) and significant (P value = 0.043<0.05) relationship between tax deterrence sanctions and tax compliance by public transport SACCOs in Kiambu County. The results also show that the relationship between the tax system and tax compliance was positive (1.325) but insignificant (P-value = 0.269>0.05) while the relationship between tax compliance costs and tax compliance was negative (-0.662) and significant (P value = 0.000<0.05) respectively. Finally, the results show that there is a positive (1.595) and significant (P value = 0.003<0.05) relationship between tax knowledge levels and tax compliance by public transport SACCOs in Kiambu County.

SUMMARY, CONCLUSION, AND RECOMMENDATION

5.1 Summary of Findings

The findings on whether tax deterrence sanctions influence tax compliance by public transport SACCOs in Kenya revealed that the imposition of harsher penalties encourages the payment of taxes and that higher fines do not prevent public transport SACCOs from filing returns and paying taxes. The findings also revealed that fines and penalties ensure SACCOs and penalties file and pay taxes on the stipulated timelines that fines and penalties imposed by tax authorities are unfair and highly oppressive to public transport SACCOs. The results further revealed that there was a negative and significant relationship between tax deterrence sanctions and tax compliance by public transport SACCOs. These findings conform to those of Doran (2009) who found that tax penalties determine the standards of conduct that satisfy a taxpayer's obligations to the government; they distinguish compliant taxpayers from non-compliant taxpayers. Lumumba et al. (2010) also found that SMEs were indifferent with the paying of tax fines and penalties and though most had complied with the possession of PINs. Oladipupo and Obazee (2016) however found that tax penalty had an insignificant positive impact on tax compliance.

The results on whether the tax system influences tax compliance by public transport SACCOs in Kenya established that the Kenyan tax system was not simple and easily understood by SACCO members and operators and that online tax filling complicated tax payment and filling by SACCO members and operators. The results also revealed that simplifying tax laws and regulations can enhance payment of taxes and filling or returns and that the administration and collection of taxes by KRA was not transparent and not always done openly and that the frequent changes of tax laws and regulations complicate the tax system and compliance by SACCOs.

The findings on whether tax compliance costs influence tax compliance by public transport SACCOs in Kenya revealed that the amount incurred when filing returns and paying taxes discourage SACCOs from complying with tax payment, and that tax compliance cost reduces SACCOS profits. The results also established that the use of technology and online tax platforms does not reduce tax compliance cost among SACCOs and in some cases, tax compliance and administration costs exceed the actual tax payable by SACCOs. The result also revealed that the probability of tax compliance by SACCOs was significantly affected by high compliance costs. The findings further established that the relationship between tax compliance costs and tax compliance was negative and significant.

The results found a positive and significant relationship between tax knowledge levels and tax compliance by public transport SACCOs in Kiambu County. The research found that knowledge on taxation enables SACCO members and operators to assess their tax liability correctly and to file tax returns on time. Additionally, it was found that inadequate knowledge of tax laws and systems hinders SACCO from complying with various taxes and that the tax authority in Kenya needs to emphasize on taxation training among SACCOs members and operators. Munyeki and Olweny (2016) found that tax knowledge did not correlate with tax administration practices but weak negative correlations with the tax collection procedure. Maseko (2013) revealed that tax knowledge had a significant correlation with tax registration compliance but had a weak negative correlation with filing compliance.

5.2 Conclusion

The results of whether tax deterrence sanctions influence tax compliance by public transport SACCOs in Kenya found a negative and significant relationship between tax deterrence sanctions and tax compliance by public transport SACCOs. This, therefore, leads to the conclusion that tax deterrence sanctions like fines and penalties statistically significantly influence tax compliances by public transport savings and credit cooperative societies in Kenya. Additionally, the findings of whether the tax system influences tax compliance by public transport SACCOs in Kenya found that relationship between the tax system and tax compliance was positive and insignificant. This finding leads to the conclusion that the tax system does not significantly influence the tax compliance levels by public transport savings and credit cooperative societies in Kenya.

The findings on whether the tax compliance costs influence tax compliance by public transport SACCOs in Kenya revealed that the relationship between tax compliance costs and tax compliance was negative and significant. The study based on this finding concludes that tax compliance costs significantly influences tax compliance levels by public transport savings and credit cooperative societies in Kenya. Finally, the results of whether tax knowledge levels influence tax compliance by public transport SACCOs in Kenya found a positive and statistically significant relationship between tax knowledge levels and tax compliance. Based on this finding, the study concludes that tax knowledge levels significantly influence tax compliance levels by public transport savings and credit cooperative societies in Kenya.

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Vol IV Issue IX, September 2018

5.3 Recommendations

The study findings concluded that tax deterrence sanctions like fines and penalties statistically significantly influence tax compliances by public transport savings and credit cooperative societies in Kenya. The study, therefore, recommends that the tax authority in Kenya should review its policies on fines and penalties on public transport SACCOs and strictly enforce the deterrence sanctions since tax deterrence sanction influence tax compliance levels by public transport SACCOs in Kenya

The results of the study led to the conclusion that the tax system does not significantly influence the tax compliance levels by public transport savings and credit cooperative societies in Kenya. The study, however, recommends that the tax authority in Kenya and the government, in general, should review its tax system with regards to online tax filing and payments to simplify them and make the user-friendly, especially to SACCO member and operators.

In addition, the study concluded that tax compliance costs significantly influence tax compliance levels by public transport savings and credit cooperative societies in Kenya. The study thus recommends that the tax authority in Kenya and the Kenyan government should introduce strategic policies to reduce tax compliance costs by public transport SACCOs to enhance their tax compliance levels.

Finally, the study concluded that tax knowledge levels significantly influenced tax compliance levels by public transport savings and credit cooperative societies in Kenya. Hence, the study concludes that the tax authority in Kenya should emphasize on taxation training among SACCOs members and operators and ensure that they have adequate knowledge on taxation of SACCOs, as this would enhance their tax compliance levels.

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