ATTITUDES TOWARDS TAX PRACTICES OF SMALL SCALE PUBLIC TRANSPORTERS (MATATU): CASE STUDY OF NAIROBI

BY:

NYAKWEBA F.O.

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA), OF KENYATTA UNIVERSITY.

Nyakweba, Fred Otondi
Attitudes towards tax practices of small

July 20, 1999
Declaration

This project is my original work and has not been presented for a degree in any other University.

SIGNED

Nyakweba, Fred Otondi

This project has been submitted for examination with my approval as University Supervisor.

Signed

NGABA D.K., LECTURER, Department of Accounting
Faculty of Commerce, Kenyatta University.
Abstract

Tax. by its historic nature is viewed as a necessary burden by the taxpayer but as an easy source of revenue by the tax Collector. It is the pre-requisite for sustainable revenue base for any economy of whatever form and size.

In order for the Taxpayers to ‘willingly’ pay Tax, there must be a correspondence between the level/magnitude of Taxation and the micro and macro wellbeing of the Taxpayer. This study undertook to isolate the attitudinal factors that impact on the efficiency and acceptability of Taxation practice as it obtains in Kenya but specifically for the small scale (Juakali) Transport sub-sector. Specifically this study set out to achieve the following Objectives:-

♦ Establish the attitudinal factors that impact on the Matatu Industry Employer and Employee Taxation Practices.

♦ Determine the reasons why the suppliers of the Matatu sub-sector services do not comply with tax requirements.

♦ Document Policy Implications from the Study results Vis - a - Vis Tax collection Performance in the sub-sector.

The population of study was stratified into two categories: Employer and Employee. Data collection units were selected using systematic random sampling. Out of the possible 3200 Matatus, 105 was selected for study purposes. Various factors impacting on tax practices was identified from the respondents, analysed using descriptive and non-parametric methods. From the study findings, those factors that would positively impact of tax collection performance and practices were discussed. To enhance positive influence on Taxation efficiency, a number of variables which include: employee/employer level of education, Age of Employer, Incentive Provision, Service Provision, Terms and Conditions of Employment, Mode and Period of Payment were found to be critical. Apart from these,
Regular Awareness Campaign was found necessary for sustainable Tax Collection process where the Taxed and the Taxing acquire and provide relevant information on the requirements of the Law as it pertains to Taxation.

Chapter 5 of this report highlights a number of concluding remarks and arising recommendations. Various Policy Issues, which include infrastructural improvements, supplier driven Taxation process among others, were also derived.
Acknowledgement

The support I have received from individuals and institutions alike in the course of this Research deserves my special gratitude. While it is not possible to mention them all, my admiration and sincere thanks goes to the following:

My Supervisor, Mr. D. K. Ngaba for his guidance, invaluable comments and suggestions throughout the research.

Mr. Jared Osoro who assisted me with data analysis, Report writing editing and production.

My research assistants Innocent Abai and Sina for their tireless effort in data collection and to the respondents (matatu community) for providing the required information.

Mr. Masira of N.H.I.F for assisting in the typesetting of the proposal and the final Report.

Special thanks also goes to Mr. F. C. Ochloloh for creating a conducive environment during the study period, also my sincere gratitude go to our lecturers who equipped me with the necessary knowledge during my MBA programme.

My colleagues in the MBA class for giving me encouragement during the project work.

Last but not Least, I give special thanks to my Wife and Children for sparing me time and support during this period of Research.
# TABLE OF CONTENTS

**ABSTRACT**.............................................................................................................1
**ACKNOWLEDGEMENT**..........................................................................................3
**TABLE OF CONTENTS**..........................................................................................4
**LIST OF TABLES**....................................................................................................6

## CHAPTER 1. INTRODUCTION ..................................................................................7

1.0 **Background**......................................................................................................7
1.1 **History of Taxation In Kenya**...........................................................................8
1.2 **The Matatu Industry in Kenya**.........................................................................9
1.3 **Composition of Tax Revenue**..........................................................................11
1.4 **Statement of the Problem**................................................................................12
1.5 **Objectives of the Study**....................................................................................13
1.6 **Significance of the Study**..................................................................................14

## CHAPTER 2. LITERATURE REVIEW .......................................................................15

2.0 **Introduction**.....................................................................................................15
2.1 **General Tax Reforms**.....................................................................................17
2.2 **Theory of Taxation**........................................................................................18
2.3 **Importance of Attitudes**..................................................................................19
2.4 **Attitudes and their Measurement**....................................................................20

## CHAPTER 3. RESEARCH METHODOLOGY .........................................................21

3.0 **Introduction**.....................................................................................................21
3.1 **Research Hypotheses/Questions**.....................................................................22
3.2 **Study Variable Measurements**.........................................................................23
3.3 **Sampling Design**............................................................................................24
3.4 **Data Collection Tools**.....................................................................................25
3.5 **Study Data Sources**........................................................................................26
3.6 **Study Limitations**............................................................................................27

## CHAPTER 4. FINDINGS’ PRESENTATION AND DISCUSSIONS ..........................28

4.0 **Introduction**.....................................................................................................28
4.1 **Factors Impact on Employee Taxation Status**.................................................29
  4.1.1 **Age of Employee**.......................................................................................30
  4.1.2 **Terms and Conditions of Employment**.......................................................31
  4.1.3 **Employment Mode**....................................................................................32
  4.1.4 **Tax Collection Performance**.......................................................................33
4.2 **Taxation Performance Input Variables Analysis**.............................................34
  4.2.1 **Educational Level**.......................................................................................35
  4.2.2 **Wage Payment Period**................................................................................36
4.3 **Employer Taxation Potential Analysis**.............................................................37
  4.3.1 **Tax Collection Efficiency**..........................................................................38

## APPENDICES

**APPENDIX A**..........................................................................................................39
**APPENDIX B**..........................................................................................................40
**APPENDIX C**..........................................................................................................41
**APPENDIX D**..........................................................................................................42

**INDEX**..................................................................................................................43
CHAPTER 5. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions / Recommendation

5.2 Recommendations for further Research

BIBLIOGRAPHY

APPENDICES

Appendix Research Questionnaire
The government was able to finance all its expenditure using revenue and not by incurring fiscal deficits. From the late 70's to the present, the government faced severe financial difficulties. The persistence of this situation is attributable to the rise in government expenditure and possible an inelastic tax system. The government also resorted to borrowing from both the local and foreign sources. The national government has to raise its revenue and, consequently, implemented several measures to finance its expenditure. In a bid to raise such revenue, the government made recourse to either: Government borrowing, and/or, tax exemptions (TAXs), or monetization of the debt. Selling the debt to international financial institutions and commercial lending agencies or a combination of these.
CHAPTER 1: Introduction

1.0 Background

Confronted with a cute budget deficit that over time impeded growth, developing nations have to play an even greater role in promoting economic development. As a prerequisite, these countries must mobilize their own internal resources. This has the implication that among other approaches they adopt and implement effective tax policies. If well designed, taxation has the capacity of raising the incremental savings ratio, one of the main determinants of growth. In Kenya while the tax / GDP ratio has been 20.6%, taxation has remained the predominant source of government finance generating about 81.4% of total revenue over the period 1965 - 1995. This underlines the efficiency of the Kenya tax system as a basis upon which to marshal public resources during the process of development.

During the period 1964-77 the government was able to finance all its current expenditure and part of its development expenditure using recurrent revenue receipts and hence incurred minimal fiscal deficits. From the late 70’s the government has experienced chronic fiscal deficits. The persistence of this deficit is attributable to uncontrolled public expenditure and possibly an inelastic tax system. To bring down this deficit, the government has to raise its revenue and compress expenditure.

In a bid to ease such a deficit the government could resort to either Opt for discretionary tax measures (DTMS), Monetization of the debt, Selling the debt to the public, or Resort to the international lending agencies or a combination of these.
The first option tends to raise the tax burden and is usually politically unpopular. Borrowing from the Central Bank fields inflationary tendencies, whereas borrowing from the public especially through high yielding treasury bills exerts an upward pressure on other interest rates hence impeding private sector borrowing. Bearing in mind debt servicing problems and stiff conditionalities imposed on foreign loans by donors, this makes the fourth options quite an expensive and unpredictable source of government finance.

It is against this background that the government adopted the "Tax Modernization Program (TMP) since 1986 and the "Budget Rationalization Program" (BRP) since 1987. While the modernization program sought to enlarge the government revenue base in order to enhance the elasticity of the tax system, rationalization involved regulating expenditure through strict fiscal controls. Specifically, the modernization program sought to:

- Raise the tax revenue GDP ratio from 22% in 1986 to 24% by the mid 1990s
- Reduce compliance and administrative costs through low and rationalized tax rates and wider tax bases.
- Improve the administration through sealing leakage loopholes, wider use of computers and enhanced audit surveillance, and
- Enhance the institutional capacity to manage tax policy by establishing effective database management system.
- Invigorate the growth - GDP ratio to 28% by 1992.
- Invigorate the growth of the fledging capital market.
- Emphasize self-assessment system
Strengthen tax payer education and service, and

Import organizational reforms that would modernize tax administration.

Considering the period 1994 to 1998 fiscal years, it is evident that the funds expected from both the external and internal sources were not funded. This had a very negative impact on the government budget because it was earmarked for certain development activities. The table 1 below whose information is drawn from the economic survey 1999 reveals the amount of funds which were not funded as at 30th June of each respective year under consideration.

Table 1: Un Funded Debt

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>External</td>
<td>10,403.56</td>
<td>12,301.35</td>
<td>11,735.42</td>
<td>10,905.32</td>
<td>11,551.94</td>
</tr>
<tr>
<td>Internal</td>
<td>2,554.13</td>
<td>1,304.31</td>
<td>1,408.49</td>
<td>1,173.12</td>
<td>1,177.60</td>
</tr>
<tr>
<td>Total</td>
<td>12,957.69</td>
<td>13,605.66</td>
<td>13,143.91</td>
<td>12,078.44</td>
<td>12,729.54</td>
</tr>
</tbody>
</table>

Source: Economic Survey, 1999

Table 1 above shows that the difference between the total un - funded external and internal debt is reasonably low. This implies that if the government can put in place effective tax collection measures, tax revenue will improve and the government shall not require any funding from donor agencies.

Table 2: Tax Revenue Collected

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount(Mill.)</td>
<td>9136.54</td>
<td>7171.19</td>
<td>7354.19</td>
<td>9082.75</td>
<td>9673.71</td>
</tr>
</tbody>
</table>

Source: Economic Survey, 1999

From the foregoing background there is need to generate our internal financial resources in order to bridge the chronic fiscal deficits, which has hit our country for a very long
time. It is for this reason that I choose to investigate the attitudes of matatu operators and workers towards taxation of their income. Considering the rate of entry into the matatu industry, it is no doubt that the business is lucrative. There is therefore great revenue potential that has not been successfully tapped. I consider the advance tax of Sh.20/= per passenger per month which is currently levied from the matatu industry by KRA as a "token tax" because it is very little considering the huge incomes which is earned in this industry.

The recent resistance by the matatu operators (see Daily Nation & Standard of April 2,11,15,16, May 3 and June 9) regarding regulating of their matatu business by the Transport Licensing Board (TLB) through legal notice No.18 of 5th Feb, 1999, could be construed as an attempt to continue concealing the lucrativity of their business hence not pay taxes appropriately. There is need to regularize this industry so that it could be easy to investigate it with view to collecting taxes effectively.

1.1 History of Taxation in Kenya

Owing to the fact that taxes are the most important sources of government revenue it often attracts the interest of researchers and policy makers. Inevitably, several definitions of tax arise in both policy and research discourse.

For instance, Kirika (1996) defines taxes, as a compulsory levy by the state from individuals and non-individuals and its effects is to shift purchasing power from the private sector to the public sector. Dalton (1965) contends that tax is a compulsory contribution by a public authority irrespective of the exact amount of service rendered to the taxpayer in return. Seligman (1948) defines tax as a compulsory contribution from a person to the
government to defray the expenses incurred in the common interest of all, without reference to special benefits conferred.

All the definitions above have common characteristics in that they indicate tax as being the private to public transfer of resources without necessarily there being immediate reciprocation. Similarly, they all indicate that taxes are statutory hence mandatory.

The focus of this study is related to attitudes towards tax practices of small scale transporters. The basis of this is due to the fact that Matatu Industry is evidently a lucrative business owing to the rate of entry hence the Tax collected can complement the total revenue collected so as to alleviate budget deficit and associated macro-economic consequences. Bringing the Matatu business into the tax net will be complementing the tax modernization program of 1986 and budget rationalization program of 1987.

"Give to Caesar what is Caesar's and God what is God's" (Mathew 22; 15-22, Luke 20; 30-26 and Mark 12; 13-17) This statement from the Holy Bible is about paying taxes to Caesar. It indicates how old tax is. That tax is as old as the days of Caesar. The form and pattern of taxation over the ages has largely been determined by administrative considerations. Import duties were among the earlier taxes because it is easier to tax import than to tax domestic outputs.

Sales tax was (and may still be easier to administer than value added tax (V.A.T), which came in most jurisdictions later. It is easier to tax real property than other assets, so property taxes came first. Indeed, the simplest form of personal tax is a head tax. The first direct levies were head and land taxes. In the ancient world, taxes played a relatively minor role. Ancient Greece and Rome did levy taxes on consumption (perhaps a
Taxes on import goods were more prevalent and in times of war, tax on property would be temporarily imposed. Rome introduced certain direct taxes, the principal one being the tributum paid by citizens and usually levied as head tax. Rome even had an inheritance tax. Taxes have been a major subject of political controversy throughout the history. A famous instance of such controversy was the rebellion of the American colonies against Great Britain, when the subjects refused to pay taxes imposed by a parliament in which they had no voice. Out of this came the slogan "No taxation without representation." cloak to home and more recent history was our own bankers strike (1998).

Wars have always played a major role in influencing the course of taxation. The income tax, which was first introduced in England in 1799 and the turnover or purchase tax (Germany 1918 and Great Britain 1940), began as temporary war measures. Withholding tax as we know it today began as a wartime innovation in France, the USA and Britain. In fact, World War II converted income tax in any nations from upper-class taxes to mass taxes. Of course it is not just wars which have directed the history of taxes. They have often been used in peace time as a means of directing economic policies and more often than not, as a means by which governments have dug themselves out of a hole. Witness the mini budgets Kenya had during 1997/98 with VAT rates fluctuating like a yo-yo.

Income tax was imposed in Kenya by the colonial government - (British) in 1937. Tanganyika and Uganda joined three years later and the three separate income tax bills for the East African Countries were enacted. In 1952 the three income legislation were merged to become the East African income tax (managerial) Act. Each colonial
government reserved its power to fix the rate and fix allowances to its inhabitants. After the establishment of the East Community in 1967, the income tax placed under the East African Legislative Assembly with three ministries from each of the three countries. Each minister was in charge of a number of councils within the community.

By 1973, the East Africa Income tax department had closed and East African Income tax act ceased to be effective in Kenya and other community states after the final collapse of East African Community. Kenya government passed its income tax act of 1973 as chapter 16 of the constitution. The act received presidential assent on December 21, 1973 and income tax act in Kenya became operational. Since then, there has been significant amendment usually effected during our annual budget. The amendments touch on rates, taxable income, allowances, benefits, etc on both individual and non-individuals. Taxes are not all bad, Franklin D. Roosevelt contends - Taxes after all are the dues that we pay for privileges of membership in an organized society.

1.2 The Matatu Industry in Kenya

Matatus spontaneously originated in Nairobi in the 1950's, used mainly by residents of the African residential zone to move goods and people to and from nearby rural areas to their residences in the city (Aduwo, 1990). The then existing bus transport system did not cater for these residences. The emergence of the matatu filled this transport vacuum. The matatus increased in number with the influx of migrants into Nairobi upon the attainment of independence in 1963. The influx was made possible due to the removal of colonial restrictions on African movement into Nairobi. At the start of the matatu operations, a standard fare of thirty cents was charged irrespective of the distance covered. In fact, the
term matatu is derived from the Kikuyu terms "mang'otore Matatu" which means "thirty cents", the then standard fare (Aduwo, 1990).

The emergence mode of transport in Nairobi faced restrictions as they posed a challenge (competition) to the monopoly of the Kenya Bus Company (Stagecoach) in passenger transport. This should be understood in the context. In the 1930's the need for a public service was recognized in Nairobi. To fulfill this need, an agreement was made between the city authorities and a British Transport Company to provide urban transportation services in Nairobi. Over the years the matatu industry has expanded tremendously to cope with trends in population explosion in Nairobi. The current population of matatu in Nairobi is 3200 as obtained from route managers.

1.3 Composition of Tax Revenue

In Table 3, we assess changes in the Kenyan tax structure. In terms of major components, the proportion of taxes on income, profits and capital gains decline from an average level of 41.7% in 1970-75 to 31.8% in 1988-94. Therefore it is apparent that this source has over time been less targeted for revenue purpose. This is partly attributable to the various tax holidays that Kenya offers to investors that have had an extremely adverse effect on the corporate tax base. Similarly, less reliance on direct taxes is explained by the broadening of the tax bases (widening of the tax brackets and the gradual lowering of income tax rates in order to curb evasion).
Table 3: Composition of Tax Revenue in Kenya.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Profit &amp; Capital Gains</td>
<td>36.9</td>
<td>41.7</td>
<td>36.2</td>
<td>32.0</td>
<td>31.8</td>
</tr>
<tr>
<td>Domestics Taxes</td>
<td>25.5</td>
<td>29.4</td>
<td>39.3</td>
<td>43.2</td>
<td>51.0</td>
</tr>
<tr>
<td>General Sales Tax/VAT</td>
<td>-</td>
<td>20.3</td>
<td>26.2</td>
<td>29.9</td>
<td>37.0</td>
</tr>
<tr>
<td>Excise Duty</td>
<td>16.3</td>
<td>16.6</td>
<td>10.5</td>
<td>9.60</td>
<td>10.8</td>
</tr>
<tr>
<td>International Trade</td>
<td>37.7</td>
<td>27.1</td>
<td>23.4</td>
<td>23.8</td>
<td>15.9</td>
</tr>
<tr>
<td>Import Duty</td>
<td>37.0</td>
<td>26.8</td>
<td>22.6</td>
<td>21.7</td>
<td>15.5</td>
</tr>
<tr>
<td>Export Duty</td>
<td>7.0</td>
<td>0.3</td>
<td>0.8</td>
<td>2.0</td>
<td>0.40</td>
</tr>
</tbody>
</table>

Sources: 1. Government financial statistics (IMF)  
2. Statistical Abstract (GOK)

There has been a reduction in direct taxes in recent years through a widening of tax brackets and gradual lowering of income tax rates. However, indirect taxes have been increased to cover the shortfall in revenue. This reduces the re-distributive effect of the taxation system by placing a greater burden on the poor. This is due to the regressive nature of indirect taxes.

Since the introduction of Sales tax in 1972 and VAT since Jan. 1990, this tax has become the primary source of revenue generating about two thirds of domestic taxes on goods and services. VAT, it is argued, is an indirect tax on consumption and therefore has less adverse impact on investment. In the 1988-94 period, VAT was the most important tax constituting 37% of total revenue. It is worth noting that VAT relies heavily on proper recording. Thus, the willingness of traders to avail their accounts to the scrutiny of the tax authorities is crucial. As such, transparency in the running of business concerns is inevitable. A limitation of VAT relative to the sales tax is that the compliance process is longer. Such a tax (requiring lengthy process) is more open to graft since each stage of
verification, approval and validation avails an opportunity to extort bribes. Sequencing is therefore a symptomatic problem with VAT. System while corruption erodes its efficacy.

Import duties and export duties importance in the tax structure has continuously fallen. The ratio of import duties fell from 37% in 1964-1969 to 22.6% in 1976 - 81 and then to only 15.5% in 1988-94. The main sources of import duties have been machinery, chemicals, fuels, electronics and transport equipment. These goods also happen to be intermediate products on whom imposition of a tax could be counter-productive. Initially, the protective argument was advanced to justify taxes on imports. However, liberalization of the economy has left the tax authorities with no choice but to shift the tax structure against taxes on international trade in favor of domestic taxes on goods and services.

The ratio for excise duties remained almost fixed at 16% in the 1964-75 period and then fell to 10.5%, 9.6% and 10.8% in 1976-81, 1982-94, 1988 -1994 respectively. The largest sources of excise revenue have been beer, spirits, cigarettes and tobacco. These products exhibit a high-income elasticity of demand and a tax on them implies charging a tax to the people best able to pay- achieving equity without relying on increased income taxes.

1.4 Statement of the Problem

The preceding discussion has highlighted the imbalance between government revenue and its expenditure. This imbalance has resulted in large and chronic fiscal deficits. For instance the National Development plan which is a government five-year policy paper draws its funds from, external borrowing, Domestic borrowing and Tax revenue.
Out of these three sources the first two have become unattainable due to inflationary pressure and stiff conditionalities imposed by donor agencies. Tax revenue is the only viable alternative means that government has to mobilize resources to facilitate economic development and operational activities.

Studies done on small-scale public transporters (matatu) have not investigated taxation of the income from this industry. It is for this reason that this study investigates the attitude towards tax practices of the matatu operators/employees as this industry has high tax revenue potential. The current pre-tax (advance tax) of Ksh.20.00 per passenger per month is inaccurate and inadequate hence leaving out colossal amounts of uncollected taxes. A move by the Transport Licensing Board to regulate the matatu industry is a way forward, if the government has to collect all the taxes due from this industry.

1.5 Objectives of the study

The broad objective of the study is to investigate the attitude of Matatu Owners and Employees towards the taxation of their income. Specifically it intends

- Establish the attitudinal factors that impact on the Matatu Industry Employer and Employee Taxation Practices.
- Determine the reasons why the suppliers of the Matatu sub-sector services do not comply with tax requirements.
- Document Policy Implications from the Study results Vis - a - Vis Tax collection Performance in the sub - sector.
1.6 Significance of the Study

Results of this study are significant at the theoretical, empirical and policy levels. First, it is noted that this research contributes further towards an understanding of the dynamics of taxation in the small sized enterprises in Kenya particularly the matatu sector. As previously indicated, there is a gap in the policy framework concerning taxation in this sector that this study partly fills. Studies on small enterprises on general and particularly the matatu sector have paid little attention to the issue of taxation (cf. Kinyanjui 1993, Macharia 1987, Kaberere 1987, Republic of Kenya 1985, Aduwo 1990, Kapila et al 1982, Gemini 1995, Khayesi 1997).

Secondly this study is significant because it has the potential to improve the method of collecting tax from small enterprises and in particular the matatu sector. The tax collected from this sector will complement and supplement other revenues to enable the Government Bridge its chronic budget deficits. Thirdly this study will be useful to the Kenya Revenue Authority for its taxation policy and legal framework pertaining to the informal sector.
CHAPTER 2 LITERATURE REVIEW

2.0 Introduction

The literature review covers the importance of attitudes as an important psychological determinant of taxpayer's behavior among the complexity or cultural, social and market mix tools that is the 4ps - product, price, promotion and place. It relates taxpayer attitudes to the consumption of services provided by the Kenya Revenue Authority to the taxpayers.

Research on small-scale enterprises in Kenya has paid little attention to the matatu transport industry. Some studies on micro and small enterprises in Kenya have concentrated on employment and income (GEMINI 1995). A number of transport studies in Kenya have tended to consider issues at the macro-level such as railway development (O'connor, 1965), Port development (Hoyle, 1967). Studies on the matatu transport sector have concentrated on its origin, legal status, route plied, employment potential, terms and conditions of employment efficiency and quality of service. For instance Aduwo (1990) wrote on the role, efficiency and quality of service of the matatu mode of public transport in Nairobi. He investigated the efficiency and effectiveness of matatu industry in the provision of transport service. In his finding he found out that matatu is an essential component of transport industry and that it is flexible and provides quick service as compared to bus transport.

Coopers and Lybrands Association Ltd. (1980) wrote a report on specification for standard matatu for Nairobi. The association considered the optimum size of matatu with
respect to body design, comfort and sitting capacity. The main objective was to come up with an ideal matatu, which could attract and carry as many customers as possible.

Muchira K et al (1994) conducted a research on the origin and growth of the matatu mode of transport in Kenya. From his research he found out that matatu originated in Nairobi. This was due to population pressure and therefore there was need for transport for both people and goods. He further found out that the term matatu is derived from the Kikuyu term "mang'otore matatu" which means thirty cents. Thirty cents was the standard fare irrespective of the distance covered. The Nairobi city council (1980) conducted a research on the matatu public transport of Nairobi. This was a component of the proposed transportation project.

Kalsi (1980) researched on the matatu: A rationalization of its body design to improve passenger comfort and economic performance and its use as an advertising media. The "manyanga" body design was found to be more appealing. The comfort and economic performance was found to be adequate.

Khayesi (1997) analyzed the terms and conditions of work in the matatu industry in Kenya. He discovered that matatu workers work under different conditions. The workers are generally on temporary basis and earn wages on daily basis.

As can be observed, the research work done previously does not touch on taxation of the income from the matatu industry. This clearly leaves a gap in so far as the literature review is concerned. It also motivates a research to be carried out in the matatu industry concerning taxation of their income.
2.1 General Tax Reforms

The tax system in Kenya has consistently changed over decades. This section gives a general outline of tax reform since independence during the four decades i.e. 1960s, 1970s, 1980s and 1990s (current decade).

1960s

During this decade Kenya relied heavily on income tax, custom and excise duty and graduated personal tax. It is during this period that the poll tax imposed during the colonial period was dropped. It is also in this period that corporation tax was introduced on the profit of companies. There was a continuous increase in the rates of excise duty, customs duty particularly on such products like beer, ciger, (which were considered luxurious)

1970s

The 1970 budget changed the date on which companies were required to pay corporation tax from a period of 23 to 12 months to avoid tax delays and inflationary effect on the tax revenue. Personal allowances were to be related to change in status to equate the tax burden with responsibility. Traveler's tax was introduced. Export compensation was introduced to motivate exporters. Export tax on coffee and sisal was abolished. A permit replaced the annual radio and TV license. Customs and Excise Department bill was passed in 1977/78. Income tax department was established. Hotels and accommodation was netted in the "tax bag".

1980s
Penalty on custom and excise duty offenders was raised to between Ksh.50,000 and Ksh.100,000 and a forfeiture of the goods in question. Invoices were to be issued by manufacturers on delivery of the goods so as to ensure that goods sold had records for tax. Powers of sale tax commissioner were equated with those of customs and excise. this meant that he could now issue distress orders on the offenders. The decade witnessed spectacular increase in sales tax, excise and custom duties. Income tax particularly on personal income continued to enter a wider starting tax bracket thus removing low-income earners from the tax net. Tax exemptions and bans on some export goods were introduced during the period to address deficit in the balance of payments. Hotels with less than 10 beds were removed from the tax net to encourage growth of this enterprise. Government abolished duty on raw materials going into production of sprayers so as to motivate agricultural growth. Capital gains tax was abolished to encourage accumulation of capital.

1990s

Government reduced import duties on capital goods to induce foreign direct investment. Export compensation was abolished in 1993, Export duties were abolished, and personal identification numbers (PIN) was introduced to identify all taxable persons in the country so that any transaction made by them could systematically be identified and appropriate tax captured. The Kenya Revenue authority (KRA) was incorporated in 1995 to strength revenue collection and harmonizes tax collection arms.
2.2 Theory of Taxation

The most important principle of taxation is that of equality. This principle helps to achieve justice in taxation. Although everybody is agreed that taxation should be just and that it should be graduated according to the ability to pay, yet there is no unanimity as to what is the correct measure of equity in taxation. In this connection several theories have been put forward: Cost of service or purchase theory, Benefit theory, Theory of equal sacrifice, Ability theory.

Considering the above five theories, the theory of equal sacrifice applies to the matatu industry. According to the theory of equal sacrifice taxpayers are said to be treated equally if their tax payment involve an equal sacrifice or loss of welfare. If the level of welfare as a functional of income (i.e., the marginal utility of income schedule) is the same for all taxpayers, the equal sacrifice rule calls for people with equal income (or ability to Pay) to contribute equal amounts of tax.

Matatu workers and operators should be taxed or sacrifice part of their earning just like other Kenyans, thus conforming to the theory of equal sacrifice. The tax paid will be utilized in the social and economic development of the country. A good tax system should not contain systematic bias in favour of a particular group of taxpayers. The matatu industry should contribute a major proportion of tax revenue that will be used in the development of the infrastructure such as roads that are vital for the sustenance and growth of matatu industry and the economy as a whole.
As a consequence, a good tax system should have the following principles: It should be equitable. The system should not contain a systematic bias in favour of particular groups of taxpayers.

It should be economical so that the cost of collection is as cheap as possible.

It should support the economic development of a country. It should not hamper the development industry. It should be certain. The government should be certain of her revenue. It should be based on a comprehensive and up to date statistical information so that accurate forecasting is made possible. It should be convenient. That is it should be felt as little as possible. It should be simple, financially adequate and elastic so that it can respond to the new needs of the country. It should be broad-based. There should be diversity in the system. It should be efficient - from the administrative point of view. It should be simple to administer. There should be little scope for evasion or accumulation of arrears. It should be foolproof and knave-proof that is, chances of corruption should be dismissed. It should be harmonious whole It should be truly system not a mere collection of isolated taxes. Every tax should fit in the system as a whole so that it is a part of connected system.

It should be progressive in relation to changes in national income. An overall progressive tax system is an important factor in ensuring economic stability.

### 2.3 Importance of Attitudes

Several studies have been done to show the importance of attitudes in the consumption of services. Usegne (1987) carried out a study to show the importance of attitudes in: 
insurance services and their influence on behavior. Kotler (1984) in his analysis of psychological factors that influence on buyer behavior, emphasized attitudes and belief, consumers learning experience, personality, self concept and perception.

Attitudes directly affect purchase decisions. Churchill (1983) and these in turn directly affect attitudes through experience in using the products or services selected. Consumption or purchases are based, upon attitudes, existing at that time.

2.4 Attitudes and their Measurement

Different authors have defined the term attitude differently. Assael (1981) defines attitude as learned pre-disposition to respond on an object or class of objects in consistently favorable way.

Summers (1970) contend that Katz and Scotland (1958), and Krech et.al (1962) formulated the most popular concept of attitude, where it consists the, Cognitive, Emotional, and Action Tendency. Cognitive (beliefs) are beliefs one has about objectives and they vary from one person to another. Such beliefs are about the desirable or undesirable, acceptance or unacceptable, goods or bad qualities of the object. Emotional or feeling component refers to the emotions or feeling attached to the object. Elements of such feelings are called bi-polar adjectives and include, love-hate, like-dislike or admire-detest. The action tendency or behavior components incorporate the behavioral readiness of the individual to respond to the object in a particular manner or way.

The cognitive, emotional and action tendency are intertwined such that if a person believes that his country is good and stands for good goals and practices, he will be in a state of readiness to respond in a way to be helpful, supportive and participative. It is from such a
background that the researcher bases his study to investigate the attitudes of the matatu owners and employees regarding taxation of their incomes in Nairobi City.

Howard (1983) argues that, attitudes are important when it comes to analysing their marketing implications since they are active rather than neutral, this postulate that they are accurate predictors of behaviour is critically important for both fundamental and operational research in marketing. One can justifiably conclude that an attitude, no matter how conceived, is simply one of the terms in the complex regression equation we use to predict consumer behavior. Remmers (1954) have outlined assumptions in the measurement of attitudes thus: That the attitudes are measurable and that measurable attitudes are common to the group that they are held by many people and that they vary along a linear continuum. Assael (1981) proposed that attitudes be related to behavior. The more the consumer favours a brand name the more likely that he/she will purchase it, or attitudes are measures of inclination to purchase a good service.
Chapter 3. Research Methodology

3.0 Introduction

Chapter 1 and 2 presented the study background and the theoretical basis for Taxation that are pertinent to the research area. The Study Research Problem and the Objectives are provided and discussed.

Based on the study objectives i.e. the determination of the attitudinal factors impacting on Taxation Practice as well as policy implication from the results, a statistical model of association is presented for the determination of the level of significance of these factors on the Tax Practice efficiency Indicators.

3.1 Research Hypotheses/Questions.

The fundamental Assumptions in the study included.

a) Level of Education of the employer and Employee influences the attitude of these stakeholders towards Taxation.

b) The Mode of Payment/Payment period of the Employee impacts negatively on the compliance with Tax requirements.

c) Taxation practice efficiency is influenced by employer and employee dependent attributes.

To complement these assumptions, the study explicitly seeks to determine the reasons for Tax compliance/noncompliance, and whether the performance of the Tax Collector has contributed towards changing positively the attitude of the employer/employee towards tax requirements.
3.2 Study Variable Measurements

The variables upon which the stated assumptions hinge on, are as defined below:

a) **Educational Level**: Whether the employee has Primary, Secondary, Post Secondary or No Education has critical implication on attitudinal behaviour.

b) **Age and Employee/Employer**: The age of the employer is assumed to impact on the desire to pay or not pay tax.

c) **Employment Terms & Conditions**: Whether an employee is employed on permanent, contractual or Temporary basis has a critical implication on the potential revenue generated.

d) **Mode of Payment**: Payment in Cash or Cheque will influence the tendency to pay or not to pay Tax.

e) **Level of income**: Is it a taxable or not taxable level where the levels here were grouped appropriately for sub-sector.

f) **Taxation Awareness Campaign**: This variable (whether effective or not effective) has the capacity to change the attitude of the potential Taxpayer.

g) **Tax Collector Behaviour**: This will influence the potential Taxpayer to respect the Tax Practices requirements. The above and others forms the core for analysis and fundamental assumptions of this study using representative sample data.

3.3 Sampling Design

The population under investigation consists of the Matatus operating in Nairobi. The number of Matatus considered is approximately 3200. Due to time and resource
The scope of this study was limited to 105 respondents consisting of 55 Employees and 50 Employers.

The Sampling Method used was the Systematic Random Sampling, where every 10th Matatu was selected, the number noted (to assure that a Matatu is not selected twice), and the owner and the employees chosen. The sampling process was undertaken on a daily basis from 9.00am to 3.00 pm. The timing was meant to take care of the problem of attempting to collect the data during peak hours when no employee would want to spend any time filling questionnaires. Also, the procedure was randomly distributed across the routes/terminus. The Employee questionnaires were completed when the Matatus were at the Terminus queuing for passengers.

3.4 Data Collection Tools

A structured questionnaire consisting of four sections was designed (Appendix A).

Section A: This section focused on the general items dealing with; Age, Gender, Educational Level, Vehicle Category, Work Category among others. The Employer and the Employee filled the section.

Section B: This section dealt with Employee specific issues, which included: years of experience, Previous Work Type, Reasons for current work type, Mode and Period of Payment, and Terms and Conditions of Employment.

Section C: Employer and Employee Specific items were included in the sections. The variables focused on the attitudinal Tax issues.
sections D: The employer section. The items were generally on the same category of issues as those of section B but also focused on the employer specific variables.

3.5 Study Data Sources.

The data requirement for this study was mainly of primary type sourced from the suppliers of service in the Matatu Transport Sub-sector.

3.6 Study Limitations.

a) The most critical limitation in this study was related to the Data Source Environment. The employees in the sub-sector were generally hostile to the data collector, the data collection process being undertaken during the period proceeding the implementation of the Transport Licensing Board’s (TLB) requirements.

b) There is minimal Empirical Literature in the study of the Sub-Sector, hence due to the scantiness of compiled information on the goings on the industry, minimal comparative analysis was possible.

c) The Scope of the study was over shrunk due to the limitations imposed by time allocated to the program and the project.
Chapter 4  Findings Presentation and Discussion.

4.0 Introduction.

The collected data was coded using standard coding procedures and analysed using MS Excel and SPSS statistical package. Both descriptive measures, frequently distribution and percentages and statistical tests of association were used to analyse the collected data. The study investigated the status of tax collection performance in Kenya. Structured questionnaire was designed and implemented. The distributed questionnaires had a rate of return as in Table 4.

Table 4: Rate of questionnaire return

<table>
<thead>
<tr>
<th>Stratum</th>
<th>Questionnaires Distributed</th>
<th>Returned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employers</td>
<td>50</td>
<td>20</td>
</tr>
<tr>
<td>Employee</td>
<td>55</td>
<td>26</td>
</tr>
<tr>
<td>Total</td>
<td>105</td>
<td>46</td>
</tr>
</tbody>
</table>

4.1 Factors impacting on employee taxation status.

Table 5a: The Per Employee Average Daily Income

<table>
<thead>
<tr>
<th>Daily Income Range</th>
<th>Driver</th>
<th>Conductor</th>
<th>Tout</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 100</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>101-200</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
<td>1 (4%)</td>
</tr>
<tr>
<td>201-300</td>
<td>0 (0%)</td>
<td>2 (8%)</td>
<td>2 (8%)</td>
</tr>
<tr>
<td>301-400</td>
<td>7 (26%)</td>
<td>2 (8%)</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>401-500</td>
<td>6 (23%)</td>
<td>2 (8%)</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>501-600</td>
<td>1 (4%)</td>
<td>2 (8%)</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>&gt; 600</td>
<td>1 (4%)</td>
<td>2 (8%)</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>Total</td>
<td>15 (57%)</td>
<td>8 (31%)</td>
<td>3 (12%)</td>
</tr>
</tbody>
</table>

Assuming that the daily rate of taxable income is Ksh.301, based on a 25 day work-month, it is evident from Table 5a that over 80% of those employed in the Matatu industry earn
beyond taxable income, with the rest earning just below the taxable limit apart from the allowances (Lunch, Breakfast, House) they received daily. Similar results can be seen in Table 5b. for the employer average daily earnings, which invariably is well above the taxable income level.

Table 5b. Employer Average Daily Earnings

<table>
<thead>
<tr>
<th>Employer Daily Earnings</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;1000</td>
<td>4</td>
<td>20</td>
</tr>
<tr>
<td>1001-2000</td>
<td>6</td>
<td>30</td>
</tr>
<tr>
<td>2001-3000</td>
<td>8</td>
<td>40</td>
</tr>
<tr>
<td>3001-4000</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>&gt;4000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100</td>
</tr>
</tbody>
</table>

The loss in the tax revenue arising can be alleviated through concerted enforcement of tax collection effort. Table 6 indicates the state of the factors impacting on employee taxation.

Table 6: Predominant state of the impacting factors

<table>
<thead>
<tr>
<th>Factor</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age of Employee</td>
<td>18 – 25 years</td>
</tr>
<tr>
<td>Conditions of Employment</td>
<td>Temporary</td>
</tr>
<tr>
<td>Payment Mode</td>
<td>Cash</td>
</tr>
<tr>
<td>Marital Status</td>
<td>Single</td>
</tr>
<tr>
<td>Payment period</td>
<td>Daily</td>
</tr>
<tr>
<td>Transaction Records</td>
<td>None</td>
</tr>
</tbody>
</table>

However, not a single Matatu employee pays income tax (PAYE). This may be explained by the factors discussed in the following subsections.
4.1.1 Age of employee.

Table 7a: Employee Age Distribution

<table>
<thead>
<tr>
<th>Age</th>
<th>Number(%)</th>
<th>Cum. Frequency (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;18</td>
<td>4(15%)</td>
<td>4(15%)</td>
</tr>
<tr>
<td>18-25</td>
<td>16(62%)</td>
<td>20(77%)</td>
</tr>
<tr>
<td>25-32</td>
<td>3(11%)</td>
<td>23(88%)</td>
</tr>
<tr>
<td>32-40</td>
<td>2(8%)</td>
<td>25(96%)</td>
</tr>
<tr>
<td>40-47</td>
<td>1(4%)</td>
<td>26(100%)</td>
</tr>
<tr>
<td>&gt;47</td>
<td>0(0%)</td>
<td>26(100%)</td>
</tr>
<tr>
<td>Total</td>
<td>26(100%)</td>
<td></td>
</tr>
</tbody>
</table>

Table 7b: Employee Marital Status

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Number (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married</td>
<td>11(42%)</td>
</tr>
<tr>
<td>Single</td>
<td>15(58%)</td>
</tr>
<tr>
<td>Totals</td>
<td>26(100%)</td>
</tr>
</tbody>
</table>

Table 7a and 7b indicates that the majority of the employees in the industry are generally below 25 years (76%) and single (57%) an age group and marital status when responsibility of an obligation is taken for granted, as is oft in the sector’s Taxation processes. Employee taxation requires extra effort toward enforcing the rules and regulations.

4.1.2 Terms and Conditions of Employment.

The study results indicate that 69% of the employees are conveniently on temporary basis whereas they should by law be permanent or on contractual basis. This is evident from the results in Table 8.
Table 8: Terms of Employment

<table>
<thead>
<tr>
<th>Terms</th>
<th>Driver</th>
<th>Conductor</th>
<th>Tout</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent</td>
<td>0(0%)</td>
<td>0(0%)</td>
<td>0(0%)</td>
<td>0(0%)</td>
</tr>
<tr>
<td>Contract</td>
<td>7(27%)</td>
<td>1(4%)</td>
<td>0(0%)</td>
<td>8(31%)</td>
</tr>
<tr>
<td>Temporary</td>
<td>8(31%)</td>
<td>7(27%)</td>
<td>3(11%)</td>
<td>18(69%)</td>
</tr>
<tr>
<td>Total</td>
<td>15(58%)</td>
<td>8(31%)</td>
<td>3(11%)</td>
<td>26(100%)</td>
</tr>
</tbody>
</table>

This high percentage has a negative implication on the potential Tax revenue loss. The objective of tax collection is to reduce the level of deficit. GOK effort towards this end is achievable partially by ensuring that all potential taxpayers play their part. However, the employee (64%) indicated that tax collected from other sources has not solved the social-economic problems the revenue generated if intended for. Also of those investigated, 75% are employed verbally making the job security uncertain hence no obligation to spend income on other expenditure outlets that have no direct bearing on the employees personal wellbeing. Non taxation of employee can directly be associated with their terms and conditions of employment. Taxation are based on records which in this case is lacking.

4.1.3 Employee Payment Mode: -

Coupled with item 4.2.2, the employees are paid in cash with no document indicating any form of transaction between the employee and the employer (94%). This notwithstanding the fact that most of the employees investigated 82% earn their wages on daily basis (81%) but works for over 12 hours a day (82%). Cash payment management paid on daily basis is difficult to tax on monthly basis unless the tax collection responsibility is directed to the employer.
1.4 Tax collection performance.

2% of those investigated indicated that the Tax collection performance has been quite wanting in terms of:

- 63% of the respondents indicated that Tax collection processes and procedures are bureaucratic in nature.

Attitude of Tax collectors: of the few occasions the respondents have come across the tax collectors the employees (87%) have found their performance harsh and inhuman.

Awareness of Tax rules and Regulation due to the absence of adequate awareness campaign by KRA most employees (69%) share no or very scanty knowledge of the rules and regulation governing income tax. Processes.

Lack of Incentives.

To motivate the employee to pay tax, most indicated that if tax is paid promptly there should be a reward (81%) tax rebate be given (81%) and there should also be evidence of the use of the collected tax for services targeted (94%). Similarly 81% indicated that there is evidence that level of service is not commensurate with taxation level.

Tariff level.

The employees investigated (82%) indicated that the tax tariff level is high compared to the level of income earned.
4.2 Analysis of taxation performance input variables.

Various variables that impact on the performance of taxation were considered in the analysis of whether they have some association with educational level and the wage payment period of the employee.

Table 9 shows a listing of the variables together with the resulting chi-square level calculated at 5% level of significance. One-sided test was performed on the possible association of these variables with educational level and wage payment period.

Specifically, the test hypotheses was that these 2 variables have no influence on the listed variables (Table 9).

Table 9: Factor Association Analysis.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Educational Level Chi – Square</th>
<th>Wage Payment Period Chi - Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Level</td>
<td>5.899</td>
<td>0.833</td>
</tr>
<tr>
<td>Daily Wage</td>
<td>13.587</td>
<td>*</td>
</tr>
<tr>
<td>Daily Work – hour</td>
<td>6.222</td>
<td>*</td>
</tr>
<tr>
<td>Extra Service Provision</td>
<td>1.231</td>
<td>6.659</td>
</tr>
<tr>
<td>Tax Payment Tendency</td>
<td>20.200</td>
<td>4.841</td>
</tr>
<tr>
<td>Employee Taxation</td>
<td>195.00</td>
<td>11.077</td>
</tr>
<tr>
<td>GoK Collection Responsibility</td>
<td>20.800</td>
<td>5.122</td>
</tr>
<tr>
<td>Service Provision State</td>
<td>14.444</td>
<td>*</td>
</tr>
<tr>
<td>Taxation Awareness</td>
<td>6.700</td>
<td>0.199</td>
</tr>
<tr>
<td>State of Taxation Process</td>
<td>7.571</td>
<td>*</td>
</tr>
<tr>
<td>Tax Collector behaviour</td>
<td>9.556</td>
<td>*</td>
</tr>
<tr>
<td>Employer Taxation</td>
<td>7.367</td>
<td>16.000</td>
</tr>
<tr>
<td>Taxation level</td>
<td>*</td>
<td>5.606</td>
</tr>
<tr>
<td>Reward</td>
<td>*</td>
<td>2.505</td>
</tr>
<tr>
<td>Tax Process involvement</td>
<td>*</td>
<td>1.778</td>
</tr>
<tr>
<td>Rebate</td>
<td>*</td>
<td>2.215</td>
</tr>
</tbody>
</table>

* Missing values as the variables were not considered to be correlated with either educational level and wage payment period.
4.2.1 Educational Level.

At 5% level of significance, the listed variables are significantly different from zero. The test hypothesis is reflected in favour of the alternative.

The sample data resulting in Table 9 confirms that as in any other organization:

a. Job level is influenced by educational level. Whether one is driver (High) conductor (Medium) and Tout (low) will be dependent on the level of education of the employee. This means that either performance of the employee would be expected as there is some form of manager - subordinate relationship. There should also be efficient record keeping by the Employer or employee for purpose of tracing down the performance of the firm/industry.

b. Daily wage level is dependent on educational level. The higher the level of education, the higher the position in employment and hence the higher the earnings. This notwithstanding the fact that Daily work - hour indicates very low significance level compared with the rest (6.222).

c. From the assumption that if taxes were collected, then extra service commensurate with the tax level will be provided the employees indicate that this is not actually true since there is seemingly no one to one association between the tax collected and the specific service provided.

d. Employee attitude toward KRA awareness campaign, the state of the tax collection process, the tax collector behaviour, employer tax potential resulted in mild relationship with the educational level of the employee. This may be explained by the fact that the awareness campaign may be concerted but may not reach those it is
intended for. That, since the tax collection process is explicitly the collector’s domain, the potential taxpayer (the Matatu employee) may not understand the structure of the tool and the tax procedure. The behaviour of the tax collector may be one of the main reasons why the potential taxpayer is not motivated to pay tax. The distribution of the employee respondents on the attitude indicators is as in Table 10a.

Table 10a: Employee Attitude Towards Taxation

<table>
<thead>
<tr>
<th>Attitude Indicators</th>
<th>Employee Respondent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Collection Efficient?</td>
<td>26(100%)</td>
</tr>
<tr>
<td>Tax derived Service Adequate?</td>
<td>22(85%)</td>
</tr>
<tr>
<td>Tax Matatu Employee?</td>
<td>26(100%)</td>
</tr>
<tr>
<td>Taxation GOK Responsibility?</td>
<td>8(30%)</td>
</tr>
<tr>
<td>No Service No Tax?</td>
<td>26(100%)</td>
</tr>
<tr>
<td>Awareness Campaign Adequate?</td>
<td>3(11%)</td>
</tr>
<tr>
<td>Tax Procedures Cumbersome?</td>
<td>16(63%)</td>
</tr>
<tr>
<td>Collector harsh/inhuman?</td>
<td>23(87%)</td>
</tr>
<tr>
<td>Tariff Rates High?</td>
<td>22(82%)</td>
</tr>
<tr>
<td>Tax Reward?</td>
<td>20(76%)</td>
</tr>
<tr>
<td>Tax Rebate?</td>
<td>21(80%)</td>
</tr>
<tr>
<td>Involve Taxpayer?</td>
<td>24(92%)</td>
</tr>
</tbody>
</table>

Also, employee attitude toward tax payment tendency, employee taxation, GOK collection responsibility and service provision status resulted in very strong association with employee level of education.

The respondents indicated that even though it is the prerogative GOK to collect tax, tax collection process should be streamlined. Service provision also ought to motivate the potential taxpayer to pay tax (Table 10b).

4.2.2. Wage Payment Period.

Job level has no bearing on wage payment period as should normally be the case (chi-square=0.833). This may be explained by the fact that the verbal contract of employment
do not provide security for a longer payment period. Also, as a Tax avoidance mechanism, and daily payment period, leaves the employer and employee free of tax requirements since the arrangement is that it is the driver (manager) who handles the payment and keeping records of transaction.

Taxation awareness campaign was not a significant factor as it has no real correlation with wage payment period tax payment tendency, and GOK collection responsibility. Tariff level, reward, taxpayer collection involvement and rebate impacted mildly on the payment arrangement. As discussed in the previous sections, the attitude of the employee towards these variables is not influenced by the existing payment period arrangement.

The attitude towards employee taxation (chi - square=11.077) and Employer taxation (chi-square = 16.000) had significant effect or the payment arrangement. This is indicated to be due to the fact that both the employee and the employer in real terms earn way beyond the taxable income whatever the level of the employment but are currently not paying (Table.5a and 5b).

4.3 Employer Taxation Potential Analysis

Table 10b: Taxation Attitude Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Agree %</th>
<th>Not Agree %</th>
<th>Indicator</th>
<th>Agree %</th>
<th>Not Agree %</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Collection Efficient?</td>
<td>0</td>
<td>100</td>
<td>Awareness Satisfying?</td>
<td>10</td>
<td>90</td>
</tr>
<tr>
<td>*Service &amp; Tax Commensurate?</td>
<td>15</td>
<td>85</td>
<td>Tax Processing?</td>
<td>96</td>
<td>4</td>
</tr>
<tr>
<td>*Extra Service?</td>
<td>25</td>
<td>65</td>
<td>Collector Rude?</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>*Employee Taxable?</td>
<td>23</td>
<td>67</td>
<td>Tariff High?</td>
<td>50</td>
<td>45</td>
</tr>
<tr>
<td>*GOK Responsibility?</td>
<td>20</td>
<td>71</td>
<td>Reward?</td>
<td>76</td>
<td>20</td>
</tr>
<tr>
<td>*Service Adequate?</td>
<td>0</td>
<td>85</td>
<td>Rebate?</td>
<td>80</td>
<td>15</td>
</tr>
</tbody>
</table>

Table 10b. shows the distribution of the various Employer attitude indicators towards taxation of the sub-sector Participants.
4.3.1. Tax Collection Efficiency

As indicated in section 4.2.2, of the 80% of the respondents investigated in the sub-sector, the majority earn beyond the Taxable income with the Employer earning an average Net Income of over One Twenty Thousand Shillings (Table5b). The inefficiency of Tax Collection in the Industry is explained by distribution of the attitudinal indicators (Table10b).

4.3.2: Potential Taxpayers Analysis

85% of the respondents indicated that the Service and Tax collected are not commensurate (85%). Further, the respondents (60%) indicated that if the Tax paid currently (Customer Duty, Petrol Levy, VAT among others) do not go towards the Maintenance of the transport sectors' infrastructure and that if this were so then the employer would readily pay the advance Tax. This is further illustrated by the proportion of the taxable individual attitudes towards service adequacy (23%).

4.3.3 Tax Collection Responsibility

The respondents (71%) stated that the GOK should not be the sole Tax Collector and Service provider. That to the Industry, GOK has not performed as per the level of taxation. There is the concern that some of the Tax related responsibilities should be appropriately decentralized, chief among these being the implementation of specific services enhancing projects.

KRA awareness campaign was indicated as having not met its objectives both in content, coverage, and accessibility. That is the campaign has not been satisfying as is indicated by 90% of the respondents, hence the existing lack of positive trends in the direction of Tax
Payment Compliance. If the campaign had been focussed, then the status of the collection process and procedures that is currently cumbersome (90%) would have been re-structured as well as re-training of the collectors whom the respondents (53%) indicated were harsh and inhuman.

4.3.4. Taxpayer incentives

There was overwhelming concern of there being no incentives for Taxpayers compliance to the Income tax regulation. That 76% and 80% of the respondents indicated that there should be Rewards and Rebates respectively for Tax complaint individuals in the sub-sector are significant proportions. These incentives, the study showed would go along way in motivating the non-compliant potential Taxpayer to pay tax. This was indicated by the 70% of the respondents. Further, the potential costly penalties of non-compliance would invariably be avoided.

4.4. Analysis Of Taxation Performance Input Variables.

The target variables considered in the analysis of the level of association with the variables listed(Table 11) were Employer Education level and Age. Based on a level of significance of 5%, a chi-square Test of association was undertaken and the chi-square values resulting from each listed variable is as indicated.
### Table 11: Input variables level of association

<table>
<thead>
<tr>
<th>Factor</th>
<th>Educational Level</th>
<th>Employer Age</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Chi - Value</td>
<td>Chi - Value</td>
</tr>
<tr>
<td>* Other Income levels</td>
<td>4.000</td>
<td>8.000</td>
</tr>
<tr>
<td>* Tax Payment</td>
<td>4.000</td>
<td>8.000</td>
</tr>
<tr>
<td>* Nil Return</td>
<td>1.333</td>
<td>4.000</td>
</tr>
<tr>
<td>* Custom Duty</td>
<td>*</td>
<td>4.000</td>
</tr>
<tr>
<td>* VAT</td>
<td>*</td>
<td>4.000</td>
</tr>
<tr>
<td>* Petrol Levy</td>
<td>*</td>
<td>4.000</td>
</tr>
<tr>
<td>* Taxation mode</td>
<td>*</td>
<td>4.000</td>
</tr>
<tr>
<td>* Recruitment Mode</td>
<td>*</td>
<td>4.000</td>
</tr>
<tr>
<td>* Collection Efficiency</td>
<td>*</td>
<td>4.000</td>
</tr>
<tr>
<td>* Extra Service Provision</td>
<td>1.333</td>
<td>8.000</td>
</tr>
<tr>
<td>* GOK Responsibility</td>
<td>4.000</td>
<td>8.000</td>
</tr>
<tr>
<td>* Law Awareness</td>
<td>4.000</td>
<td>8.000</td>
</tr>
<tr>
<td>* Collector Attitude</td>
<td>4.000</td>
<td>12.000</td>
</tr>
<tr>
<td>* Reward</td>
<td>4.000</td>
<td>8.000</td>
</tr>
<tr>
<td>* Rebate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>* Status of Taxation Procedures</td>
<td>4.000</td>
<td>8.000</td>
</tr>
<tr>
<td>* Tariff</td>
<td>*</td>
<td>4.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4.000</td>
</tr>
</tbody>
</table>

Note: * Missing values since the variables were not considered to have any significant association with either the Educational Level or Age of Taxpayer.

### 4.4.1 Educational Level of Employer

The listed variables (Table 11) tested at 5% level of significance, for association, exhibited moderate levels of significance. The test hypothesis is rejected as there is no enough evidence from sample data to accept it. It confirms that Extra service provision, Nil return compliance are not significant while the rest are influenced by the education level of the owner of business. The better educated, the higher the likelihood of compliance being a aware of the tax laws, appreciate the value of Reward and Rebate among others.
4.4.2 Age of Employer

The age of the Employer is clearly a factor that has significant association with:

a: Tax Payment

It is clear from the study that over 50% of the Matatu Owners are middle aged, with an average of six dependants (65%) and generated significant level of net income.

Table 12: Initial capital Acquisition

<table>
<thead>
<tr>
<th>Acquisition Mode</th>
<th>Matatu Owners Number(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings</td>
<td>1(5%)</td>
</tr>
<tr>
<td>Loans</td>
<td>2(10%)</td>
</tr>
<tr>
<td>Savings and Loan</td>
<td>17(85%)</td>
</tr>
<tr>
<td>Total</td>
<td>20(100%)</td>
</tr>
</tbody>
</table>

The explanation for tax avoidance may be due to the initial cost and mode of acquisition of the Matatu: mainly through loans and small savings which was indicated by over 85% of the respondents.

b: Collection Efficiency by GOK

The respondents (64%) indicated that the level of inefficiency is compounded by the absence of Reward/Rebates, inadequate awareness campaign as well as attitude of the tax collector towards the potentially evasive taxpayer. This makes the targeted uncollected tax difficult to realize hence the continued negative impact on the tax deficit due to the inherent inefficiencies.

It is also clear from the study that, the Rules and Regulations of Tax collection have not been explicitly stated to the potential tax payer making tracing the non complying potential tax payers increasingly non paying income earners (Table 10a and 10b).
It is therefore critical that the Government addresses this weakness precisely if better results in revenue collection is to be realised in order to alleviate budget deficits.
CHAPTER 5  CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions / Recommendations

The study results appropriately covered the stated research objectives through the research questions/hypothesis. The assumptions about the performance of Tax collections were mostly confirmed. As conclusion, the study objectives achievements are here below discussed.

Objective 1:

Establishing the attitudinal factors that impact on the Matatu Industry Employer and Employee Taxation Practices.

The target population was stratified into Employer (mostly owner of Matatus) and the Employee (Driver and Tout). The critical factors impacting on the Taxation practices was identified and analysed as per the stratification. It was established that there are Employee specific and Employer derived employee factors influencing the taxation process. The Employee Educational levels, and wage payment period were the critical indicators of the performance of the collection process. Impacting on these two variables were: attitude toward the relationship between Employee / Employer and the tax collector. Relationship between the Tax collected and service level provided. Employee terms and conditions of employment, tax collectors behaviour. Lack of incentives. KRA performance in its awareness campaign as well as the structure of tax collection procedures and returns.

There was also the Tax requirement, which was evidently lacking both from the Employee and Employer. Apart from the mandatory pre-business taxes like VAT, Custom Duty, and Petrol Levy, the Employer paid no advanced tax this notwithstanding the fact that the
level of income is taxable. The Employee, similarly, do not pay the mandatory PAYE even though they receive taxable regular daily income plus taxable allowances.

Arising from this, the following recommendations can be derived:

- KRA and the other relevant authorities should undertake concerted effort in the sub-sector stakeholder education process to improve on the reach and accessibility of the current campaign program.

- The Employer should be mandated to follow the laid down Labour laws relevant to employment in order to be able to have a database necessary for Tax Collection.

- The level of Tax Revenue should be commensurate with the service level provision to motivate the potential taxpayer (employee & Employer) to pay tax.

- Tax Rebate and Reward should be extended to the industry to act as motivators hence make the potential taxpayer not avoid and evade tax payment.

Objective 2

Determination of the reasons for the suppliers of the Matatu Industry Services not complying with Income Tax requirements

The supplier behaviour towards Taxation was both economical and psychological. All the economic behavioral determinants are addressable both by the tax department and the Employer. The Income level of the Employee and the Employer as has been said are taxable. Nonetheless, if the payment period, mode of payment and documentation of payment were to be enforced as bylaw, then the collection process of Tax from the service provider will be assured of equity and coverage.
The attitude of the Taxpayer is made more negative by the confusion in the sub-sector. Regularisation of the sector would result in the creation of an enabling environment for the payment and hence collection of Tax revenue. A professionally design awareness campaign educational tool currently not operational would be the only way forward in enhancing compliance with the standard income tax requirement.

To this end it is recommended that:

- The Income Tax department should use professional bodies to audit the finances of those in the industry (especially the employer). The tax potential of the Employer should be assessed at the Employer level and the Employer should be required to collect the tax on behalf of KRA for onward transmission to the latter as is currently the case in other public sectors. This process would require honestly and goodwill from the KRA collection staff and goodwill from the KRA collection staff to act s a motivator for the efficient operation of the system.

- KRA should use professionals at KIE to design effective campaign program content and professional consultants to design campaign tools to enhance their reach in effect leading to the enhancement of Tax requirement compliance.

Objective 3

Document Policy Implications from Study results vis-a-vis Tax collection performance in the Sub-sector.

The critical policy implications arising are evident from objective 1 and 2 above. Currently the infrastructure for tax collection in the sector is not conducive for an efficient tax
collection system. The non-compliance with the law can be traced to this state of affairs. Hence, it is recommended that:-

- All the recommendations above be addressed to create an efficient tax collection system.
- The performance of the overall road transport sub-sector be assessed with a view to identifying the factors that critically negatively impact on the tax collection process.

5.2 Recommendation for Further Research

a. Quantitatively evaluates the level of sectoral potential tax as a proportion to the income tax revenue deficit.

b. Develop a Database Management Information System of the operations (inputs/outputs) in the sector with a view to enhancing its performance.

c. Undertake a survey to determine the employment distribution (gender, professional etc) in the industry and determine the contribution of the sector towards the reduction of the proportion of the unemployed

d. Investigate the level of accidents and non-compliance with the requirement of Law of the sub-sector vis-a-vis other players in the sector with a view to minimising the recurrence of the same.
BIBLIOGRAPHY


5. **John Stuart Mill (1921)**: Principles of political economy, pp95-112


7. **Daily Nation**: April 11th and 19th, 1999

8. **GOK Printers**: Legal Notice No.18 of February 5, 1999


10. **The Institute of economic Affairs**: Our problems, our solutions (1998), an economic and public policy agenda for Kenya


13. **J.A. Howard (1983)**: Marketing Executive and Buyer behavior


15. **Financial Standard**: May 4, 1999
16. **The Holy Bible**: The books of Mathew, Luke and Mark


18. **Kenya gazette Supplement** No. 30 (Bills No. 6) dated 11\(^{th}\) June, 1998


33. Situma, L. (1977): The matatu Public Transport in Nairobi, City Engineer’s Department, Nairobi City Council.

34. UNIDO (1979), Appropriate Industrial Technology for low-cost Transport for Rural Areas.


Appendix: Questionnaire

The questionnaire has four sections A, B, C and D. Section A, comprised of general details to be filled by respondents and instructions of the questionnaire. Section B, comprises of questions to be answered by matatu employees. Section C, comprises of questions to be answered by matatu owners. And section D, comprises of questions to be answered by both the owner and the employee of Matatu industry.

To be filled by the employees, owners of Matatu vehicles or by any other person with necessary information.

INSTRUCTIONS

Please put a tick in the box [ ] or where this is not so write the answers in the spaces provided. If more space is needed, use the back of the respective page.

SECTION A

TO BE FILLED BY ALL INTERVIEWEES

1. Introduction

Date of interview  - ..................................................................................

Interviewer  - ..................................................................................

Town  - ..................................................................................

Route of Operation  - ........................................................................

Origin  - ..................................................................................

Through  - ..................................................................................

Destination  - ..................................................................................
2. Basic information about respondent
(a) Indicate your sex  
Male ☐  Female ☐
(b) Indicate your marital status  
Single ☐  Married ☐
(c) Indicate your age  
0 – 18 ☐  Over 40 - 47 ☐
Over 18 – 25 ☐  Over 48 & above ☐
Over 25 – 32 ☐
Over 32 – 40 ☐
3. Indicate your level of education  
Primary ☐  O-level ☐
A-level ☐  University ☐  Others (Specify) ......................................
4. Indicate number of dependants  
1-2 ☐  3-4 ☐  5-6 ☐
6-7 ☐  Over 8 ☐
5. Indicate here below the category of your vehicle  
18 seater (Nissan) ☐
25 seater (Manyanga) ☐
6. Indicate your category of work  
Owner ☐  go to section C page ............................................
Driver ☐  go to section B page ............................................
Conductor ☐  go to section B page ............................................
Tout ☐  go to section B page ............................................
SECTION B

This section is to be filled by the Matatu employees only.

1. (i) For how long have you been working in the Matatu industry?

(ii) What were you doing before joining this industry?

2. Why did you choose to join this industry?

3. (i) Are you employed?

   Permanently □   Temporarily □

   On contract □   Other (Specify) □

(ii) Indicate your employment contract

   Written □   Verbal □

4. How are you paid?

   Daily □   Weekly □   Fortnightly □   Piece rate □

   Other (Specify) □

5. Are you paid by

   Cheque □   Cash □   Others (Specify) □

6. Do you sign any document before you are paid?

   Yes □ go to 7   No □ go to 8

7. (i) If yes, what is the name of the document?
(ii) Do you keep a copy of that document?

8. If no, how does your employer confirm that you have received your pay?

9. Indicate your average daily earnings

<table>
<thead>
<tr>
<th>Earnings Range</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>101-200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>201-300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>301-400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>401-500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>501-600</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others (Specify)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10. How many hours do you work in a day

<table>
<thead>
<tr>
<th>Hours</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others (specify)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

11. Are your earnings from employment adequate for your needs?

Yes | No
--- | ---
|     |    |
| go to 12 | go to 13 |

12. If yes, how do you spend that money? Support family | Save in a bank | Others (specify)

13. If no, what do you do to get extra money?

1. 
2. 
3. 
4. 
5. 
6. 
7. 
8. 
9. 
10. 
11. 
12. 
13. 

14. Are you offered any of the following?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leave allowance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>House Allowance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lunch Allowance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accident Insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Breakfast Allowance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others (Specify)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SECTION C

To be filled by employer and employee of Matatu industry.

1. Kenya Revenue Authority (KRA) is not efficient in its tax collection Programs
   Strongly agree      Agree      Neither agree nor disagree
   Disagree           Strongly disagree

2. (i) The government provides adequate services for the tax it receives.
   Strongly agree      Agree      Neither agree nor disagree
   Disagree           Strongly disagree
   (ii) Give reasons for your answers.
3. The government would adequately provide more services if it obtained more revenue from taxes.

Strongly agree □  Agree □  Neither agree nor disagree □
Disagree □  Strongly disagree □

4. Employees in the office and industry who earn taxable income should pay taxes.

Strongly agree □  Agree □  Neither agree nor disagree □
Disagree □  Strongly disagree □

5. The matatu employees who earn taxable income should pay tax.

Strongly agree □  Agree □  Neither agree nor disagree □
Disagree □  Strongly disagree □

6. The government should be responsible for collecting taxes.

Strongly agree □  Agree □  Neither agree nor disagree □
Disagree □  Strongly disagree □

7. Matatu owners should not pay taxes.

Strongly agree □  Agree □  Neither agree nor disagree □
Disagree □  Strongly disagree □
8. Taxes should be paid only if services are provided.
   - Strongly agree □
   - Agree □
   - Neither agree nor disagree □
   - Disagree □
   - Strongly disagree □

9. Kenya Revenue Authority awareness campaign should reach every Mwananchi.
   - Strongly agree □
   - Agree □
   - Neither agree nor disagree □
   - Disagree □
   - Strongly disagree □

10. The Kenya Revenue Authority tax procedures are cumbersome (Bureaucratic).
    - Strongly agree □
    - Agree □
    - Neither agree nor disagree □
    - Disagree □
    - Strongly disagree □

11. The Kenya Revenue Authority officers (tax officers) are harsh and inhuman when they are discharging their duties.
    - Strongly agree □
    - Agree □
    - Neither agree nor disagree □
    - Disagree □
    - Strongly disagree □

12. The tariffs for tax payment are extremely high.
    - Strongly agree □
    - Agree □
    - Neither agree nor disagree □
    - Disagree □
    - Strongly disagree □

13. A taxpayer who pays tax promptly should be given a reward.
    - Strongly agree □
    - Agree □
    - Neither agree nor disagree □
    - Disagree □
    - Strongly disagree □
14. A taxpayer who pays tax promptly without evading it should be given tax rebate.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neither agree nor disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

15. KRA should involve taxpayers in its processes and procedures of running its programs.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neither agree nor disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SECTION D

To be filled by the owner of matatu vehicles.

1. For how long have you been in this business?

<table>
<thead>
<tr>
<th>0-1 years</th>
<th>1-2 years</th>
<th>2-3 years</th>
<th>2-3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3-4 years</th>
<th>4-5 years</th>
<th>Over 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. (i) How many matatus did you start with?

<table>
<thead>
<tr>
<th>One</th>
<th>Two</th>
<th>Three</th>
<th>Other (specify)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(ii) How many do you now own?

<table>
<thead>
<tr>
<th>One</th>
<th>Two</th>
<th>Three</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other (specify)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>
3. (i) How did you acquire your matatu?

- Savings
- Loan
- Both loan and savings
- Gift
- Others (Specify) .................................................................

(ii) Why did you choose to do matatu business?

- My parents have been doing the business for a long time
- My peers were in it and doing very well
- There was no other better job
- It does not require technical knowledge
- Others (Specify) .................................................................

4. For the route you operate, what is the average fare per passenger?

- Shs. 10
- Shs. 15
- Shs. 20
- Shs. 25
- Shs. 30
- Others (specify) .................................................................

5. Indicate your average daily earnings.

- Shs. 0-1,000
- Shs. 1,001-2,000
- Shs. 2,001-3,000
- Shs. 3,001-4,000
- Others (Specify) .................................................................

6. Is the income from your matatu business adequate?

- Yes go to 7
- No go to 8

7. If Yes, how do you spend it?

- Save in bank
- Pay deposit for another matatu
Support my family
Pay for matatu loan
Pay for matatu loan
Repair the matatu
Others (Specify) .................................................................

8. If no, indicate your other sources of income.

1. .................................................................
2. .................................................................
3. .................................................................
4. .................................................................

9. On average, how much income do you receive from other sources per month?

Shs.1-10,000 □ Shs.10,001-20,000
Shs.20,001-30,000 □ Others (Specify) ......................

10. On average, what are your total operational costs of your matatu business in a month?

Shs.

1. Wages and salaries ........................................
2. Fuel .........................................................
3. Maintenance ............................................
4. Other (specify) ...........................................

11. Are you aware of the existence of any by laws, Acts, Action programme regarding taxation in Kenya?

Yes □ go to 12  No □ go to 16
12. If yes, which ones

- Pay As You Earn (PAYE)
- Customs Act Cap 472
- Value Added Tax Cap 476
- Income Tax Act Cap 470

13. Do you know what is a tax return?

- Yes [ ] go to 14
- No [ ] go to 22

14. If Yes, do you file any tax return?

- Yes [ ]
- No [ ]

15. Do you pay any tax on your business?

- Yes [ ]
- No [ ]

16. If yes, what kind of tax do you pay?

- Customs duty [ ]
- Petroleum levy [ ]
- Income Tax [ ]
- Value Added Tax (VAT) [ ]
- Others (specify) [ ]

17. On average, how much tax do you pay per year?

- Shs.0-10,000 [ ]
- Shs.10,001-20,000 [ ]
- Shs.20,001-30,000 [ ]
- Shs.30,001-40,000 [ ]
- Other (specify) [ ]

18. To which government department do you pay your tax?
19. How do you pay tax?

Cheque ☐  Cash ☐  Others (specify) ☐

20. Which record do you keep pertaining to your matatu business?

.........................................................................................................................

.........................................................................................................................

21. Does the Kenya Revenue Authority tax Awareness campaign reach you?

.........................................................................................................................

.........................................................................................................................

22. How do you recruit your employees?

Interview ☐  Employment Bureau ☐  Other (specify) ☐

23. Which factors do you consider when you recruit employees?

.........................................................................................................................

.........................................................................................................................