Kenya has witnessed significant changes aspects of its economy over the last four decades, but like most developing countries, it has had to contend with common "problems that plaque tax system of developing countries. The introduction of ETR, machine was aimed at improving revenue collection and the sales audit for business. The findings of this research proposal will assist Kenya Revenue Authority to look for ways of improving the processing of VAT returns as well as come up with other cost effective methods which tax payers can use in processing their VAT returns.

The main purpose of this study was to assess the effectiveness of Electronic Tax Registers (ETRs) in processing of value added tax returns. The population under study will comprise of 98 VAT registered tax payers in Kisii town, which is stratified into; service providers, wholesalers and large scale retailers and supermarkets. The main instrument of collecting primary data will be questionnaires while secondary data was obtained from the KRA regional office. The respondents were senior, middle level and lower level managers. Analysis of data was mainly done using descriptive statistics. From the research data, most businesses (91 %) have acquired ETR machine, an indication that most businesses in Kisii town have complied with the VAT requirements in Kenya.

In addition, the timely filing of the Monthly VAT returns is attributed to many factors. ETR is one of the factors. "Most businesses indicated that timely filing of VAT returns was attributed to the adoption of the ETR machine. The use of ETR has also led to improved sales audit for the businesses. A part from that, it was found out that ETRs have enhanced revenue collection resulting from sound sales and" stock audits. Lastly, to evaluate the effectiveness of ETRs in filing VAT returns at regular intervals, it was found that the use of ETRs was not a waste of funds and has assisted the business in many ways. The findings of these research projects will assist the Kenya Revenue Authority look for ways of improving the processing of VAT returns as well as come up with other cost effective methods which tax payers can use in processing their VAT returns.