

**TAX AUDITS AND TAX COMPLIANCE IN KENYA REVENUE
AUTHORITY, KENYA**

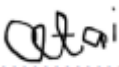
**CLARA MUTAI
D53/OL/CTY/27099/2015**

**A RESEARCH PROJECT SUBMITTED TO SCHOOL OF BUSINESS,
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UNIVERSITY**

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DECLARATION

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

Signature.......... Date...15 August 2025

CLARA MUTAI

D53/OL/CTY/27099/2015

SUPERVISOR

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

Signature..... Date.....

DR. FESTUS MITHI

SENIOR LECTURER

SCHOOL OF BUSINESS, ECONOMICS AND TOURISM

DEDICATION

I dedicate this research project to my entire family. I greatly appreciate your support and encouragement during my studies. I appreciate the encouragement given by my colleagues and all people who greatly and persistently supported me.

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TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
LIST OF TABLES.....	viii
LIST OF FIGURES.....	ix
ACRONYMS AND ABBREVIATIONS.....	x
OPERATIONAL DEFINITION OF TERMS	xi
ABSTRACT	xiii
CHAPTER ONE.....	1
INTRODUCTION	1
1.1 Background to the Study	1
1.1.1 Tax Audits.....	5
1.1.2 Tax Compliance.....	11
1.1.3 Kenya Revenue Authority.....	12
1.2 Statement of the Problem	13
1.3 Objectives of the Study	15
1.3.1 General Objective	15
1.3.2 Specific Objectives	15
1.4 Research Hypothesis	16
1.5 Significance of the Study.....	16
1.6 Scope of Study	17
1.7 Limitations of the Study	18
1.8 Organizational of the Study	18
CHAPTER TWO.....	19
LITERATURE REVIEW.....	19
2.1 Introduction.....	19
2.2 Theoretical Framework	19
2.2.1 Economic Deterrence theory	19
2.2.2 Cognitive Dissonance Theory	21
2.2.3 Social Norms Theory	23
2.2.4 Theory of Planned Behavior.....	25
2.3 Empirical Review.....	27

2.3.1 Desk Audit and Tax compliance	27
2.3.2 Field Audit and Tax compliance	30
2.3.3 Correspondence Audit and Tax compliance	32
2.3.4 Back Duty Audit and Tax compliance.....	35
2.4 Literature review Summary and Research Gaps.....	38
2.5 Conceptual Framework	46
CHAPTER THREE.....	48
RESEARCH METHODOLOGY.....	48
3.1 Introduction.....	48
3.2 Research Design.....	48
3.3 Target Population.....	48
3.4 Sample Size and Sampling Technique	49
3.4.1 Sample Size	49
3.4.2 Sampling Technique	50
3.5 Data Collection Instruments	51
3.5.1 Validity and Reliability of Research Instruments.....	51
3.5.2 Validity of the Instruments.....	52
3.5.3 Reliability of the Instruments	52
3.6 Data Collection Procedures	52
3.7 Data analysis.....	53
3.8 Diagnostic tests	53
3.8.1 Multicollinearity Test.....	54
3.8.2 Linearity Test.....	54
3.8.3 Autocorrelation Test	55
3.8.4 Heteroscedasticity Test	55
3.8.5 Normality Test.....	56
3.9 Operationalization and Measurement of Variables.....	57
3.10 Ethical Consideration	57
CHAPTER FOUR	59
RESEARCH FINDINGS AND DISCUSSIONS	59
4.1 Introduction.....	59
4.2 Response Rate.....	59
4.3 General Information	60
4.4 Descriptive Statistics	61

4.4.1 Desk Audit.....	61
4.4.2 Field Audit.....	64
4.4.3 Correspondence Audit	66
4.4.4 Back Duty Audit.....	69
4.4.5 Tax compliance.....	71
4.5 Inferential Statistics.....	74
4.5.1 Diagnostic Tests	74
4.5.2 Correlation Analysis	80
4.5.3 Regression Analysis.....	83
CHAPTER FIVE	87
SUMMARY OF THE FINDINGS, CONCLUSION AND	
RECOMMENDATIONS.....	87
5.1 Introduction.....	87
5.2 Summary.....	87
5.2.1 Desk Audit.....	87
5.2.2 Field Audit.....	88
5.2.3 Correspondence Audit	89
5.2.4 Back Duty Audit.....	90
5.3 Conclusions.....	91
5.4 Recommendations	92
5.4.1 Kenya Revenue Authority management	92
5.4.2 Kenyan Government and Policymakers.....	93
5.4.3 Academicians and Researchers	93
5.5 Recommendation for Further Studies	95
REFERENCES	96
APPENDICES	105
Appendix I: Questionnaire	105
Appendix II: Data Extraction Tool	112
Appendix III: NACOSTI Permit.....	113

LIST OF TABLES

Table 2. 1: Summary of Literature review and Research Gaps	38
Table 3.1: Target Population.....	49
Table 3.2: Sample Size	50
Table 3.3: Operationalization of Variables.....	57
Table 4.1: Response Rate.....	59
Table 4.2: Aspects of Desk Audit	62
Table 4.3: Aspects of Field Audit	64
Table 4.4: Aspects of Correspondence Audit	67
Table 4.5: Aspects of Back Duty Audit.....	69
Table 4.6: Measures of Tax compliance.....	72
Table 4.7: Trend of Amount of Tax Collected.....	73
Table 4.8: Breusch-Pagan test.....	74
Table 4.9: Test for Normality of Data	75
Table 4.10: Autocorrelation Test.....	76
Table 4.11: Collinearity Statistics	76
Table 4.12: Correlation Coefficients	81
Table 4.13: Model Summary	83
Table 4.14: ANOVA.....	84
Table 4.15: Regression Coefficients.....	84

LIST OF FIGURES

Figure 2.1: Conceptual Framework.....	47
Figure 4.1: Duration of Working.....	60
Figure 4.2: Trend of Amount of Tax Collected	73
Figure 4.3: Scatter plot for the Correspondence Audit and Tax Compliance.....	77
Figure 4.4: Scatter plot for the Desk Audit and Tax Compliance.....	78
Figure 4.5: Scatter plot for the Field Audit and Tax Compliance.....	79
Figure 4.6: Scatter plot for the Back Duty Audit and Tax Compliance	80

ACRONYMS AND ABBREVIATIONS

EITC:	Earned Income Tax Credit
ERCA:	Ethiopian Revenue and Customs Authority
FY:	Financial Year
GDP:	Gross Domestic Product
GLS:	Generalized Least Squares
GST:	Goods and Services Tax
IRA:	Italian Revenue Agency
KRA:	Kenya Revenue Authority
NACOSTI:	National Commission for Science, Technology, and Innovation.
SPSS:	Statistical Package for Social Sciences
TPB:	Theory of Planned Behavior
VAT:	Value Added Tax
VIF:	Variance Inflation Factor

OPERATIONAL DEFINITION OF TERMS

Administrative checks on returns:	They refer to the evaluation of tax returns by tax authorities to verify that they comply with applicable regulations and tax laws, ensuring that the information provided is correct and consistent.
Back duty audit:	It involves obtaining necessary information, identifying timelines, appointing an accountant, and developing a capital statement to identify under-reported income and ensure tax compliance
Correspondence Audit:	It is a tax audit conducted through written communication, where tax authorities request additional documentation, clarification, and confirmation of deductions via email, telephone calls, and simple document examination to verify tax returns and ensure compliance
Desk Audit:	It involves reviewing taxpayers' books and financial records, conducting administrative checks on returns, and requesting additional documents, but typically does not include direct communication with the taxpayer
Field audit:	It involve visits to taxpayers for the physical verification of documents, confirmation of facts and figures, and registration checks to ensure compliance with tax regulations and the accuracy of submitted returns
Official communication with taxpayer:	It refers to formal interactions between tax authorities and taxpayers, including notifications, letters, or other correspondence to request clarification, additional information, or inform about the audit process.
Request for more documents:	It occurs when tax authorities ask the taxpayer to provide further evidence, such as invoices, contracts, or bank statements, to substantiate the accuracy and completeness of the information reported in their tax returns.

Scrutiny of taxpayers' books and financial records:	This involves a thorough review and analysis of a taxpayer's financial documents, including balance sheets, income statements, and other supporting financial records, to ensure accuracy and compliance with tax laws.
Tax Compliance:	It refers to the adherence of taxpayers to the tax laws and regulations by accurately reporting income, filing tax returns on time, and paying the required taxes. In this study, proxies included timely payment of tax, accurate payment of taxes and amount of tax paid.
Tax audit:	It refers to an examination of a taxpayer's financial records and tax returns conducted by a tax authority, including desk audits (document reviews), correspondence audits (communication for clarification), field audits (in-person visits and verification), and back duty audits (review of past returns to detect discrepancies) to ensure compliance with tax laws

ABSTRACT

Taxation plays a crucial role in financing a country's expenditure by generating revenue that funds public services, infrastructure, and government functions, contributing significantly to economic stability and development. Despite surpassing its revenue target in 2020/2021, Kenya Revenue Authority (KRA) faced a shortfall of approximately Kshs. 70 billion (around 4.2%) in 2021/2022, and a further shortfall of Kshs. 100 billion (about 5.3%) in 2022/2023, indicating persistent challenges with tax compliance. Therefore, the study sought to examine how tax audits affect tax compliance in Kenya Revenue Authority. The specific objectives of the study were to examine the effect of desk audit, field audit, correspondence audit and back duty audit on tax compliance in Kenya Revenue Authority. This research was anchored on economic deterrence theory, cognitive dissonance theory, social norms theory and theory of planned behavior. The study adopted an explanatory research design. The unit of analysis in this study was Kenya Revenue Authority. The target population was all 232 staffs in seven departments in Kenya Revenue Authority. Yamane's Formula was utilized to establish study sample size. Using this formula, 146 respondents were selected from target population. The study utilized both primary and secondary data. Moreover, secondary data was acquired from Kenya Revenue Authority yearly reports. Primary data was collected using semi-structured questionnaires. Moreover, questionnaires will produce qualitative and also quantitative data. Moreover, thematic analysis was utilized for qualitative data analysis and the findings shall be displayed in narrative format. Further, descriptive and inferential statistics was deployed in analyzing quantitative data with assistance of SPSS version 24. Descriptive statistics comprise of mean, standard deviation, percent and frequencies. Inferential statistics included correlation analysis and regression analysis. Diagnostic tests in the study included the normality test, linearity test, autocorrelation test, multicollinearity test and also heteroscedasticity test. The study results were then displayed in figures and tables. Ethical considerations were strictly adhered to, with informed consent gathered from participants, confidentiality ensured through the secure handling of data, and anonymity maintained by not recording personal identifiers. The study found that desk audit had a positive and significant effect on tax compliance in Kenya Revenue Authority. Further, field audit had a positive and significant effect on tax compliance in Kenya Revenue Authority. In addition, the study found that correspondence audit had a positive and significant effect on tax compliance in Kenya Revenue Authority. Also, the results indicated that back duty audit had a positive and significant effect on tax compliance in Kenya Revenue Authority. The study concluded that desk audit, field audit, correspondence audit, and back duty audit all have a positive and significant effect on tax compliance within the Kenya Revenue Authority. The study recommends that Kenya Revenue Authority should strengthen desk audits by requiring more comprehensive documentation from taxpayers and expand field audits to include in-person visits, including home assessments. In addition, Kenya Revenue Authority should improve correspondence audits using emails and phone calls for clarification, while enhancing back duty audits through increased taxpayer appointments and financial record analysis. Further, the study suggests further researches on tax audits and tax compliance in Kenya from perspective of taxpayers.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Taxation is the main approach countries use to raise public revenues needed to finance infrastructure development projects, pay for public service, and provide services to both citizens and businesses (Enofe & Embele, 2019). According to Livoi (2019), governments mandate that everyone within their individual jurisdiction must comply with the tax laws of that nation (Twinomugisha, 2019). People and commercial entities must abide by the tax laws in order to be regarded as tax-compliant by authorities tasked with enforcing the relevant tax laws. Non-compliant individuals and organizations are those that fail to report their taxable income and ultimately fail to pay the required taxes (Mashiri, Dzomira & Canicio, 2021).

Tax noncompliance is one of the main factors affecting taxation around the world leading to inadequacy in government revenue (Senbeta, 2020). Tax noncompliance deprives governments worldwide of \$427 billion a year. In United States, approximately one out of six dollars belonging to state taxes is unpaid (Gale & Krupkin, 2019). In the year 2019, tax evasion in United States amounted to \$406 billion; Brazil had \$280.1 billion, Italy had \$238.7 billion, Russia had \$221 billion, France had \$171.3 billion and United Kingdom had \$109.2. As indicated by Tang (2020), China has a reason to be worried about tax non-compliance as the country is losing US\$134 billion in tax revenue annually. During 2018/19 FY, the revenue authority in Sri Lanka collected 514.1 billion against 605.3 billion target (International Monetary Fund, 2019). Tax non-compliance among small and large tax payers was been blamed for Sri Lanka financial challenges.

Mansor and Gurama (2016) report estimates that Africa loses \$50 billion to tax non-compliance annually. Lack of tax revenue leads to negative impact, especially in poorest nations. Tax non-compliance is rampant among the country's wealthiest citizens and organizations. About 9% of firms pay corporate tax, whilst only 12 percent of registered firms observe VAT obligations. Among Kenya, Tanzania and Uganda countries, 33% of organizations are referred to as tax compliant (Lakuma, 2019). Gross tax gap in Uganda is approximated to be 52.73% of baseline tax or Ug. Shs 1, 783.31 billion. Almost 755,217 business organizations in 2015/16, failed to file income tax (Twinomugisha, 2019). However, compliance strategies succeeded to repossess Shs 130.37 billion of gross tax gap of Ug. Shs. 1,783.31 billion (Twinomugisha, 2019). In Rwanda, Mascagni and Nell (2018) observed that 38% of the taxpayers were non-complaint.

Due to the effects of tax non-compliance, Kenya has a high tax burden at around 20.9% (Kabaka, 2019). The Kenyan government must decrease tax evasion among taxpayers if it wants to enhance social spending. Tax evasion hinders Kenya's government from collecting taxes, which consequently leads to inefficient expenditure because it makes it harder for the government to raise money from domestic sources for investments. According to research by Korir, Adoyo, and Momanyi (2018), the amount lost to tax evasion was roughly equal to what the nation spent on healthcare. Tax audits play a critical role in increasing tax compliance by identifying non-compliant taxpayers and ensuring they meet their tax obligations. By uncovering discrepancies and enforcing penalties, tax audits enhance the credibility of the tax system and promote voluntary compliance.

In Austria, Kasper and Alm (2022) found that effectiveness of tax audits influences

the responses, and although proper audits improve post-audit tax compliance, improper audits have the reverse impact. The study also discovered that taxpayers who are generally compliant show the greatest behavioral reaction to audits. In the United Kingdom, Advani, Elming and Shaw (2023) observed that tax audits significantly improve tax compliance by increasing reported tax liabilities for up to five years post-audit, particularly among individuals identified with errors. Approximately 60%–65% of the revenue generated from audits comes from changes in reporting behavior, highlighting their role in fostering voluntary compliance. Moreover, audits constrain future misreporting by revealing critical information, suggesting the need for more resources, targeted audit strategies, and recognizing audits' broader value beyond deterrence.

Similarly, Hebous, Jia and Øvrum (2023) assert that tax audits conducted by the Norwegian Tax Administration led to improved future compliance for up to six years, particularly among noncompliant taxpayers, even in the absence of penalties. The findings indicated that tax audits can have long-lasting positive effects on compliance, and improving taxpayer information should complement audit efforts for even better results. In addition, Marques, Sousa and Teixeira (2020) observed that tax audits are seen as a path to improving tax compliance, though tax inspectors are still viewed primarily as coercive authorities rather than collaborative partners. The study indicates that the Portuguese legal framework for tax inspections emphasizes cooperation between tax inspectors and taxpayers, which aligns with a regulatory context that encourages compliance. However, despite the focus on cooperation, the study highlights that tax inspectors still predominantly engage in authoritative roles, which could limit the full potential of audits to enhance tax compliance.

In Ethiopia, Mebratu (2016) highlighted a strong relationship between tax audits, the probability of detection, and the total number of audit files, which collectively demonstrate enhanced tax compliance. This finding suggests that increasing the frequency and effectiveness of audits, coupled with a higher likelihood of detecting non-compliance, serves as a significant deterrent to tax evasion and promotes adherence to tax obligations. In addition, Ogunwole, Adebayo and Omotayo (2020) observed that tax audits significantly impact revenue collection in Nigeria. Specifically, tax audits lead to a significant increase in revenue, as evidenced by the correlation between tax collected before and after audits. The results suggest that the more tax audits are conducted, the higher the revenue collected, highlighting the importance of tax audits in enhancing revenue collection.

In Kenya, Kimani (2019) observed a positive relationship between tax audits and tax compliance among large taxpayers. The study highlighted that various types of audits, including desk audits, correspondence audits, field audits, and back duty audits, play a significant role in enhancing compliance. These audits ensure that taxpayers adhere to their obligations by verifying accuracy in reporting and identifying instances of non-compliance. Furthermore, the findings suggest that a structured and comprehensive audit framework contributes to improved tax revenue collection and promotes voluntary compliance among large taxpayers. In addition, Magdalene (2022) found that tax audits positively influence tax compliance among Small and Medium Enterprises (SMEs) in Westlands, Nairobi, Kenya. The study revealed that frequent and targeted tax audits enhance compliance by increasing awareness of tax obligations and the likelihood of detection for non-compliance. SMEs subjected to audits were more likely to maintain accurate financial records and file timely returns.

While previous studies have highlighted the positive relationship between tax audits and tax compliance across various countries, gaps still exist in understanding how different audit types (desk, correspondence, field, and back-duty audits) specifically impact compliance within the context of Kenya. While studies like Kimani (2019) have observed the positive effects of audits on large taxpayers in Kenya, there is limited research focusing on the specific role of tax audits in enhancing compliance at the Kenya Revenue Authority (KRA) level. Additionally, the effectiveness of audit strategies in improving long-term compliance, especially in the absence of penalties, remains underexplored. This study aims to fill these gaps by focusing specifically on the impact of tax audits conducted by KRA, examining how audit strategies can be optimized to improve compliance and revenue collection in Kenya.

1.1.1 Tax Audits

Tax audit signifies a review of tax returns of an individual or organization by applicable government authorities to establish whether the individual or organization conforms with a country's tax laws (Amah & Nwaiwu, 2018). Enofe, Embele, and Obazee (2019) define tax audit as a systematic review into whether a person being taxed has accurately disclosed their tax liability and adhered to other responsibilities. It is often more thorough and detailed than other types of inspections, such as standard desk checks or document matching processes. The goals of tax audit encompass creating an efficient tax administration to address a constantly changing economy, implementing strategies to address tax disputes between the responsible tax body and citizens, and developing a mechanism of dealing with avoiding taxes, and identifying and bringing defaulting taxpayers into book, and encouraging citizen compliance with tax laws (Amah & Nwaiwu, 2018).

Tax audits can be performed through either of four methods: desk audits, correspondence audits, field audits or back duty audit. Desk audits involve verifying a tax return that has been filed by a taxpayer (Alemu, 2020). In this case, the tax auditor compares the information in that tax return against the knowledge already held regarding that taxpayer (Mashiri, Dzomira & Canicio, 2021). Correspondence audit is conducted through exchange of documentation between taxpayer and the auditor. The tax official writes a letter to the taxpayer requesting for documentary support for the information the taxpayer has put on the tax return, for example, invoices and bank statements to support the declared income. Field audits are more comprehensive audits conducted in taxpayer's business place (Olaoye, Ogunleye & Solanke, 2018). They involve comprehensive examination of business reports of the taxpayer to determine whether the information presented in their tax returns are in agreement with the underlying records. Back duty audit is where if tax authorities have cause to believe that a resident person who is subject to taxes has not filed a complete and accurate income tax return, they may launch an investigation to ascertain their suspicions.

Different studies have examined various types of tax audits and their roles in improving tax compliance. As observed by Inegbedion and Okoye-Uzu (2024), tax audits typically include desk audits, field audits, and back-duty audits. Similarly, Makau, Rono, and Baimwera (2024) emphasize that tax audits are composed of desk audits, field audits, and back-duty audits. Furthermore, Ogutu (2019) expands on this by including correspondence audits as an additional category alongside desk, field, and back-duty audits, highlighting the diverse approaches used in tax audit processes. This study used four types of tax audits, which include desk audit, correspondence audit field audit and also back duty audit.

1.1.1.1 Desk Audit

A desk audit involves the thorough examination of a taxpayer's financial records and submitted returns by a qualified tax auditor (Amah & Nwaiwu, 2018). The primary components of a desk audit include scrutiny of the taxpayer's books and financial records, administrative checks on tax returns, and a request for additional documentation to ensure accuracy (Musa, 2022). During this audit, tax officials do not directly communicate with the taxpayer beforehand. Instead, taxpayers only become aware of the audit when they receive a letter requesting specific records or justifications (Alwi, 2023). The goal is to verify that the taxpayer is accurately reporting income and paying the correct amount of tax, focusing on identified issues, discrepancies, or errors in the submitted returns. A desk audit can also include random selections of tax returns as part of routine compliance efforts, without prior formal communication with the taxpayer (Mirera, 2014).

Desk audits are crucial for maintaining tax compliance and ensuring that taxpayers adhere to the laws and regulations governing tax obligations (Olaoye & Ogundipe, 2018). These audits are important as they allow tax authorities to detect inconsistencies, errors, or intentional discrepancies in tax returns, ensuring that the government collects the correct amount of revenue (Alwi, 2023). The trend toward desk audits has been increasing due to their efficiency in identifying issues without the need for an on-site inspection. This approach is particularly beneficial in managing resources as it allows tax authorities to focus their efforts on specific returns and issues (Musa, 2022). Desk audits contribute significantly to improving the accuracy of tax filings, ensuring compliance, and minimizing tax evasion, ultimately enhancing the overall effectiveness of the tax system.

1.1.1.2 Field Audit

Field audits are comprehensive tax investigations conducted at the taxpayer's business location, home, or accountant's office, where tax officials physically examine the taxpayer's financial records (Rahmayanti, Sutrisno & Prihatiningtia, 2020). This in-depth audit process involves several components: visits to the taxpayer's premises to inspect records and documents firsthand, physical verification of financial documents such as invoices, receipts, and bank statements, and confirmation of the facts and figures presented in the taxpayer's returns (Szarabajko & Wambaugh, 2021). The tax official also conducts registration checks to ensure the business is properly registered and operating in accordance with tax laws. In addition, tax officials may compare the taxpayer's return with similar returns using random statistical methods to identify discrepancies or irregularities that may require further scrutiny (Leandra, 2018).

Field audits are crucial in ensuring full tax compliance, especially for larger or more complex cases where a desk or correspondence audit may not provide sufficient information (Szarabajko & Wambaugh, 2021). They offer the tax authority the ability to verify claims and gather additional evidence directly from the taxpayer's records, providing a clearer picture of the taxpayer's financial situation (Olaoye, Solanke & Ogunleye, 2018). The increasing trend of conducting field audits reflects a growing effort by tax authorities to address tax evasion and underreporting, particularly among high-risk taxpayers. Eiya, Alade and Adu, (2016) indicate that by focusing on in-depth investigations, field audits help improve the accuracy of tax reporting, encourage voluntary compliance, and ensure that businesses contribute their fair share to the economy. As tax systems evolve, field audits are likely to remain a central tool for identifying and rectifying discrepancies in tax filings (D'Agosto, Manzo, Modica & Pisani, 2016).

1.1.1.3 Correspondence Audit

Correspondence audits are conducted primarily through written communication, with tax officials notifying taxpayers via email or letters when discrepancies or anomalies are found in tax returns (Adediran, Alade & Oshode, 2018). These audits focus on less complex issues that typically involve smaller amounts of money. The process includes simple document examination, where the tax officer requests additional documentation or clarification from the taxpayer (Torsvik, Raaum & Øvrum, 2019). There are no formal meetings or telephone calls involved in correspondence audits; communication is usually limited to the exchange of letters. Taxpayers are required to provide evidence confirming the accuracy of their tax returns, including any relevant deductions (Erard, Kirchler & Olsen, 2020). Once the requested evidence is submitted, the tax authority will assess the information and issue a decision, which the taxpayer can challenge if they disagree with the findings.

Correspondence audits play a vital role in ensuring tax compliance, especially for less complex tax matters (Lykke, Nicholl & Plumley, 2019). They are cost-effective for tax authorities as they can handle these audits without the need for face-to-face meetings or extensive investigations. The growing trend of using correspondence audits reflects a shift towards streamlining the audit process, making it more efficient and manageable. Guyton, Manoli and Patel (2019) indicate that by focusing on smaller discrepancies, these audits help maintain tax accuracy and prevent tax evasion while minimizing administrative costs. The relatively straightforward nature of correspondence audits has made them an increasingly popular tool for tax authorities, allowing them to address minor issues promptly and improve the overall efficiency of tax enforcement (Nurebo, Tarakegn & Gutu, 2021).

1.1.1.4 Back Duty Audit

A back duty audit is a specialized tax investigation designed to determine how much tax should have been paid previously but was not, due to the taxpayer failing to fully disclose their income (Akinadewo, 2020). The audit process involves obtaining relevant information from the taxpayer, such as financial records, income details, and any other pertinent documents. One of the key components of a back duty audit is the identification of timelines, as tax officials are typically restricted to examining records from the six years leading up to the audit year (Justine, 2023). To assist with this process, a tax inspector may appoint an accountant to help assess the taxpayer's financial records and develop a capital statement, which outlines the taxpayer's income, deductions, and other financial activities. This helps identify any discrepancies and ensures that the correct amount of tax is assessed (Adediran, Alade & Oshode, 2018).

Back duty audits are vital for ensuring that taxpayers who have underpaid or evaded taxes are held accountable for their financial obligations (Akinadewo, 2020). These audits help uncover discrepancies such as overstated business revenues or unreported sources of income. As tax authorities continue to enhance their efforts to address tax non-compliance, the trend of back duty audits has become more prevalent, especially in cases where a taxpayer's returns do not match their financial reality (Akinadewo, 2020). The importance of back duty audits lies in their ability to uncover tax evasion, and in cases where discrepancies are found, tax authorities can adjust assessments, impose penalties, and apply interest on the unpaid taxes (Enofe & Embele, 2019). With the growing sophistication of tax enforcement measures, back duty audits play a crucial role in improving tax collection efficiency and ensuring fair tax practices across the economy.

1.1.2 Tax Compliance

Tax compliance is the degree to which a taxpayer follows the rules, regulations, and laws set by the tax authority, ensuring that all taxes owed are paid correctly and on time (Fauziati, Minovia & Nasrah, 2020). In addition, Gangl and Torgler (2020) describe tax compliance as the voluntary payment of taxes by taxpayers, which is influenced by factors such as the perceived fairness of the tax system, the risk of being audited, and the taxpayer's moral obligation. Moreover, Pham and Tran (2020) define tax compliance as the extent to which taxpayers voluntarily comply with tax laws and file tax returns that accurately report their income and tax liabilities. Further, Organisation for Economic Co-operation and Development (2021) defines tax compliance as the adherence of taxpayers to tax obligations, both in terms of timely reporting and payment, influenced by the ease of the tax system, transparency, and the taxpayer's understanding of their responsibilities.

Different studies conducted in Kenya have measured tax compliance in different ways. For instance, Mutai and Omwono (2022) looked at tax compliance in terms of filing compliance, payment compliance and voluntary compliance rate. In addition, Mathenge and Abdul (2021) conceptualized tax compliance in terms of tax registration, defined as the proportion of small and medium-sized enterprises (SMEs) registered for tax, and timely payment of tax due, which refers to the tax revenue collected from SMEs within the prescribed deadlines. This study looked at tax compliance in terms of amount of tax paid, tax registration and timely payment of tax.

The problem of tax compliance in Kenya is highlighted by consistent shortfalls in the Kenya Revenue Authority's (KRA) revenue collection targets over the years. For instance, in the fiscal year 2019/2020, KRA missed its target by Ksh 54.63 billion,

and in 2018/2019, it fell short by Ksh 72.7 billion (Kenya Revenue Authority, 2019). In 2020/2021, KRA achieved its target, collecting Ksh 1.669 trillion, surpassing the set target of Ksh 1.652 trillion. However, in 2021/2022, KRA's collections fell short again by approximately Ksh 70 billion (Kenya Revenue Authority, 2022). In the fiscal year 2022/2023, KRA's performance improved slightly, with collections of Ksh 1.78 trillion, though it still missed its target by Ksh 100 billion (Kenya Revenue Authority, 2023). Furthermore, non-compliance cases, such as excise tax losses and under-reporting of rental income, continue to worsen the issue, with KRA losing Ksh 53 billion in excise tax non-compliance in 2019 (Kenya Revenue Authority, 2019). The effectiveness of tax audits, once seen as a key tool to bridge the tax gap, is now under scrutiny, underscoring the need to better understand how audits impact revenue collection in Kenya.

1.1.3 Kenya Revenue Authority

The Kenya Revenue Authority (KRA) was established in 1995 through the enactment of the KRA Act by Parliament. Its primary mandate includes collecting, assessing, and accounting for revenue in accordance with taxation laws in Kenya (Kenya Revenue Authority, 2022). The KRA also provides advisory services to the government on revenue administration and compliance and undertakes other duties as directed by the Cabinet Secretary responsible for finance. To improve service delivery and promote compliance, the Authority developed an online portal enabling taxpayers to file returns, check penalties, and apply for tax compliance certificates. This technological innovation simplifies processes, reducing administrative barriers for taxpayers (Mathenge & Abdul, 2021).

Kenya's tax revenue comprises direct and indirect taxes. Direct taxes, such as income

tax, corporate tax, and property tax, are paid directly by individuals or businesses to the government, governed by the Income Tax Act. Indirect taxes, including Goods and Services Tax (GST) and excise duties, are levied on goods and services, ultimately shifting the burden to consumers. These taxes are collected by intermediaries and subsequently remitted to KRA (Leandra, 2018). Regulatory frameworks ensure proper administration of these taxes, requiring intermediaries to adhere to guidelines on collection and timely remittance.

KRA's framework for tax compliance enforcement incorporates audits, penalties, and technological advancements to ensure efficiency. The online portal supports adherence to tax laws by providing taxpayers with tools for timely filing and resolving non-compliance issues. Moreover, dispute resolution mechanisms allow for fair hearings and appeals, promoting transparency. Such regulatory and technological measures underscore the Authority's efforts to strengthen tax administration and sustain revenue collection for national development (Owino, 2019; Kenya Revenue Authority, 2022).

1.2 Statement of the Problem

Tax compliance has in last three decades been a great challenge in both low-income and developed nations. In United States, voluntary compliance rate dropped from 81.7% in 2020 to 83.1% in 2019. In Nigeria, only 9 percent of Nigerian firms pay corporate tax, whilst only 12 percent of businesses registered adhere to VAT obligations (Mansor & Gurama, 2016). Less than 33% of companies in Kenya, Uganda, and Tanzania are considered to be tax compliant (Lakuma, 2019). This implies that 67% of business organizations in East Africa countries are non-compliant. In Rwanda, Mascagni and Nell (2018) observed that 38% of the taxpayers in Rwanda

were non-complaint.

In the financial year 2020/2021, Kenya Revenue Authority (KRA) collected Kshs. 1.669 trillion, surpassing its target of Kshs. 1.652 trillion. However, during the fiscal year 2021/2022, KRA's collections fell short by approximately Kshs. 70 billion (Kenya Revenue Authority, 2022). In the subsequent fiscal year 2022/2023, KRA recorded an improved performance with collections amounting to Kshs. 1.78 trillion, though it still missed the set target by Kshs. 100 billion (Kenya Revenue Authority, 2023). Previously, in the fiscal year 2019/2020, KRA gathered Kshs. 1.606 trillion, failing to meet the Treasury-set target by Kshs. 54.63 billion. Similarly, in 2018/2019, it collected Kshs. 1.44 trillion, which was Kshs. 72.7 billion below target. During the fiscal year 2017/2018, the authority collected Kshs. 1.022 trillion, falling short of the Treasury target of Kshs. 1.0658 trillion (Kenya Revenue Authority, 2019). Additionally, KRA has faced challenges related to non-compliance. For example, the tax authority lost Kshs. 53 billion in excise tax non-compliance cases in the 2019 fiscal year (Owino, 2019), and research shows that 60.8% of rental income earners were involved in underreporting their incomes (Waithira, 2016). Furthermore, low tax registration and untimely payment of taxes continue to present challenges, reducing the effectiveness of the tax system in Kenya. Although tax audits were once considered an effective tool to combat tax gaps, their efficacy has been questioned in recent years (Wameyo, 2019). Understanding how tax audits influence revenue collection is crucial for addressing these persistent challenges.

Numerous researches have been done in Kenya in respect to tax audits in Kenya. For example, Nyakamba (2014) assessed how tax audit influences revenue collection; and Kipkoech and Joel (2016) assessed tax audits and tax compliance in Companies within

Eldoret Municipality. However, Nyakamba (2014) study focused on Nairobi West region while Kipkoech and Joel (2016) study was limited to Eldoret Municipality, but this research took place in headquarters of KRA and data was collected from staff working in KRA. In addition, the studies by Nyakamba (2014) and Kipkoech and Joel (2016) used a descriptive research design. Also, the study by Nyakamba (2014) conceptualized tax audits in terms of random tax audit, cut-off tax audit and conditional tax audit while Kipkoech and Joel (2016) looked at tax audits in terms of frequency of audits and quality of audits. As such, the study sought to examine tax audits in terms of desk audit, field audit, correspondence audit and back duty audit on tax compliance in Kenya Revenue Authority.

1.3 Objectives of the Study

This section presents primary aim of the study including general objective and specific objectives.

1.3.1 General Objective

The primary objective of this research was to examine effect of tax audits on tax compliance in Kenya Revenue Authority

1.3.2 Specific Objectives

Specific objectives of this research included:

- a) To examine the effect of desk audit on tax compliance in Kenya Revenue Authority
- b) To assess the effect of field audit on tax compliance in Kenya Revenue Authority
- c) To establish the effect of correspondence audit on tax compliance in Kenya

Revenue Authority

- d) To determine the effect of back duty audit on tax compliance in Kenya

Revenue Authority

1.4 Research Hypothesis

The research used the following research hypothesis;

H₀1: Desk audit has no significant effect on tax compliance in Kenya Revenue Authority

H₀2: Field audit has no significant effect on tax compliance in Kenya Revenue Authority

H₀3: Correspondence audit has no significant effect on tax compliance in Kenya Revenue Authority

H₀4: Back duty audit has no significant effect on tax compliance in Kenya Revenue Authority

1.5 Significance of the Study

This study is particularly useful to the KRA management, Kenyan government, academicians and researchers in general. To management of KRA, this study is of benefit as it outlines how tax audits influence tax compliance. The management of KRA can use the study findings to develop strategies based on tax audit to increase level of tax compliance.

To pay for its development expenditures, the Kenyan government mainly relies on taxes. The economy of Kenya as a whole is directly impacted by changes in tax income. To this end, the results are essential to national government as well as policy

makers as it provides information on how tax audits influence tax compliance. This information may encourage the government to employ proper strategies to enable the KRA officials to conduct tax audits, hence increasing the amount of revenue collected. Moreover, findings of the research may be utilized to develop and revise policies regarding desk audit, back duty audit, field audit and correspondence audit in order to increase tax compliance.

This research provides proper basis for further researches that can be done on tax audits and tax compliance. To academicians and other researchers, this research provides essential insights that may be deployed in recognizing various research gaps and as research material in studies associated with tax audits.

1.6 Scope of Study

The researcher focused on four elements of tax audits; desk audit, correspondence audit field audit and also back duty audit. According to Inegbedion and Okoye-Uzu (2024) and Makau, Rono, and Baimwera (2024) and Ogutu (2019) observed that tax audits include desk audit, correspondence audit field audit and also back duty audit. Moreover, this study was conducted in KRA Headquarters in Nairobi County. Nairobi County was used in this study because it contributes the largest portion of tax revenue as compared to other Counties in Kenya. Target population was 278 staff in finance, ICT, customer service, human resource, audit and customs department in KRA. Semi-structured questionnaires were utilized gather data. The research covered 5 years; 2017 to 2021. The selection of this period aligns with the introduction of digital tax initiatives by the Kenya Revenue Authority (KRA), such as the iTax platform, which was rolled out to improve the efficiency of tax filing and payment. Furthermore, 2020 marked a year of significant challenges due to the COVID-19 pandemic, which

prompted both tax policy adjustments and shifts in taxpayer behavior, providing a unique context for this research.

1.7 Limitations of the Study

This research was subject numerous limitations that need to be resolved. First, collection of data was conducted in Kenya Revenue Authority thus, not all participants may be committed to responding to questions since they may withhold essential information or feel as if they are being investigated. However, respondents got assurance from researcher on the confidentiality of their information. Also, in order to maintain privacy, study subjects were not necessitated to provide personal details on questionnaires. Further, the researcher presented introductory letter and permit from NACOSTI to indicate that this research was used for learning only in order to increase the response rate.

1.8 Organizational of the Study

The first chapter commenced with the study background, followed by the problem statement, research objectives aligned with independent variables, research questions, justification, limitations, scope, and the organization of the research. The second chapter comprised an empirical literature review, various frameworks illustrating the hypothesized relationships between the study's variables of interest. The subsequent chapter detailed the methodologies employed for data collection and analysis. This section included discussions on study design, study population, sampling technique and size, data collection instruments, pretesting procedures, and the data collection process. Chapter four covers data analysis, presentation of the findings and discussions. Chapter five provides a comprehensive overview of the study's key findings, conclusions, and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The section provides literature review on tax audits and tax compliance. Specifically, the chapter incorporated conceptual framework, theoretical review, a review of literature, and summary of the literature.

2.2 Theoretical Framework

Economic deterrence theory, cognitive dissonance theory and social norms theory were used to explore and elaborate independent variables and theory of planned behavior was utilized to explain the dependent variable.

2.2.1 Economic Deterrence theory

The Economic Deterrence Theory was proposed by Gary Becker in 1968 and is rooted in criminology. Becker argued that individuals' decisions to commit crimes, including tax evasion, are influenced by a rational calculation of the potential benefits and risks involved in their actions. According to Becker, a person is less likely to engage in criminal activity if the perceived cost of being caught outweighs the potential benefits of the crime. The theory emphasizes that the probability of detection, the severity of penalties, and the expected gains from non-compliance are the key factors that determine whether individuals choose to follow or violate legal and tax obligations (Becker, 1968).

The Economic Deterrence Theory is based on the assumption that individuals act rationally, weighing the costs and benefits of their actions before deciding to break the law. Specifically, when it comes to tax compliance, the theory posits that taxpayers

will avoid evading taxes if they believe that the likelihood of being caught and the severity of the penalties are high. Conversely, when the probability of detection and the penalties for tax evasion are perceived to be low, individuals are more likely to evade taxes because the perceived benefits from doing so outweigh the costs. Thus, deterrence strategies that increase the likelihood of detection and enhance penalties are expected to reduce tax evasion and increase compliance (Becker, 1968; Mbago, Ntayi & Muhwezi, 2016).

Economic Deterrence Theory has been widely applied in recent studies related to tax compliance and enforcement. For instance, Mbago, Ntayi, and Muhwezi (2016) explored the relationship between tax compliance and deterrence measures in Uganda, emphasizing how increasing the perceived probability of being caught and imposing heavier penalties can lead to higher tax compliance rates. Similarly, recent research by Mutai and Omwono (2022) investigated how the deterrent effect of tax audits, penalties, and fines influence tax compliance in Kenya, finding that taxpayers' behavior is heavily influenced by the perceived likelihood of detection and the severity of sanctions. These studies confirm that the more rigorous the tax enforcement mechanisms, the more likely taxpayers are to comply with tax regulations due to the threat of penalties and the high probability of detection.

Economic Deterrence Theory provides a robust framework for understanding how tax audits influence compliance in Kenya, particularly within the context of the Kenya Revenue Authority (KRA). Taxpayers are likely to make rational decisions about tax compliance based on their perceptions of the likelihood of being detected by tax authorities and the severity of penalties they may face. Desk audits, field audits, correspondence audits, and back-duty audits all increase the probability of detection

by scrutinizing taxpayers' financial records. If taxpayers believe that these audits enhance the chances of being caught for non-compliance, they are more likely to comply with tax regulations. Furthermore, the imposition of penalties and fines in response to non-compliance strengthens the deterrence effect, as individuals are less likely to evade taxes when the expected costs of doing so are high. Therefore, the use of tax audits by KRA aligns with Economic Deterrence Theory by raising the perceived risks of evasion and promoting compliance among taxpayers (Mbago, Ntayi & Muhwezi, 2016).

2.2.2 Cognitive Dissonance Theory

Cognitive Dissonance Theory was proposed by psychologist Leon Festinger in 1957 (Festinger, 1957). Festinger's theory focuses on the discomfort individuals experience when they hold two or more conflicting cognitions, such as beliefs, attitudes, or behaviors. This psychological discomfort, or dissonance, motivates individuals to reduce the inconsistency, often by changing their beliefs, acquiring new information to justify their actions, or minimizing the importance of the conflict (Qin, 2023). The theory has been influential in understanding how individuals resolve inner conflicts and is widely used to study behaviors across different contexts, from consumer choices to social behavior and even organizational compliance (Chatterjee, Chaudhuri & Gupta, 2023).

Cognitive Dissonance Theory is based on several key assumptions. First, it assumes that people strive for internal consistency in their thoughts, beliefs, and behaviors. When inconsistencies (dissonance) arise, it creates psychological discomfort that individuals are motivated to reduce (Qin, 2023). Secondly, the theory assumes that individuals are highly sensitive to situations that conflict with their preexisting

attitudes or beliefs and that such situations can prompt changes in those attitudes or behaviors. Thirdly, dissonance is often more intense when the issue is significant to the individual, making the motivation to reduce dissonance stronger (Yahya & Sukmayadi, 2020). Also, individuals may adopt different strategies to reduce dissonance, such as changing one of the conflicting attitudes, acquiring new consonant information, or trivializing the importance of the conflict.

Cognitive Dissonance Theory has been applied in various fields, including organizational behavior, consumer research, and tax compliance. For example, research by Zhang, Li and Zheng (2021) explored how cognitive dissonance influences tax compliance behavior, particularly in situations where taxpayers face conflicting beliefs about the fairness of the tax system. Similarly, studies by Chan et al. (2022) applied the theory to understand how tax audits and penalties create dissonance for taxpayers, leading them to either justify their actions or alter their behaviors to align with tax regulations. In the context of Kenyan tax compliance, researchers such as Kamau (2022) examined how Kenyan taxpayers adjust their attitudes toward compliance after being subjected to audits, particularly field audits, and desk audits, recognizing the discomfort caused by the perceived inconsistency between their past non-compliance and the new pressure to comply.

Cognitive dissonance was used to explain the effect of tax audits on tax compliance in Kenya Revenue Authority. Cognitive Dissonance Theory can provide valuable insight into how tax audits, such as desk audits, correspondence audits, field audits, and back duty audits, influence tax compliance within the Kenya Revenue Authority (KRA). For instance, when a taxpayer is selected for a tax audit, the experience may create dissonance, especially if they have been evading taxes or underreporting

income. This dissonance arises because their behavior (non-compliance) conflicts with the normative expectation of complying with tax laws. To reduce this discomfort, individuals may change their behavior by paying the taxes owed or adopting more transparent financial reporting practices. Conversely, taxpayers may justify their non-compliance by perceiving the audit as unfair or by downplaying its significance, which might not result in an improvement in tax compliance (Chatterjee, Chaudhuri & Gupta, 2023). Field audits, which are often perceived as more invasive and thorough, could increase the dissonance for non-compliant taxpayers, thus fostering greater compliance, as they are faced with direct confrontation over discrepancies in their tax filings. Similarly, back duty audits, which assess past tax liabilities, may prompt taxpayers to reconcile past behaviors with the current legal expectations, further contributing to changes in their compliance attitudes and behaviors.

2.2.3 Social Norms Theory

Social norms theory, particularly in the context of human behavior and influence, was prominently articulated by Robert Cialdini in 2003 (Cialdini, 2003). Cialdini, a leading psychologist, expanded upon earlier work regarding social norms—implicit rules that govern behavior within a society or group (Smith, Li & Wills, 2020). In his work, he emphasized the power of social norms in shaping individuals' decisions and actions, particularly how people conform to perceived norms because they want to be accepted within a group or society. The theory identified that norms could be either descriptive (what most people do) or injunctive (what people should do) (Zhang, Li & Zheng, 2021). This theory has been applied widely in fields like marketing, health behavior, environmental conservation, and law, demonstrating how people are influenced by the behaviors of others.

The core assumption of Social Norms Theory is that individuals are deeply influenced by the behavior and expectations of others. The theory indicates that individuals tend to conform to social norms because they desire to be accepted and avoid social exclusion. The theory assumes that people often engage in behaviors that are seen as acceptable or typical within their social group, whether or not these actions align with their personal preferences or rational analysis (Smith et al., 2020). Further, the theory assumes that norms can be powerful motivators of behavior even when individuals are unaware of their influence. Cialdini argued that behavior can be shaped by both descriptive norms (the perceptions of what others are doing) and injunctive norms (the perceptions of what others approve or disapprove of). These norms are particularly impactful when individuals believe that their behavior will be observed by others, which increases the motivation to conform to the norm (Cialdini, 2003).

Recent studies have applied Social Norms Theory in various contexts, especially to understand behavior in compliance and social influence. For example, a study by Zhang et al. (2021) investigated how social norms influence tax compliance, showing that individuals are more likely to comply with tax regulations if they believe others around them are doing the same. Similarly, researchers such as Smith et al. (2020) have found that highlighting positive tax compliance behaviors of peers can significantly encourage non-compliant taxpayers to meet their obligations. Additionally, Cialdini's theory has been applied in studies regarding environmental behaviors, like energy conservation (Schultz et al., 2007), where the mere presentation of descriptive norms regarding energy use reduced consumption. In the Kenyan context, studies such as Kamau (2022) and Ndungu & Langa (2020) have applied Social Norms Theory to examine how individuals' perceptions of compliance in their social circles influence their tax behavior, particularly after the implementation of new

tax measures or the introduction of audits.

Social Norms Theory was used in this study to explain the effect of tax audits on tax compliance in Kenya Revenue Authority. It offers valuable insights into how tax audits, including desk audits, correspondence audits, field audits, and back duty audits, impact tax compliance in the Kenya Revenue Authority (KRA). These audits may serve to reinforce social norms of tax compliance in several ways (Kamau, 2022). First, when taxpayers see that tax audits are being conducted regularly, they may infer that paying taxes is the accepted and expected behavior, thus aligning their actions with the descriptive norm of compliance. In particular, if taxpayers perceive that their peers or competitors are being audited and penalized for non-compliance, they may be more likely to conform to the norms of compliance out of a desire to avoid the same consequences. Additionally, KRA's communication strategies, such as publicizing audits and penalties, can highlight injunctive norms by suggesting that tax compliance is not only expected but also morally right. As such, these audits do not merely serve as enforcement mechanisms but also act as signals of the prevailing social norms, reinforcing the idea that "everyone is doing it," thereby fostering greater tax compliance among the broader taxpayer population (Ndungu & Langa, 2020).

2.2.4 Theory of Planned Behavior

Icek Ajzen first proposed the Theory of Planned Behavior (TPB) in 1980 to understand and predict human behavior, particularly focusing on actions that individuals can control (Ajzen, 1985). TPB was developed to provide a more comprehensive framework than previous models, like the Theory of Reasoned Action, by including an element of perceived control over actions. According to TPB, the intention to perform a behavior is the most immediate predictor of the behavior itself (Sarikhani & Ebrahimi,

2022). The theory is particularly useful for understanding behaviors that are under the individual's control but may still be influenced by external factors. Ajzen's work laid the foundation for examining how attitudes, subjective norms, and perceived behavioral control jointly influence people's behavioral intentions (Ajzen, 1985). This framework has since been applied to various fields, such as health, consumer behavior, and, notably, tax compliance.

The Theory of Planned Behavior is built on several core assumptions about human behavior. Central to the theory is that human actions are primarily driven by intention, which, in turn, is influenced by three factors: attitudes, subjective norms, and perceived behavioral control. Attitudes refer to an individual's evaluation of a particular behavior, whether they see it as positive or negative (Chan, Chong, & Ng, 2022). Subjective norms represent the perceived social pressure to perform or avoid a behavior, reflecting what others think or expect. Perceived behavioral control refers to the belief in one's ability to perform a specific action, factoring in both internal and external constraints. These constructs are linked, with attitudes influencing intentions, which directly affect behavior (Sarikhani & Ebrahimi, 2022). TPB assumes that when individuals believe they have control over their actions and perceive a positive outcome, they are more likely to perform a given behavior. This conceptualization of human behavior provides a structured way to predict and understand intentions and actions (Ajzen, 1991).

Recent studies have widely applied the Theory of Planned Behavior to explore diverse issues, including health behaviors, environmental practices, and tax compliance. For example, Chan, Chong, and Ng (2022) applied TPB to assess consumers' intentions to engage in environmentally sustainable behaviors, finding that attitudes toward the environment significantly predicted pro-environmental actions. Similarly, TPB has

been used to analyze tax compliance behavior. Studies have found that taxpayers' intentions to comply are significantly influenced by their attitudes toward taxes, subjective norms regarding tax payment, and their perceived ability to comply given the resources and support available. In Kenya, the TPB framework has been applied to examine the factors that influence tax compliance behavior, such as taxpayers' perceptions of the fairness of the tax system and their ability to comply without significant obstacles (Sarikhani & Ebrahimi, 2022). The theory's emphasis on perceived control over behavior makes it a valuable tool in understanding how tax audits and enforcement can impact individuals' decisions to comply with tax regulations.

This theory was applied in Kenya to assess tax compliance behaviors, highlighting that individuals may engage in tax non-compliance if they believe they won't be caught. The Theory of Planned Behavior (TPB) suggests that taxpayers may still remit taxes, even with minimal perceived benefits, as long as they have a favorable attitude toward the behavior. If taxpayers' attitudes can be positively influenced, it enhances their intention to comply with tax obligations (Chan, Chong, & Ng, 2022). TPB emphasizes that improving attitudes toward tax compliance, addressing subjective norms, and increasing perceived control over the process are critical for encouraging voluntary tax remittance. This framework suggests that compliance can be achieved even in situations where the personal benefit seems limited.

2.3 Empirical Review

This section presents a literature review on tax audits and tax compliance.

2.3.1 Desk Audit and Tax compliance

In a different study, Amah and Nwaiwu (2018) examined how desk audit influences

tax revenue generation in Nigeria. Secondary and primary data was adopted. Positive relation between desk audit and personal income tax was found. In addition, desk tax audit ensures submission of present returns. Nonetheless, this study was conducted in Nigeria, limiting its findings to the Nigerian tax system, whereas the current study focuses on desk audits within Kenya's distinct tax framework, providing insights specific to the Kenya Revenue Authority's operations and regulatory environment. In addition, the study was limited to personal income tax, neglecting other important tax categories while the current study expands this by examining the impact of desk audits on additional tax categories, including corporate tax and VAT, thereby offering a comprehensive understanding of desk audits' effectiveness in enhancing overall tax compliance in Kenya.

In Nigeria, Olaoyea and Ogundipe (2018) examined tax audit application and regulation of tax evasion. Moreover, data was sourced from administration of questionnaire. The researcher found that desk audit is instrumental in tax evasion reduction. However, the study was conducted in Nigeria and focused on the role of desk audits in reducing tax evasion, therefore the findings cannot be generalized to Kenya due to differences in tax policies and regulations. In addition, the study examined tax evasion as a dependent variable, whereas the current study shifts the focus to tax compliance, providing a more direct measure of desk audits' effectiveness in improving overall tax adherence within Kenya's unique tax system.

In a descriptive research in Rwanda, Karemera (2017) studied how desk tax audit influences taxpayer's compliance. The population under this research consisted of tax auditors totaling to 113. 88 respondents were included in the study's sample. Desk tax audit influenced tax compliance was measured in terms of accurate tax returns,

taxpayer behavior as well as taxpayer book keeping and reporting. The study focused on how desk audits influenced taxpayer compliance in Rwanda, while the current study examines their impact on tax compliance in Kenya, making the findings not directly applicable due to differences in tax policies and regulations between the two countries. The study also employed an explanatory research method, tailoring the analysis to Kenya's unique tax system and context.

A study by Alemu (2020) examined how desk audit, penalties and fines, and tax knowledge and education influence tax compliance. Population of interest in this research comprised of 50 Hawassa City audit officers. Given that total staff number was small, the researcher employed a census approach. Relevant data of interest was collected by employing structured questionnaire. The study disclosed that desk audit, and knowledge and education on tax influences tax compliance level positively. Similarly, fines influences tax compliance level positively. However, the researcher failed to examine influence of field audit, correspondence audit and back duty audit which was addressed in this study. The study found that desk audits, tax knowledge, and fines positively impacted compliance and further explored the effects of other audit types, including field audits, correspondence audits, and back-duty audits. In contrast, the current study incorporates these audit types, offering a more comprehensive understanding of their combined impact on tax compliance within Kenya's tax system.

A study by Mirera (2014) assessed how tax audit influences tax compliance. Moreover, data used was from KRA reports. The researcher identified a significant correlation between the amount of tax collected before and after a desk audit, indicating that desk audits improve tax compliance. In essence, this indicates that the

amount of income collected increases with the number of desk audits undertaken. The study used a descriptive research method to identify the significant correlation between tax collected before and after desk audits. In contrast, the current study employs an explanatory research method to analyze the causal relationships between desk audits and tax compliance.

2.3.2 Field Audit and Tax Compliance

Leandra (2018) conducted a systematic literature review to investigate whether field audits affect the reduction of tax compliance in the United States. The research found that if well executed enforcement tools, including field audits, are deterrents to tax evasion. In addition, the study was performed in United States and used reduction of voluntary tax compliance as a dependent variable, which is different from tax compliance. The study used the reduction of voluntary tax compliance as the dependent variable and was specific to the United States, making its findings less applicable to the current study, which focuses on the broader concept of tax compliance and examines the impact of field audits within Kenya's tax system.

Using a descriptive research design, D'Agosto, Manzo, Modica and Pisani (2016) assessed how field audits influences tax declaration in small businesses operating in Italy. The study used self-employed individuals from 2006-2011 and small firms as study's sample. The study discovered that field audits had significant but weak effect influence tax compliance. However, this research was performed in Italy, a developed country, and hence distinct from Kenya, which is a developing country. In addition, study's dependent variable was tax declaration, which differs from tax revenue. The study was conducted in Italy, a developed country, making its findings less applicable to Kenya, a developing country with distinct economic conditions and tax systems. In

contrast, the current study focuses on the broader concept of tax compliance and examines the impact of field audits on tax revenue within Kenya's tax system.

Using a descriptive research design, Olaoye, Solanke and Ogunleye (2018) evaluated how field audit influences tax collection efficiency in Nigeria. 350 randomly chosen employees were given questionnaires to complete for the study's primary data, which were then combined with secondary data. The study disclosed that Field tax audit positively impacts tax productivity. This shows that using field audits more often, which only include limited desk audits via the inspection of accounts and returns, will have a considerable positive impact on VAT in Lagos State. Nonetheless, the study utilized descriptive research method which differs from an explanatory research method. Also, dependent variable was tax productivity, which differs from tax compliance. The study focused on tax productivity, whereas the current study focuses on tax compliance, providing deeper insights into how field audits influence overall tax compliance within Kenya's tax system. Further, the study used a descriptive research method, while the current study employs an explanatory research method to analyze causal relationships.

In Nigeria, Eiya, Adu and Alade, (2016) assessed how field Audit influence tax compliance. The population was hundred persons. Data was gathered via semi-structured questionnaire distributed randomly. Weak and positive significant relation between study variables was found. Besides being limited to Nigeria, this research used tax compliance as a dependent variable, which is different from tax compliance. The study was limited to Nigeria, a country with a different tax system, making the findings less applicable to Kenya. In addition, the study used tax compliance as the dependent variable, but did not explore the unique context of Kenya's tax system. In

contrast, the current study will focus on Kenya, examining how field audits influence tax compliance within Kenya's unique tax framework.

In Rwanda, Mudakemwa, Maringa and Uzikwambara (2022) assessed financial statement audit and tax compliance growth. In particular the researcher examined whether field audit, desk audit, and compliance test audit influences tax compliance growth in RRA. Moreover, the researcher adopted descriptive research method. Moreover, a questionnaire was used to collect primary data. The findings indicated strong positive relation between desk audit, field audit, compliance test audit and performance of tax revenue collected. Nonetheless, the study was performed in Rwanda a nation with diverse tax policies from those of Kenya. In addition, since the study was limited to Rwanda, its findings may not be applicable to the current study due to distinct tax policies and regulations. The current study focuses on Kenya's unique tax environment, providing insights that are more relevant to Kenya's tax policies and regulatory framework.

2.3.3 Correspondence Audit and Tax compliance

A study by Howard, Lykke, Nicholl and Plumley (2019) sought to assess correspondence audit and taxpayers. The study disclosed that correspondence audits influences taxpayers positively. Nonetheless, the study envisaged tax payers as the dependent variable which differs from tax collection. Moreover, the study took place in developed county hence findings are not generalizable to a developing nation like Kenya because of the disparity in level of technology advancement between two countries. The study was conducted in a developed country, making its findings less generalizable to Kenya, a developing nation with distinct technological and infrastructural differences. The current study examines how correspondence audits

specifically influence tax compliance and tax collection within Kenya's unique tax system.

In a systematic literature review, Torsvik, Raaum, and Øvrum (2019) examined the influence of correspondence audits on taxpayer compliance. Their findings suggested that expanding correspondence audits among wage earners in Norway could result in increased public revenues, surpassing the additional costs incurred. In the context of office-based correspondence audits, many Norwegian taxpayers who did not receive adjustments were unaware that they had been audited. However, it's important to note that this study relied solely on a systematic review of existing literature, without collecting primary data to corroborate the findings of other authors. In addition, the study focused on taxpayer compliance as the dependent variable, which differs from broader tax compliance, the focus of the current study. Further, the study findings were specific to Norway, a country with different tax policies and economic conditions than Kenya. On the other hand, the current study addresses these gaps by collecting primary data in Kenya, specifically examining how correspondence audits influence overall tax compliance.

Using quantitative research approach, Nurebo, Tarakegn and Gutu (2021) investigated how correspondence audit influences taxpayers' compliance in Ethiopia. Primary data was obtained through questionnaire. The research revealed that correspondence audit influences compliance of taxpayers significantly and positively. However, the study focused on taxpayers' compliance as the dependent variable, which differs from tax compliance used in the current study. Moreover, the study was conducted within the Ethiopian Ministry of Revenue, which has different tax policies and practices compared to Kenya. The current study focuses on how correspondence audits

specifically influence tax compliance within Kenya's unique tax system.

In Uganda, Nangalama (2011) examined tax education, correspondence audit and tax compliance of rental income. This research was conducted using cross-sectional research framework; targeting 129 stakeholders or individuals. The research disclosed a notable effect between tax education and correspondence audits. However, the researcher discovered that more effort is still needed to enhance tax education and awareness methodologies because the performance of two variables was poor. Nonetheless, the study was conducted in Uganda, a country with different tax policies, economic conditions, and development levels compared to Kenya. The current study addresses these gaps by examining how correspondence audits impact tax compliance within Kenya's tax system focusing on Kenya's distinct tax policies and economic context.

In Ondo State, Nigeria, Oladele et al. (2019) assessed the effectiveness of tax execution as a potential solution for improving tax compliance. 150 employees of the State Board were chosen as respondents to a structured questionnaire administered as part of a survey research methodology. The sampled respondents were determined using Taro Yamane formula and judgment sampling method. The study discovered significant positive relation between correspondence audit and tax penalty and tax compliance. Nonetheless, the study used survey research method whereas the current study adopts an explanatory research method to analyze causal relationships. In addition, the study was conducted in Nigeria, where tax policies and regulations differ from those in Kenya, making the findings less applicable to the Kenyan context. The current study fills this gap by specifically examining the impact of correspondence audits on tax compliance within Kenya's unique tax system, providing information

that is more relevant and applicable to the Kenyan context.

2.3.4 Back Duty Audit and Tax Compliance

In Nigeria, Adediran, Alade, and Oshode (2018) investigated the impact of back duty audits and investigations on revenue generation. Data was collected from four hundred and ten respondents. The results indicated that back duty audit maximizes revenue collection which will benefit the citizens. However, this study was confined to Nigeria, which has different tax policies and structures from Kenya. The current study fills this gap by examining how back duty audits specifically impact tax compliance within Kenya's tax system, providing more information that is more applicable to Kenya's unique tax policies and regulatory framework.

Enofe and Embele (2019) conducted a research in order to ascertain tax audit and inquiry and tax evasion. Survey study method was used, and responses were gathered from staff members of revenue-generating organizations in Nigerian state of Bayelsa. Results showed that tax audits, particularly those that take the form of back-duty audits, had a considerable negative impact on tax evasion. Also, it was discovered tax evasion is significantly and adversely impacted by explanatory capacity of tax investigations. However, this study was performed in Nigeria, a nation with diverse legal framework and economic level of development from that of Kenya. Moreover, the study used tax evasion as dependent variable which differs from tax compliance used in the current study. The current study fills this gap by specifically examining how back-duty audits influence tax compliance within Kenya's tax system, providing more contextually relevant insights for Kenya's regulatory and economic environment.

Mulugeta (2019) conducted a study to explore the connection between tax audits, tax compliance, and income at the ERCA East Addis Ababa. The research specifically

examined the effects of various types of audits—comprehensive, back duty, issue, and de-registration—on tax compliance and revenue at the ERCA East Addis Ababa Branch. Data was gathered using a closed-ended questionnaire. The findings indicated that tax audits had a positive and significant impact on both tax compliance and income at ERCA East Addis Ababa, with field audits being the most influential predictor among the factors studied. However, the study specifically focused on the ERCA context, which has different tax policies and structures compared to Kenya. In addition, the study primarily focused on income as a factor, whereas the current study concentrates specifically on tax compliance, offering a more focused examination of how back-duty audits influence tax compliance within Kenya’s distinct tax system and regulatory environment.

In Nigeria, Macgregor and Nwaiwu (2018) assessed tax audits’ webometric indicators and tax revenue generation. Federal Inland Revenue Services provided primary and time series data. Moreover, the study used primary data obtained by employing questionnaire. Moreover, acquired data were examined using OLS linear regression analysis. Tax audit significantly increases the amount of tax income generated according to the report. Back duty tax audits were discovered to have great impact on individual and corporate income taxes. However, the research took place in Nigeria, a country with different tax policies, economic conditions, and legal frameworks compared to Kenya. In addition, the study focused on tax revenue generation, while the current study specifically examines the effect of back-duty audits on tax compliance within Kenya’s unique tax system.

Jemaiyo and Mutai (2016) analyzed how back duty audit influences tax compliance level in Eldoret real estate. Study's ex-post facto research method had 605 people as its

target population, a sample of 68 respondents, including tax audit and compliance officials and real estate developers, was selected from the target group. Chi-square was used to examine the data after it had been gathered using a structured questionnaire. This study discovered that level of tax compliance was impacted significantly by back duty audit. Nevertheless, this study failed to examine correspondence audit, field audit and desk audit whereas the current study explores the collective impact of back duty audits along with other audit types on tax compliance within Kenya's tax system hence the findings are not generalizable to this study.

In Nigeria, Olaoye, Ogunleye and Solanke (2018) examined the role of back duty audit in tax evasion control. Data was obtained through questionnaires. The results indicated that back duty audit and investigations had tendency to reduce tax fraud significantly. These findings imply that change in back duty audit would result to an improvement in the control of tax evasion. Moreover, the study was limited to Nigeria, a country with different tax policies and regulations compared to Kenya. The current study expands on their work by examining the effect of back duty audits on tax compliance within the Kenyan context, providing information relevant to Kenya's unique tax system.

In Rwanda, using descriptive research design, Mudakemwa, Maringa and Uzikwambara (2022) examined effect of back duty audit as one of the components of financial statement audit in growth of tax revenue collection. Correlation coefficient showed strong positive association between back duty audit and tax revenue collected. However, the focus of the researcher was on Rwanda and thus results are not generalizable to this study due to disparity in macroeconomic environment, tax policies and tax structures. The current study will investigate the impact of back duty audits on tax compliance within Kenya's distinct tax system, offering more contextually relevant

insights.

2.4 Literature review Summary and Research Gaps

Several studies have been performed on tax audits and tax compliance. Nonetheless, these researches were conducted in distinct institutions, sectors and countries and using diverse research designs and study populations. Therefore, findings cannot be used in this research.

Table 2. 1: Summary of Literature review and Research Gaps

Writer	Study	Results	Research gaps	Focus of the Study
Desk Audit and Tax compliance				
D'Agosto, Manzo, Modica and Pisani (2016)	Field audits and tax declaration in small organizations in Italy	Field audits had significant but weak influence on tax compliance	This study was performed in Italy, a developed nation, and hence different from Kenya, which is a developing country. Further, dependent variable was tax declaration, which differs from tax compliance	This study took place in Kenya and dependent variable was tax compliance

Karemera (2017)	Desk tax audit and tax compliance in Rwanda	Desk tax audit influenced tax compliance measured in terms of accurate tax returns, taxpayer behavior as well as taxpayer book keeping and reporting significantly	Besides being limited to Rwanda, the researcher used taxpayers' compliance as dependent variable. Also, researcher adopted descriptive research method, but this study will utilize an explanatory research method. The study looked at desk tax audit in terms of outcomes, and predictions and hence did not look at scrutiny of taxpayers' books and financial records, administrative checks on returns,	This study assessed desk audit in regards to the scrutiny of taxpayers' books and financial records, administrative checks on returns, official communication with taxpayer and request for more documents
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Amah and Nwaiwu (2018)	Effect of desk audit on Nigerian Down South tax revenue generation	Significant positive relation between desk audit and individual income tax was found	no official communication with taxpayer and request for more documents This study was conducted in Nigeria and different nations are governed and regulated by diverse tax policies thus, results obtained from one country cannot be applied to other countries. In addition, the study only focused on personal tax income. Also, the researcher looked at tax revenue generation	The researchers' focus was tax compliance in Kenya
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Field Audit and Tax compliance

Eiya, Alade and Adu, (2016)	Field Audit and tax compliance within Nigeria	The research found weak and significant relation between field audit and revenue collection.	Besides being limited to Nigeria, this study used revenue collection as a dependent variable, which differs from revenue collection. This study focused on reasons and objectives of field tax.	This study was conducted on Kenya. The researcher focused on how field audit affects tax compliance
Leandra (2018)	The use of field audits influences reduction of voluntary tax compliance in United States	Field audits have raised the prospect of a post-audit decline in compliance, only the subgroup of individual taxpayers found compliant on audit	The study applied a systematic literature review. Consequently, primary data was not collected to validate the findings of other studies. The research was also conducted in US and used reduction	The study conceptualized field audit in terms of visits to the taxpayers, physical verification of documents, confirmation of facts and figures and registration checks

			of voluntary tax compliance as a dependent variable, which is different from revenue collection. The study also looked at enforceme nt of field audits and hence did not look at visits to the taxpayers, physical verification of documents, confirmatio n of facts and figures and registration checks	
Olaoye, Solanke and Ogunleye (2018)	Impact of the field audit on tax productivity in Lagos state, Nigeria	Field tax audit influences tax productivity significantly and positively	The study utilized descriptive research method, which differs from explanator y research method.	The researcher adopted explanator y research design and dependent variable was tax complianc e

Also, dependent variable was tax productivity, which differs from tax compliance. The researcher conceptualized field audit in terms of number of visits

Correspondence Audit and Revenue Collection

<p>Guyton, Manoli and Patel (2019)</p>	<p>Effects of Earned Income Tax Credit (EITC) correspondence audits on low-income earners in the US</p>	<p>Correspondence audits, which are operational audits conducted via mail protect revenue and deter EITC benefits' improper claims</p>	<p>This study, however, was conducted in US, which is a developed nation and its tax policies and structure differ from those of Kenya. The study conceptualized correspondence audit in terms of emails and methods of notifications.</p>	<p>This study was conducted in Kenya and conceptualized correspondence audit in terms of Notification by email, telephone calls, simple document examination and confirmation of deductions</p>
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Torsvik, Raaum and Øvrum (2019)	Role of correspondence audit on compliance among taxpayers in Norway	Expansion of correspondence audits generates public revenues exceeding additional costs incurred.	Nonetheless, this employed a systematic literature review methodology. Therefore, no primary data was collected to validate the findings of other authors.	Primary and secondary data used.
Nurebo, Tarakegn and Gutu (2021)	Correspondence audit and taxpayers' compliance in Ethiopian Ministry of Revenue	Correspondence audit has significant positive relation with tax compliance	The researcher was limited to Ethiopian Ministry of Revenue.	The research was performed in Kenya
Back Duty Audit and Revenue Collection				
Olaoye, Ogunleye & Solanke (2018)	The role of back duty audit in tax evasion control in Nigeria	Back duty audit and investigations significantly reduced tax fraud	Nonetheless, besides being limited to Nigeria, tax evasion control was the dependent variable. The study conceptualized back duty audit in terms of amount collected through	Dependent variable was tax compliance in Kenya. Back Duty Audit was conceptualized in terms of obtaining of information, identification of timelines, appointment of an

			back duty audits.	accountant and development of capital statement
Adediran, Alade and Oshode (2018)	Back duty audit and generation of revenue in Nigeria	Back duty audit maximizes collection of revenue.	This study was limited to Nigeria, a country with different tax policies and structures from those of Kenya. Dependent variable was revenue generation, which differs from tax compliance .	Dependent variable was tax compliance and was conducted in Kenya
Mudakemwa, Maringa and Uzikwambara (2022)	Effect of back duty audit as one of the components of financial record audit on growth of tax collection.	Positive correlation was established between back duty audit and amount of tax revenue collected.	However, the focus of the researcher was Rwanda thus, finding are not applicable to this study due to the gap in macroeconomic	This research took place in Kenya and dependent variable was tax compliance

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policies
and tax
structures.
The study
used tax
revenue
collection
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variable
which
differs
from tax
compliance
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2.5 Conceptual Framework

This is a brief explanation that is accompanied with a graphic or visual representation of the study's key topics and the ties and connections that exist between them (Creswell & Creswell, 2017). Figure 1 shows hypothesized relations between study variables. Independent variables in this study were desk audit, field audit, correspondence audit and back duty audit. Dependent variable was tax compliance in Kenya.

Independent Variables

Dependent Variable

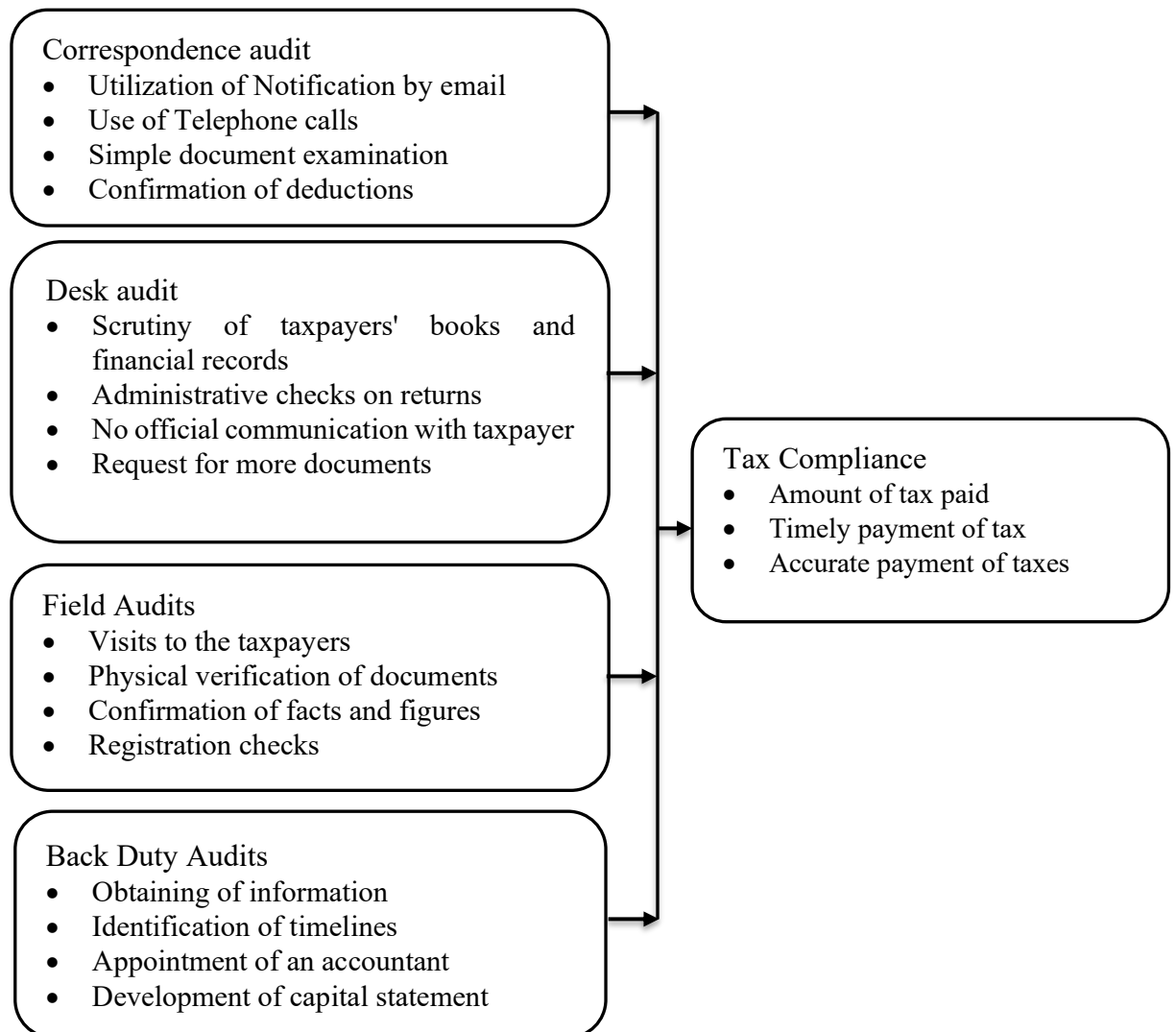


Figure 2.1: Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter presented research method, study population, sampling technique, sample size, procedures for data gathering, pilot testing, data analysis and also presentation.

3.2 Research Design

Explanatory research design was utilized in this research. Explanatory studies encompass research questions that specify direction and nature of relationships between or among variables (Collis & Hussey, 2018). Explanatory research is performed to evaluate effects of changes on present norms, processes and performance. Explanatory research design is well-suited for a study on the effect of tax audits on tax compliance within the Kenya Revenue Authority (KRA) due to its focus on understanding the relationships and underlying causes behind a phenomenon. Explanatory research aims to explain the reasons for a particular outcome, which in this case involves the mechanisms through which tax audits influence compliance behavior. According to Stokes and Wall (2017), explanatory research design is useful when researchers seek to understand causal relationships between variables, making it ideal for identifying how specific factors like desk audits, field audits, and penalties affect taxpayer behavior.

3.3 Target Population

The unit of analysis in this study was Kenya Revenue Authority. The unit of observation was staff working in 7 departments in Kenya Revenue Authority. These departments included: corporate support services; investigations & enforcement; customs & border control; strategy, innovation & risk management; domestic taxes;

intelligence & strategic operations; and legal services & board coordination. The selection of these specific departments provides a comprehensive representation of the key operational functions within KRA. Each department plays a pivotal role in the administration, enforcement, and facilitation of tax compliance in Kenya. For instance, the Investigations & Enforcement department is directly involved in tax audit activities, while the Domestic Taxes department oversees tax collection from individual taxpayers. The inclusion of these departments ensures that the study covers a wide range of perspectives and expertise, capturing insights from areas involved in both the operational and strategic aspects of tax compliance.

Table 3.1: Target Population

Department	Target Population
1. Corporate Support Services	32
2. Customs & Border Control	43
3. Investigations & Enforcement	45
4. Strategy, Innovation & Risk Management	30
5. Domestic Taxes	22
6. Intelligence & Strategic Operations	38
7. Legal Services & Board Coordination	22
Total	232

3.4 Sample Size and Sampling Technique

3.4.1 Sample Size

Sample is a chosen portion of entire population isolated and deployed to represent entire study's population being studied (Creswell & Creswell, 2017). Yamane's

Formula was utilized to determine sample size which allowed easy sampling of entire population within acceptable error margin (Israel, 1992) as it considers the study population.

$$n = \frac{N}{1 + N(e^2)}$$

Where: n is the desired sample size; N is the total population size; e is the margin of error (expressed as a decimal; for example, a 5% margin of error would be $e=0.05$).

$$n = \frac{232}{1 + 232(0.05^2)} = 146$$

Table 3. 2: Sample Size

Department	Target Population	Sample Size
1. Corporate Support Services	32	20
2. Customs & Border Control	43	27
3. Investigations & Enforcement	45	28
4. Strategy, Innovation & Risk Management	30	19
5. Domestic Taxes	22	14
6. Intelligence & Strategic Operations	38	24
7. Legal Services & Board Coordination	22	14
Total	232	146

3.4.2 Sampling Technique

To choose 146 respondents, stratified random sampling was utilized. In this research the seven departments formed the strata. A probability sampling technique called stratified random sampling divides the target population into strata, or smaller

groupings. Data is usually categorized based on the mutual traits or features of population members (Babbie, 2021).

3.5 Data Collection Instruments

This research used both primary and secondary data. Moreover, secondary data on amount of tax paid will be obtained from yearly reports of the KRA. Primary data was gathered using semi-structured questionnaires comprising of closed ended questions. The questions designed in a structured format were presented using both Likert and nominal scales. Moreover, the research used 5-point Likert scale to obtain information regarding the variables of interest in this study. A nominal scale was employed to gather data demographic data on respondents'. The study also used unstructured questions in form of open-ended questions. The structured questions were utilized for efficiency, as well as enable smoother analysis given that they were in an organized form (Kumar, 2019). Unstructured questions were chosen as they allow responder to provide detailed answers without constraints.

Questionnaire contained six sections with the first section containing the respondents' background information. Second to fifth sections included questions on study's predictor variables, whilst sixth section addressed questions on dependent variable.

A data extraction tool was used in the collection of secondary data on the amount of tax paid. The data extraction checklist provides a guide on the kind of information which could be obtained from secondary sources (Babbie, 2021). Data extraction tool comprised two columns covering year and amount of tax collected.

3.5.1 Validity and Reliability of Research Instruments

The investigator piloted the data collection instruments to assess their validity and reliability. A pilot test was performed to find unclear, misunderstood, or

misinterpreted questions and to rewrite them. Pilot study took place in the Nairobi West KRA office. According to Hair, Page and Brunsveld (2020), pilot test sample size must be 10% of sample size. Pilot group comprised of 10% of the sample size (14).

3.5.2 Validity of the Instruments

The degree of drawing conclusions from findings to reflect phenomenon under investigation is called validity. The study focused on face validity and also content validity. Moreover, the degree to which a question reflects correctly the intention of the measurement is referred to as validity. According to Creswell and Creswell (2017), pre-testing is a good technique for boosting facing validity. To improve study tool's face validity, a pilot test will be conducted, and any questions that were confusing or ambiguous were modified. Contrarily, logical validity, also known as content validity, refers to how precisely a measure captures every facet of a particular social construct. Content validity was improved by requesting for experts' standpoints including supervisor.

3.5.3 Reliability of the Instruments

Reliability refers to the extent to which a specific instrument produces consistent results when tested repeatedly. A measurement is deemed highly reliable if it consistently yields similar outcomes (Sileyew, 2019). Data reliability was evaluated by utilizing Cronbach's alpha coefficient, which ranges from 0 to 1 (Zikmund, 2017). Internal consistency is assessed using Cronbach's alpha, where a value above 0.7 is considered acceptable, while values below 0.7 require attention from the researcher.

3.6 Data Collection Procedures

Before data gathering, a letter of approval was received from Kenyatta University.

Moreover, permit to conduct research was obtained from NACOSTI. The research utilized drop-off and pick-up-later data collection approach where the research tools were hand-delivered to participants and picked later. This approach provided an opportunity for face to face engagement between the researcher and respondents which maximizes maximizing the responses. Follow-ups were as well be made every day to monitor respondents' progress in completing research tool.

3.7 Data analysis

The questionnaires yielded both qualitative and quantitative data. Qualitative analysis was conducted using thematic analysis, and the results were presented in a narrative format. Furthermore, both descriptive and inferential statistics were employed to analyze quantitative data using the Statistical Package for Social Sciences (SPSS version 24) statistical software. Descriptive statistics included frequency distribution, mean, percentages, and standard deviation. Inferential statistics involved multiple regression and correlation analysis. Results were visually presented in tables and figures. The study utilized a 95% confidence level, with a significance level of $p = 0.05$. The multiple regression model was used as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where; Y =Tax compliance in Kenya; B_0 =Constant; β_1 - β_4 =Coefficients of determination; X_1 = Correspondence Audit; X_2 = Desk Audit; X_3 = Field Audit; X_4 = Back Duty Audit; ε = Error term

3.8 Diagnostic Tests

Diagnostic tests were carried out to test the five key assumptions; linear relationship, multivariate normality, no or little multicollinearity, no auto-correlation, and homoscedasticity.

3.8.1 Multicollinearity Test

In this study, multicollinearity was assessed using tolerance and the Variance Inflation Factor (VIF), which are diagnostic tests to determine the correlation between independent variables. Tolerance measures the influence of a single independent variable on others, with values below 0.1 indicating potential multicollinearity. VIF, on the other hand, quantifies how much a variable's variance is inflated due to collinearity with other predictors; values greater than 10 indicate problematic multicollinearity. The violation of these tests can lead to inflated standard errors, making regression coefficients unstable and causing misleading interpretations of predictor significance (Creswell & Creswell, 2017). Remedies include removing or combining correlated variables, increasing the sample size, or using techniques like Ridge or Lasso regression to penalize high correlations. These measures ensure the reliability of the regression results and the validity of the study's findings.

3.8.2 Linearity Test

For linear regression to be valid, the relationship between the dependent and independent variables should be linear. To verify the linearity assumption, scatter plots are widely used. These plots display the residuals on the vertical y-axis and the predicted values or the independent variables on the horizontal x-axis. A linear pattern in the scatter plot indicates that the linearity assumption is satisfied (Babbie, 2021). If the plot reveals a non-linear relationship, it may suggest the need for data transformation or the use of a different modeling approach, such as polynomial regression or non-linear regression, to better capture the relationship between variables (Bryman, 2022). Furthermore, detecting and addressing outliers is crucial as they can distort the linearity of the model.

3.8.3 Autocorrelation Test

In linear regression analysis, the assumption of no autocorrelation is essential for valid results. Autocorrelation occurs when the residuals (errors) are correlated with each other, which violates the independence assumption. The Durbin-Watson test is commonly used to detect autocorrelation by evaluating the null hypothesis that the residuals are not linearly autocorrelated (Devi, 2019). This test produces a statistic (d) ranging from 0 to 4, where a value of 2 suggests no autocorrelation. A value between 1.5 and 2.5 generally indicates that the data does not exhibit significant autocorrelation, while values below 1 or above 3 signal potential problems with the model's residuals (Bryman, 2013). Autocorrelation can lead to inefficient estimates, and its presence implies that some underlying pattern in the residuals has not been captured by the model. Remedies for autocorrelation include adding more predictors, using lag variables, or applying generalized least squares (GLS) techniques (Creswell & Clark, 2021).

3.8.4 Heteroscedasticity Test

Having data with heteroscedasticity may damage the findings of a linear regression analysis (at the very least, it will yield skewed coefficients) (Metsamuuronen, 2022). The Breusch-Pagan was deployed to test heteroscedasticity because of its robustness in either large or small samples. If variance of residuals changes across observations, heteroscedasticity occurs. Null hypothesis asserts that there is no heteroscedasticity, whilst alternative hypothesis asserts that there is. As heteroscedasticity rises, so does violation of homoscedasticity.

In linear regression, the assumption of homoscedasticity (constant variance of residuals) is crucial for valid and unbiased estimates. When residuals exhibit

heteroscedasticity, it means that their variance is not constant across observations, leading to inefficient and biased estimates of coefficients, ultimately affecting the model's reliability (Metsamuuronen, 2022). The Breusch-Pagan test is commonly used to detect heteroscedasticity due to its robustness in both large and small samples. The test evaluates the null hypothesis that the variance of residuals is constant (homoscedasticity) against the alternative hypothesis that variance changes (heteroscedasticity). A significant test result indicates the presence of heteroscedasticity, which can violate the assumption of homoscedasticity (Hair, Page & Brunsveld, 2020). When heteroscedasticity is present, it can cause inefficient coefficient estimates, making statistical inference unreliable (Latwal, 2020). Remedies for heteroscedasticity include transforming the data, such as using logarithmic transformations, or applying robust standard errors to correct for the unequal variance.

3.8.5 Normality Test

The normality assumption in regression analysis is crucial for ensuring the validity of statistical tests and confidence intervals. The Shapiro-Wilk test is commonly used to assess whether the study's variables follow a normal distribution, a requirement for many parametric tests (Bell, Bryman, & Harley, 2019). In this test, the null hypothesis asserts that the data follow a normal distribution. If the p-value is less than or equal to the chosen alpha level (commonly 0.05), the null hypothesis is rejected, indicating that the data significantly deviate from normality (Hall, 2020). In the event of non-normality, transformations like logarithms or square roots can be applied to the data to achieve a distribution closer to normal. Non-normality can lead to biased estimations and incorrect conclusions, so it is important to address violations before proceeding with further analyses (Krishna, 2020).

3.9 Operationalization and Measurement of Variables

Independent variables include desk audit, field audit, correspondence audit and back duty audit. Dependent variable was Tax compliance in Kenya. Operationalization of variables was displayed in Table 3.3.

Table 3.3: Operationalization of Variables

Variable	Variables	Operationalization	Measurement scale
Dependent study Variable	Tax Compliance	<ul style="list-style-type: none"> ● Amount of tax paid 	● Ordinal Scale (1 to 5)
Independent Variable	Correspondence audit	<ul style="list-style-type: none"> ● Notification by email ● Telephone calls ● Simple document examination ● Confirmation of deductions 	● Ordinal Scale (1 to 5)
	Desk audit	<ul style="list-style-type: none"> ● Scrutiny of taxpayers' books and financial records ● Administrative checks on returns ● No official communication with taxpayer ● Request for more documents 	● Ordinal Scale (1 to 5)
	Field Audits	<ul style="list-style-type: none"> ● Visits to the taxpayers ● Physical verification of documents ● Confirmation of facts and figures ● Registration checks 	● Ordinal Scale (1 to 5)
	Back Duty Audits	<ul style="list-style-type: none"> ● Obtaining of information ● Identification of timelines ● Appointment of an accountant ● Development of capital statement 	○ Ordinal Scale (1 to 5)

3.10 Ethical Consideration

Ethics is the acceptable code of conduct that researcher considered when performing a study (Creswell & Creswell, 2017). Therefore, researcher asked Kenyatta

University and NACOSTI for letters authorizing the collection of data. Information consent encompasses voluntarily taking part in a project (Creswell & Clark, 2021). Once principle of sensitivity was demonstrated, the responders were asked if they were ready to take part in the study. Moreover, questionnaires were only disseminated to individuals who expressed willingness to take part in the study.

Participants received reassurance that information submitted was to be treated with a high degree of confidentiality, and that the information will be used for educational reasons in order to ensure confidentiality. The research restricted access to the data papers by locking them away and only allowing certain people to access the data. The research tool must not record participants identifying information in order to maintain anonymity. When completing the research tools, respondents were not required to specify their names.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The chapter presents the data analysis, results presentation, interpretation and discussion of findings sections. Moreover, purpose of the research was to examine how tax audits influences tax compliance in Kenya. Moreover, this study sought to assess how desk audit, field audit, correspondence audit and back duty audit influences tax compliance in Kenya. Further, findings were presented in figures and tables.

4.2 Response Rate

The sample size included the 146 employees working in various units in Kenya Revenue Authority. These departments included: corporate support services; investigations & enforcement; customs & border control; strategy, innovation & risk management; domestic taxes; intelligence & strategic operations; and legal services & board coordination. The following table presents the results:

Table 4.1: Response Rate

Responses	No.	Percentages
Administered questionnaires	146	100%
Returned questionnaires	130	89.04%
Unreturned questionnaires	16	10.96%

Out of 146 respondents that were selected 130 filled their research tools. This represents 89.04% response rate. As per Hair, Page, and Brunsveld (2020), a response rate of 50% is deemed adequate, 60% is considered good, and 70% is regarded as optimal for conducting efficient analysis. As a result, it may be concluded that response rate

(89.04%) was appropriate for giving recommendations and drawing conclusions.

4.3 General Information

The respondents were asked to provide details regarding the length of time they had worked at their organization. This information is essential to understanding the experience and expertise of the participants, which may influence their responses. The findings were displayed in Figure 4.4.

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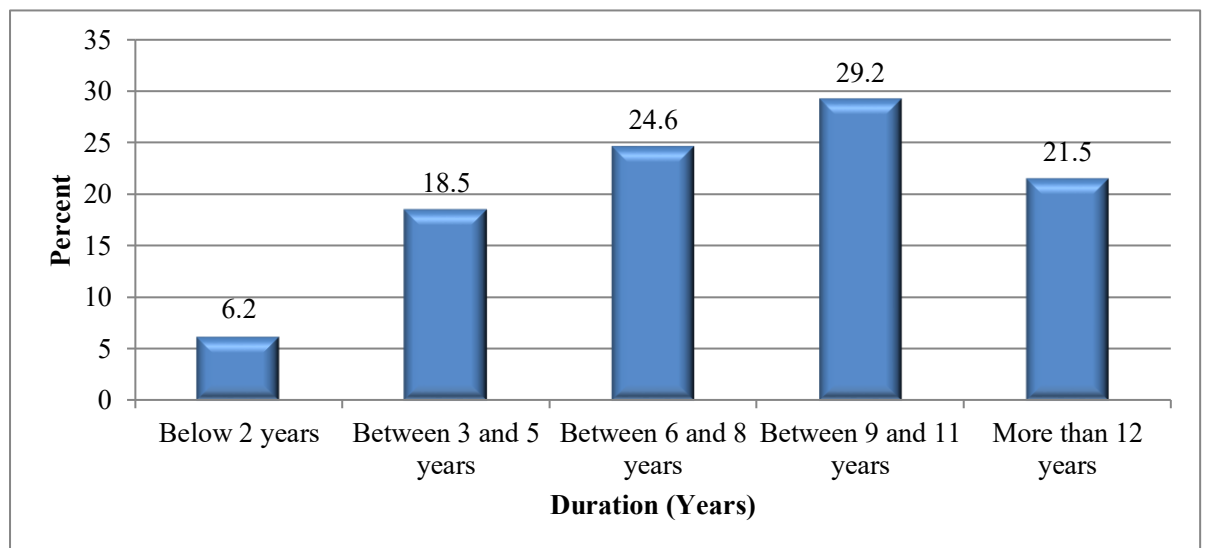


Figure 4.1: Duration of Working

According to the results, 29.2% of participants had been employed at the firm for 9 to 11 years, 24.6% for 6 to 8 years, 21.5% for more than 12 years, 18.5% for 3 to 5 years, and 6.2% for less than 2 years. These findings suggest that a significant portion of KRA employees had tenure of more than 9 years and hence they possess substantial experience within the organization. This experience is important because it provides valuable context for understanding the effectiveness and nuances of tax audits, as experienced employees are likely to have witnessed shifts in auditing processes, tax policies, and compliance trends over the years.

4.4 Descriptive Statistics

The following section presents descriptive statistics. Quantitative data was collected from items measured using 5-point Likert scale. Babbie (2021) suggest that in 5-scale Likert questions, strongly agree (SA) is from 4.5 -5.0, agree (A) is from 3.5 - 4.5, moderately agree is from 2.5 - 3.5, disagree is from 1.5 - 2.5 while strongly disagree is from 1 - 2.5.

4.4.1 Desk Audit

One of the primary research objectives was to evaluate the impact of audits on tax compliance. Participants indicated tlevel of agreement with statements related to desk audits at KRA. The results presented in the following table:

Table 4.2: Aspects of Desk Audit

	SD	D	N	A	SA	Mean	Std. Deviation
Taxpayers' books and financial records are thoroughly inspected	2.3	6.9	16.2	46.9	27.73	7.907	.960
I can get all the necessary information after analyzing the taxpayers' books and financial records	12.3	37.7	25.4	15.4	9.2	2.715	1.149
Am satisfied with the way in which scrutiny of taxpayers' books and financial records	2.3	7.7	12.3	59.2	18.53	8.838	.896
Our organization examine the information on tax return to ensure it is accurate and proper	4.6	7.7	15.4	37.7	34.63	9.900	1.105
The audit is closed so long as the returns are examined, and the taxpayer has evidence	2.3	4.6	9.2	62.3	21.53	9.61	.839
After assessment, the tax payer may face fines and penalties if the tax return are found to be inaccurate	4.6	10.8	21.5	25.4	37.73	8.807	1.188
Our organization does not hold no meetings with the tax payers	18.5	53.1	15.4	3.8	9.2	2.323	1.108
Our organization does not make phone calls to the taxpayer	12.3	68.5	6.2	10	3.1	2.230	.902
Our organization use letters to request the tax payer to provide more information on submitted return.	4.6	7.7	3.1	41.5	43.14	14.107	1.087
Our organization request the tax payer to provide more documents to support the submitted return	2.3	4.6	11.5	31.5	50	4.223	.982
Our organization is only interested in getting some extra evidence to make sure the information on tax return is accurate and proper.	2.3	4.6	11.5	46.9	34.64	10.69	.925
The documents requested from the taxpayer provide adequate information to support the tax return submitted	2.3	10	12.3	29.2	46.24	10.69	1.093

With 4.223 (SD=0.982) mean, the study participants agreed that the firm requests tax payer to provide more documents to support the submitted return. With (M= 4.107, SD=1.087) mean, the participants also agreed that the firm use letters to request the tax payer to provide more information on submitted return. The participants agreed that the firm is only interested in getting some extra evidence to make sure information on tax return is accurate and proper (M= 4.069, SD=0.925). Further, the respondents also concurred with mean of 4.069 (SD=1.093) that documents requested from the taxpayer

provide adequate information to support the tax return submitted. They agreed that taxpayers' books and financial records are thoroughly inspected ($M = 3.907$, $SD=0.960$). These findings agree with Olaoyea and Ogundipe (2018) observation that desk audit is done in tax office where tax payer's books and financial records are examined.

With 3.900 ($SD=1.105$) mean, the participant agreed, their organization examines the information on tax return to ensure it is accurate and proper. With 3.961 ($SD=0.839$), they also suggested that audit is closed so long as the returns are examined, and the taxpayer has evidence. Further, with mean of 3.838 ($SD=0.896$), the participants suggested that they were satisfied with manner of scrutiny of taxpayers' books and financial records. With ($M= 3.807$ ($SD=1.188$), they agreed that after assessment, the tax payer may face fines and penalties if the tax return are found to be inaccurate. These findings conform to Amah and Nwaiwu (2018) observations that after assessment, the taxpayer may incur fines and penalties if the tax returns are found to be inaccurate.

With mean of 2.715 ($SD=1.149$) they were neutral that they could get all the necessary information after analyzing the taxpayers' books and financial records. With mean of 2.323 ($SD=1.108$) respondents indicated that their organization does not hold no meetings with the tax payers. Also, they disagreed that their firm does not make phone calls to the taxpayer as presented by mean of 2.230 ($SD=0.902$).

Respondents were requested to state how else correspondence audit influences tax compliance in Kenya. Respondents indicated that desk audit allows for more in depth analysis on the information available on the taxpayer returns. In addition, desk audit provides insights on trends and patterns on the taxpayer level of compliance which helps highlights instances of non-compliance. The respondents further indicated that

desk audits help in varying and clarifying information from the tax payers. These findings conform to D’Agosto et al. (2016) observation that in desk audit tax official may merely ask taxpayers to give some additional papers to their office in order to help him resolve some problems with the submitted returns.

4.4.2 Field Audit

Second study’s objective was to evaluate how field audit influences tax compliance within Kenya. Moreover, respondents were asked to state their level of agreement regarding field audits and tax compliance. The results presented in the table below:

Table 4.3: Aspects of Field Audit

	SD	D	N	A	SA	Mean	Std. Deviation
I visit taxpayer's home to assess individual financial records	15.4	59.2	15.4	6.9	3.1	2.231	.902
I usually visit the taxpayers’ place of business in order to examine the business financial records	0.0	3.1	10	43.8	43.1	4.269	.765
I visit accountant's office to analyze business financial records and ensure tax return are filed accurately	2.3	0.8	13.1	53.1	30.8	4.092	.820
Verification of documents are made by tax official in-person	2.3	5.4	17.7	46.9	27.7	3.923	.936
Physical verification of documents ensures no fake documents are presented	0.0	2.3	6.9	65.4	25.4	4.138	.631
Am satisfied with the way in which verification of documents is carried out	2.3	6.9	9.2	50.0	31.5	4.015	.948
Our organization examine the facts and figures to ensure information provided is accurate	2.3	4.6	14.6	40.8	37.7	4.069	.957
Figures condense detailed information and thus avoid complex information and data	2.3	6.9	15.4	50.0	25.4	3.892	.942
Facts and figures make it easier to conduct the audit	2.3	6.9	15.4	34.6	40.8	4.046	1.025
Our organization conduct registration checks to ensure the taxpayer engages in legal business	2.3	4.6	11.5	35.4	46.2	4.184	.970
Assessment of the registration ensure the taxpayer pay tax for goods and services that they were registered to offer	2.3	4.6	17.7	35.4	40.0	4.061	.986
Am satisfied with the way in which registration checks are conducted	2.3	4.6	14.6	38.5	40.0	4.092	.968

The participants agreed with mean of 4.269 (0.765) that they usually visit the taxpayers’ place of business in order to examine the business financial records. With mean of 4.184

(0.970) respondents as well agreed that their organization conducts registration checks to ensure the taxpayer engages in legal business. These findings agree with Leandra (2018) observations that the organization conducts registration checks to ensure that the taxpayer is engaged in legitimate business activities. With mean of 4.138 (0.631) they agreed that physical verification of documents ensures no fake documents are presented. With mean of 4.069 (0.957) they agreed that their organization examines the facts and figures to ensure information provided is accurate.

With mean of 4.092 (0.968), participants agreed that they were satisfied with the way in which registration checks were conducted. Participants, with a mean of 4.092 (SD=0.820), agreed that they visit the accountant's office to analyze business financial records and ensure accurate filing of tax returns. These results align with the findings of Adediran, Alade, and Oshode (2018), who discovered that a field audit is conducted to assess business financial records. Also, with mean of 4.061 (0.986) they agreed that assessment of registration ensure the taxpayer pay tax for goods and services that they were registered to offer. Moreover, they agreed with mean of 4.046 (SD=1.025) that facts and figures make it easier to conduct the audit.

With mean of 4.015 (0.948) respondents said that they were satisfied how the verification of documents is carried out. They also agreed with mean of 3.923 (0.936) that verification of documents is made by tax official in-person. These findings are in tandem with Leandra (2018) argument that in field audits tax officials need to conduct physical verification of documents. The respondents as well agreed with mean of 3.892 (0.942) that figures condense detailed information and thus avoid complex information and data. With mean of 2.231 (0.902) respondents disagreed that they visited taxpayer's home to assess individual financial records. These findings are in agreement with

Olaoye, Solanke and Ogunleye (2018) observations that taxpayers are visited at their homes to examine their personal financial records.

The study participants were further requested to suggest how else field audit affects tax compliance in Kenya. The respondents agreed that field audits are effective in tax compliance as it ensures physical verification of documents and registration checks. In addition, more information can be obtained in a field audit as staff can obtain information that the taxpayer may not have provided. Also, the respondents indicated that field audits are very effective when it comes to tax compliance. Taxpayers are more cooperative with field audits. These findings agree with Olaoye, Ogunleye and Solanke, (2018) who observed that field audits were effective in increasing tax compliance.

4.4.3 Correspondence Audit

Third study's objective was to find out how correspondence audit influences tax compliance in Kenya. Moreover, participants specified their agreement level on correspondence audit in their firm.

Table 4. 4: Aspects of Correspondence Audit

	SDD	N	A	SA	Mean	Std. Deviation
Our organization use email to request for additional documents from the taxpayers	2.3	0.0	13.1	46.2	38.5	4.184 .833
It is easy to trace any information provided through the Email	2.3	7.7	21.5	53.1	15.4	3.715 .899
Am satisfied with the use of email as a means of communication with the tax payer	2.3	7.7	18.5	43.8	27.7	3.869 .983
Our organization use telephone to request the taxpayers to provide explanations on submitted returns	0.0	3.1	10	40.8	46.2	4.300 .774
Telephone calls provide immediate personal response	2.3	5.4	11.5	40.8	40	4.107 .966
Telephone calls provide interactive communication with the tax payer	0.0	4.6	10.8	37.7	46.9	4.269 .833
Our organization usually request the taxpayers to provide some additional documents in the office for examination	0.0	2.3	13.1	50.8	33.8	4.161 .734
Document examination takes place in the tax office	2.3	2.3	10.8	53.8	30.8	4.084 .844
During audit, we examine books and financial records of the taxpayers in-person	2.3	4.6	11.5	53.1	28.5	4.007 .893
Our organization ensure proper deductions are made	0.0	4.6	7.7	43.8	43.8	4.269 .795
Accurate confirmation of deductions ensure correct taxes are paid	0.0	2.3	4.6	52.3	40.8	4.315 .671
Am satisfied with the way in which confirmation of deductions is carried out	0.0	2.3	10	30.8	56.9	4.423 .766

The study participants expressed satisfaction with the confirmation process of deductions, with a mean of 4.423 (SD=0.766). Additionally, they agreed that accurate confirmation of deductions ensures correct tax payments, with (M= 4.315, SD=0.671). Furthermore, participants indicated that the firm utilizes telephone communication to request explanations from taxpayers regarding submitted returns, with a mean of 4.300 (SD=0.774). Lastly, they agreed that the firm ensures proper deductions are made, with a mean of 4.269 (SD=0.795). These findings concur with Nurebo, Tarakegn and Gutu (2021) observations that the firm ensures that accurate deductions are made.

With a mean of 4.269 (SD=0.833), respondents were in agreement that telephone calls facilitate interactive communication with taxpayers. Similarly, with a mean of 4.184 (SD=0.833), they acknowledged the firm's utilization of emails for requesting additional documents from taxpayers. These findings align with Torsvik, Raaum, and Øvrum's (2019) research, which highlights the use of correspondence audit involving mail or phone communication by tax officials. Furthermore, with a mean of 4.161 (SD=0.734), respondents agreed that the firm typically requests taxpayers to submit additional documents for examination in the office. Additionally, with a mean of 4.107 (SD=0.966), respondents affirmed that telephone calls offer immediate, personalized responses.

The research participants concurred, with a mean of 4.084 (SD=0.844), that document examination occurs in the tax office. Furthermore, with a (M= 4.007, SD=0.893), they agreed that they personally examine taxpayers' books and financial records during audits. Moreover, participants expressed satisfaction with the use of email as a means of communication with taxpayers, with a mean of 3.869 (SD=0.983). Lastly, with a mean of 3.715 (SD=0.899), respondents agreed that tracing information provided through email was easy. These findings agree with Nangalama (2011) observations that tracing the information provided via email was straightforward.

The participants were requested to indicate how else back duty audit affects tax compliance. The respondents indicated that correspondence audit heavily influences compliance as it is only through obtaining additional information/corresponding with the taxpayer that an individual can assess compliance status. These findings conform to Lykke, Nicholl and Plumley (2019) discoveries that correspondence audits have a positive effect on the taxpayers. In addition, correspondence audit influence tax

compliance as it helps in obtaining additional information from taxpayer. Using correspondence audit, KRA checks integrity of taxpayer through mail and asks the person to provide documentation of any deductions or exemptions they claim, either by filling out a special form or enclosing photocopies of the pertinent financial records.

4.4.4 Back Duty Audit

The fourth study's objective was to determine how back duty audit influences tax compliance. Moreover, participants were asked to indicate agreement level on back duty audits. Respective findings were in the following table:

Table 4.5: Aspects of Back Duty Audit

	SD	D	N	A	SA	Mean	Std. Deviation
I can obtain information on when business profits level has been understated	4.6	10.8	6.2	41.5	36.9	3.953	1.133
I can acquire information on when the source of income has been ignored from tax return	6.9	8.5	3.1	47.7	33.8	3.930	1.155
I am capable of acquiring information when double claim for capital allowance in respect to present or past years	21.5	47.7	15.4	9.2	6.2	2.307	1.098
The tax payers get earlier notification before tax audit exercise begins	2.3	2.3	7.7	69.2	18.5	3.992	.752
Proper identification of timeliness enable the tax payers to organize all the document and avail themselves	0.0	4.6	13.8	47.7	33.8	4.107	.809
Am satisfied with the way timeliness identification is done	2.3	5.4	11.5	31.5	49.2	4.200	.999
Our organization book an appointment with the accountant on time	2.3	6.9	25.4	22.3	43.1	3.969	1.085
Appointment of an accountant allows me to analyze business financial records	2.3	4.6	8.5	35.4	49.2	4.246	.956
Appointment of an accountant enables me to access the taxpayer's records to a limited period of six years before the year of the actual audit.	4.6	5.4	12.3	34.6	43.1	4.061	1.091
I can develop capital statement with ease	2.3	2.3	16.9	37.7	40.8	4.123	.931
Development of capital statement analysis helps in identifying under-reported income.	4.6	4.6	9.2	43.8	37.7	4.053	1.036
I am capable of identifying under-reported income from the capital statement	2.3	4.6	14.6	50.0	28.5	3.976	.910

With (M = 4.246, SD=0.956), respondents agreed that appointment of an accountant

allows them to analyze business financial records. These findings agree with Mulugeta (2019) argument that to analyze business financial records, tax officials need to book appointments with accountants of various organizations. With 4.200 (SD=0.999) mean, they also acknowledged that they are contented with how timelines identification is done. With 4.123 (SD=0.931) mean, the study participants suggested that they can develop capital statement with ease. Also, with a 4.107 (SD=0.809) mean, they concurred that proper identification of timeliness enable tax payers to organize all the document and avail themselves.

With a 4.061 (SD=1.091) mean, the study participants acknowledged that appointment of an accountant enables them to access the records of the taxpayer to a six years period before year of actual audit. In addition, with a 4.053 (SD=1.036) mean, they concurred that development of capital statement analysis helps in identifying under-reported income. Also, with mean of 3.992 (SD=0.752) they also concurred that tax payers get earlier notification before tax audit exercise begins. Further, with (M = 3.976, SD=0.910) respondents agreed that they were capable of identifying under-reported income from the capital statement. These results tally to Adediran, Alade and Oshode (2018) discoveries that using back duty audits tax officials can identify under-reported income.

With a mean of 3.969 (SD=1.085), participants expressed agreement regarding the organization's ability to schedule appointments with the accountant promptly. These findings conform to Macgregor and Nwaiwu (2018) observations that organization's schedule appointments with the accountant promptly. Similarly, with a mean of 3.953 (SD=1.133), respondents affirmed their capacity to access information concerning understated business profits levels. Additionally, with a mean of 3.930 (SD=1.155),

participants also agreed on their ability to obtain information regarding overlooked sources of revenue in tax returns. However, with a mean of 2.307 (SD=1.098), respondents disagreed regarding their capability to access information about double claims for capital allowances in current or past years.

The participants were requested to indicate how else back duty audit influence tax compliance. They indicated that back duty audits assist in identifying areas of non-compliance where the taxpayer understated the taxes due. These findings agree with Enofe and Embele (2019) observation that back duty audit influences tax compliance. In addition, in most cases taxpayers do not know how to arrive at the right tax base leading to inaccurate payment of taxes. Back duty audits help in identifying areas of non-compliance where the taxpayer understated the taxes due. Kenya Revenue Authority Staff might have grounds to believe that a taxed person has not submitted a complete or accurate income tax return. To ascertain their true position, the organization will conduct additional research.

4.4.5 Tax Compliance

Tax compliance was measured using amount of tax collected. Respondents indicated their agreement level regarding tax compliance. Moreover, the obtained results in Table 4.6 below.

Table 4.6: Measures of Tax compliance

	SD	D	N	A	SA	Mean	Std. Deviation
Timely payment of tax is major problem facing many large taxpayers	18.5	34.6	19.2	12.3	15.4	2.715	1.324
Organizations always pay its taxes in time	2.3	22.3	27.7	38.5	9.2	3.300	.993
Organizations have never been fined for late payment of tax	29.2	55.4	9.2	3.1	3.1	1.953	.888
I have adequate information on how to correctly calculate the taxes to be paid	0.0	2.3	6.9	46.2	44.6	4.330	.708
The tax base is very complicated	0.0	6.9	5.4	66.2	21.5	4.023	.741
Organizations always ensure accuracy in payment of its taxes	27.7	50.8	9.2	9.2	6.2	2.123	1.078
Organizations have never been fined for inaccurate payment of taxes	60.0	18.5	6.2	6.2	9.2	1.861	1.316
The amount of collected on yearly basis has been decreasing	61.5	20.0	9.2	3.1	6.2	1.723	1.148
The amount of tax collected on yearly basis has been increasing	0.0	2.3	6.9	50.8	40.0	4.284	.695
Am satisfied with the amount of revenue collected from the taxpayers	72.3	9.2	9.2	3.1	6.2	1.615	1.163

With a 4.330 (SD=0.708) mean, respondents agreed that they possessed sufficient information to accurately calculate their taxes. Additionally, with a 4.284 (SD=0.695) mean, respondents also agreed that the amount of tax collected on a yearly basis has been increasing. However, with a mean of 4.023 (SD=0.741), they agreed that the tax base is highly complex. Contrary to Adenya's (2018) findings suggesting firms' reluctance to pay taxes on time, respondents disagreed (mean = 3.300, SD=0.993) with the statement that the organization always pays its taxes punctually. They were neutral (mean = 2.715, SD=1.324) about the timely payment of taxes being a significant issue among large taxpayers.

Moreover, respondents disagreed (mean = 2.123, SD=1.078) with the assertion that organizations consistently ensure accuracy in tax payment and disagreed (mean =

1.953, SD=0.888) with the notion that organizations are never fined for late tax payments. Similarly, they disagreed (mean = 1.861, SD=1.316) that organizations are never penalized for inaccurately paying taxes. Additionally, respondents disagreed (mean = 1.723, SD=1.148) with the statement that the amount of tax collected yearly has been decreasing and expressed dissatisfaction (mean = 1.615, SD=1.163) with the revenue collected from taxpayers.

Figure 4.7 displays the trend of tax collected for duration between FY 2017/2018 and the FY 2021/2022.

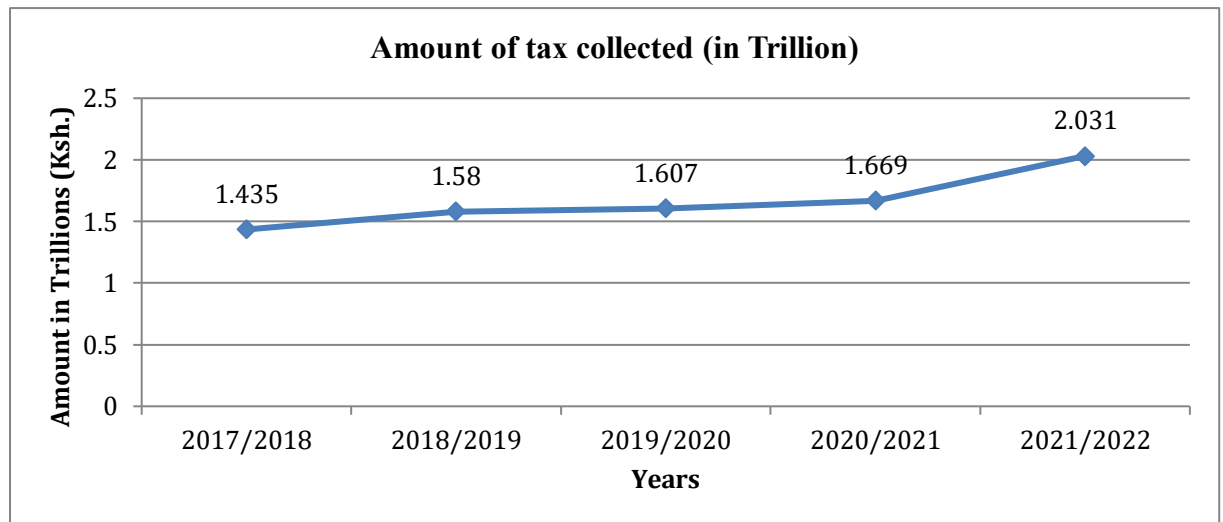


Figure 4.2: Trend of Amount of Tax Collected

The tax collected in FY 2017/2018 was Ksh. 1.435 trillion, which increased to Ksh. 1.580 trillion in FY 2018/2019, Ksh. 1.607 trillion in the FY 2019/2020, Ksh. 1.669 trillion in the financial year 2020/2021 as well as Ksh. 2.031 trillion in the financial year 2021/2022. This implies that the amount of tax collected in Kenya has increased consistently over the years. This is in line with Kenya Revenue Authority (2022) report that indicates that revenue collection in KRA has been increasing.

4.5 Inferential Statistics

Inferential statistics included correlation analysis and also regression analysis. However, before conducting inferential statistics, diagnostic tests were conducted.

4.5.1 Diagnostic Tests

Linear regression assumptions encompass normality of regression residuals, no autocorrelation, no or little multicollinearity, homoscedasticity, and a linear relation between study variables. In the event of regression assumptions violation, confidence intervals, significance levels, and coefficient estimates from regression model perhaps may be considered as biased.

4.5.1.1 Heteroskedasticity Test

Violations of homoscedasticity often lead to confidence intervals that are either excessively narrow or excessively wide, as they hinder the thorough examination of forecast errors and standard deviation. In this research, the Breusch-Pagan test was employed to assess heteroscedasticity. The null hypothesis of this test assumed equal error variances, which are considered a multiple function of the study variables.

Table 4. 7: Breusch-Pagan test

Ho:Constant variance	
Variables:Fitted with values of Tax compliance	
Chi2 (1)	0.85
Prob>chi2	0.3564

The p-value, at 0.3564, exceeded the significance level of 0.05. This indicates the presence of homoscedasticity within the regression model.

4.5.1.2 Test for Normality

The Shapiro-Wilk test was employed to evaluate the normality of the research data. In this test, the null hypothesis suggests that the variable data is derived from a normally distributed population. Thus, for the data to be considered normally distributed, the p-value should exceed 0.05 (the significance level).

Table 4. 8: Test for Normality of Data

	Shapiro-Wilk		
	Statistic	df	Sig.
Tax compliance	.938	130	.293
Correspondence audit	.949	130	.445
Desk audit	.931	130	.223
Field Audits	.949	130	.445
Back Duty Audits	.960	130	.640

As illustrated in Table 4.9, data for study variables was distributed normally, as p-values were higher than significance level (0.05). These variables include: tax compliance (p-value=0.293), correspondence audit (p-value=0.445), desk audit (p-value=0.223), field audits (p.value=0.445) and back duty audits (p.value=0.640).

4.5.1.3 Autocorrelation Test

The autocorrelation was examined using Durbin-Watson statistic. A statistical method for assessing the degree of autocorrelation among the residuals of specific regression study is Durbin-Watson statistic. According to the Durbin-Watson statistic's general rule, values between 1.5 and 2.5 often reflect the absence of autocorrelation in a given dataset.

Table 4.9: Autocorrelation Test

Model	Durbin-Watson
1	1.605

The Durbin-Watson statistic value obtained in this study was 1.605 (Table 5). As this value falls within the range of 1.5 to 2.5, it indicates the absence of autocorrelation within the data. Consequently, there is no evidence of serial correlation in the dataset.

4.5.1.4 Multicollinearity Test

Multicollinearity is utilized to find out probability that any independent variables in specific multivariate regression model are related significantly. In this case, it would be possible to predict one variable based on another. Standard error of the coefficients tends to rise when the independent variables have significant correlations thus leading to reduced precision of estimate coefficients, thus weakening statistical power of regression model. The study utilized VIF to examine correlation level among study variables. General principle suggests that a VIF higher than ten indicates multicollinearity.

Table 4. 10: Collinearity Statistics

	Tolerance	VIF
Correspondence audit	.677	1.477
Desk audit	.656	1.525
Field Audits	.628	1.594
Back Duty Audits	.777	1.287

a. Dependent Variable: Tax compliance

The Variance Inflation Factors for the different independent variables, shows that among independent variables there was multicollinearity given that for each independent variables VIF values was below 2.0. The Correspondence audit had a VIF of 1.477, desk audits had a VIF of 1.525, field audits had VIF of 1.594 and back duty audits had 1.287. All the variables had a VIF of less than 10. This means that predictive power of each of the variables would not be affected or reduced by the other independent variables. This is because multicollinearity reduces the statistical significance of the independent variables.

4.5.1 5 Linearity Test

In regression analysis, it is assumed that the correlation between the study variables is linear, meaning that there is a straight-line relationship between the values of the independent variable (X) and the dependent variable (Y) when plotted on a graph.

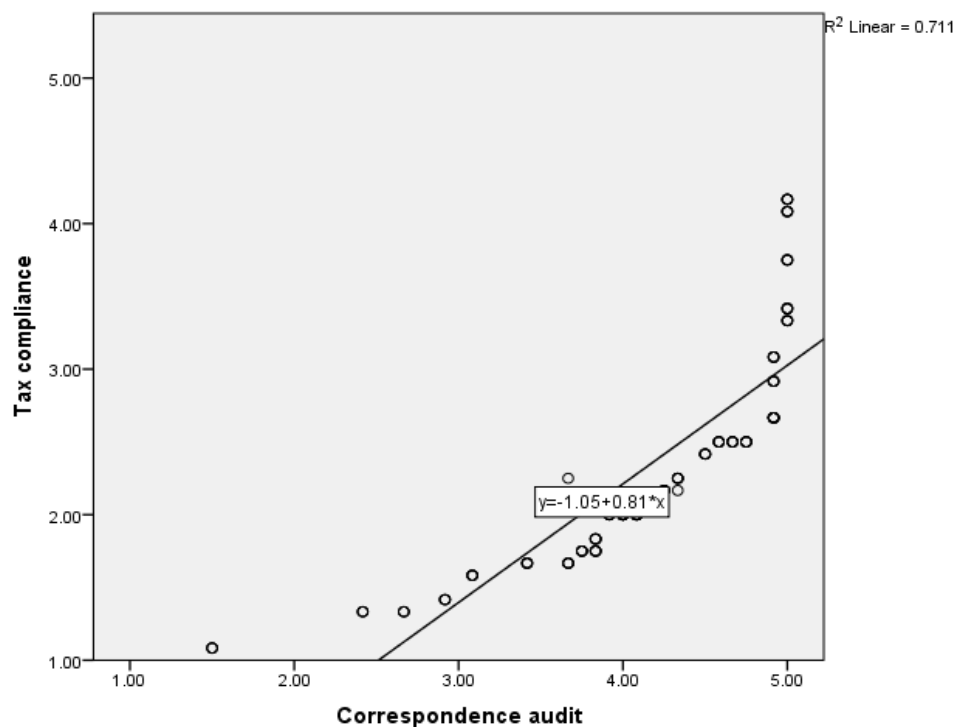


Figure 4.3: Scatter plot for the Correspondence Audit and Tax Compliance

The correspondents audit has positive linear correlation with tax compliance in Kenya.

Moreover, the findings denotes that enhnacement in the correspondents audits would enhnace tax compliance. The findings further indicate that correspondents audit could explain 71.1% of the tax compliance in Kenya. This means that having a correspondents audit is positively associated with tax compliance in Kenya.

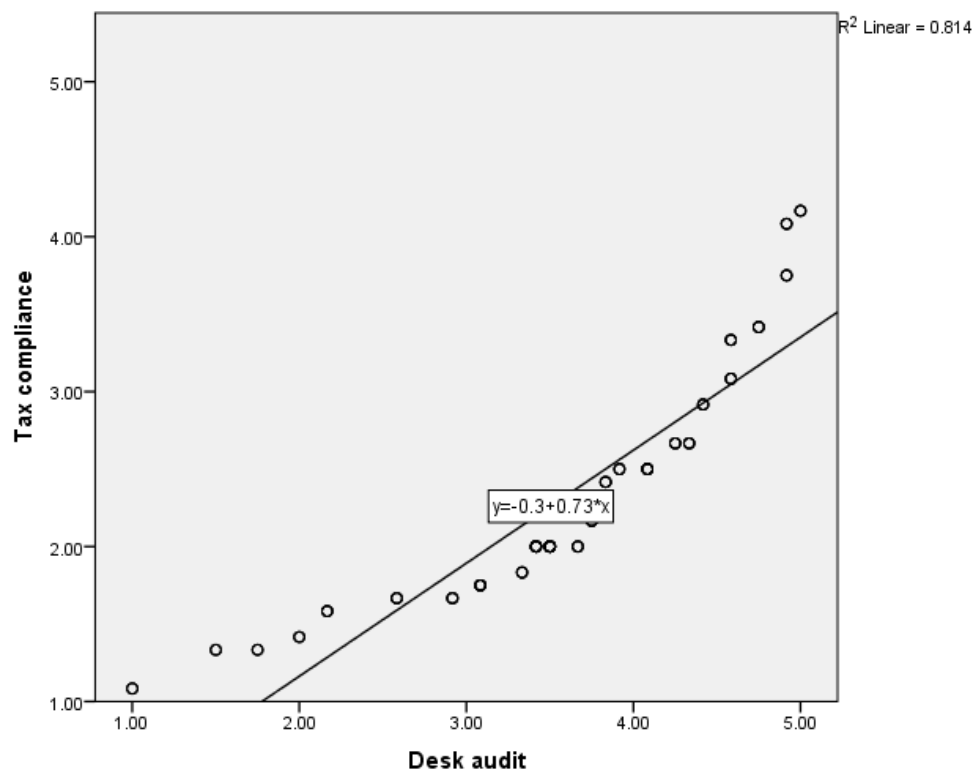


Figure 4. 4: Scatter plot for the Desk Audit and Tax Compliance

Desk audit has positive linear correlation with tax compliance in Kenya. The findings imply that improvement in the desk audits would improve tax compliance. Results further indicate that desk audit could explain 81.4% of the tax compliance in Kenya. This means, having a desk audit is positively related with tax compliance in Kenya.

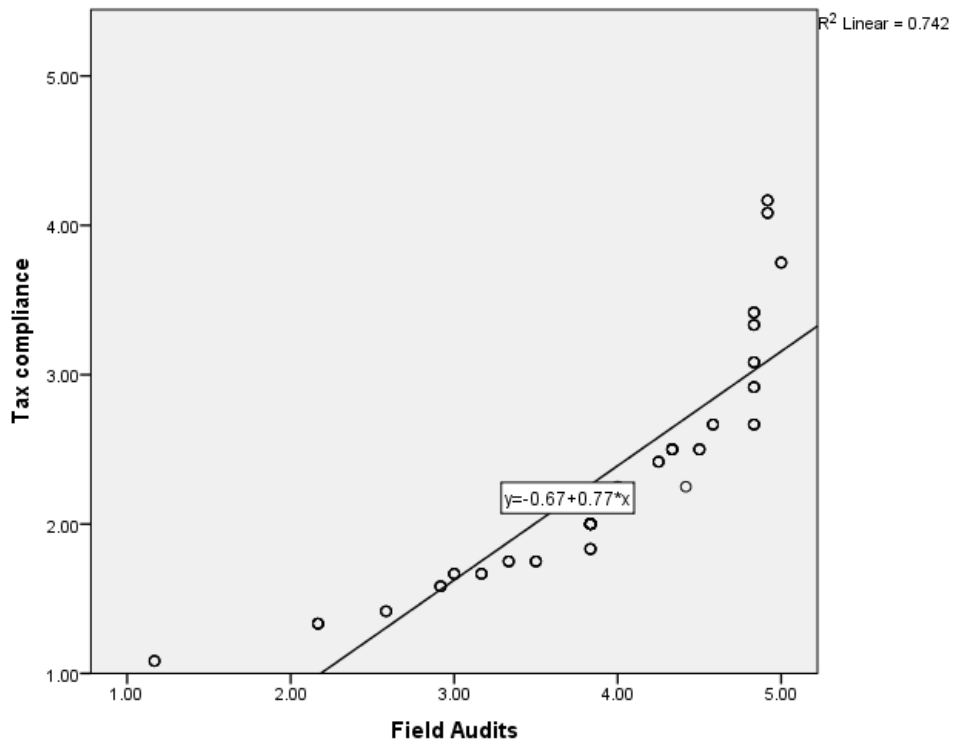


Figure 4.5: Scatter plot for the Field Audit and Tax Compliance

Field audits have positive linear correlation with tax compliance in Kenya. Moreover, findings denotes that enhancement in the field audits would enhance tax compliance. Moreover, results disclosed that field audit could explain 74.2% of tax compliance. This means that having a field audit is positively associated with tax compliance in Kenya.

Table 4. 11: Correlation Coefficients

		Tax compliance	Correspondence audit	Desk audit	Field Audits	Back Duty Audits
Tax compliance	Pearson	1				
	Correlation					
	Sig.(2-tailed)					
	N	130				
Correspondence audit	Pearson	.823**	1			
	Correlation					
	Sig.(2-tailed)	.000				
	N	130	130			
Desk audit	Pearson	.882**	.072	1		
	Correlation					
	Sig.(2-tailed)	.000	.511			
	N	130	130	130		
Field Audit	Pearson	.662**	.052	.101	1	
	Correlation					
	Sig.(2-tailed)	.000	.610	.255		
	N	130	130	130	130	
Back Duty Audits	Pearson	.846**	.155	.126	.188	1
	Correlation					
	Sig.(2-tailed)	.000	.127	.215	.064	
	N	130	130	130	130	130

** . Correlation is significant at the 0.01 level (2-tailed).

The study established a positive and strong relationship between correspondence audit and tax compliance in Kenya ($r=0.823$, $p\text{-value}=0.000$), with a significant correlation reflected by a p -value below 0.05. These findings are consistent with Howard et al.'s (2019) assertion that correspondence audits positively influence tax compliance. The findings also concur with Lykke, Nicholl and Plumley (2019) observations that correspondence audits influences taxpayers positively. Further, the findings align with Nurebo, Tarakegn and Gutu (2021) observations that correspondence audit influences

compliance of taxpayers significantly and positively.

In addition, a very strong and positive relationship was found between desk audit and tax compliance in Kenya ($r=0.882$, $p\text{-value}=0.000$), indicating significant correlation with a p -value below 0.05. This aligns with Amah and Nwaiwu's (2018) findings, suggesting that desk audits have a significant and positive impact on personal income tax compliance. In addition, the findings conform to Olaoyea and Ogundipe (2018) observations that tax audit had a positive and significant impact on tax evasion. Further, the findings are in line with Karemera (2017) observations that desk tax audit had a positive influence on taxpayer's compliance.

Similarly, a strong and positive relationship was observed between field audit and tax compliance in Kenya ($r=0.662$, $p\text{-value} =0.000$), with a significant correlation evidenced by a p -value below 0.05. These results support Leandra's (2018) argument that field audits may lead to a post-audit decrease in compliance, particularly among a subset of individual taxpayers found compliant during the audit. In addition, the findings align with D'Agosto, Manzo, Modica and Pisani (2016) observations that field audits had significant but weak effect influence tax compliance. The findings further agree with Olaoye, Solanke and Ogunleye (2018) observations that field tax audit positively impacts tax productivity.

Moreover, a strong and positive correlation was found between back duty audit and tax compliance in Kenya ($r=0.846$, $p\text{-value} =0.000$), with a significant correlation evidenced by a p -value below the significance level of 0.05. These results support Adediran, Alade, and Oshode (2018) observation that back duty audits significantly and positively influence taxpayer compliance. In addition, the findings are in agreement with Enofe and Embele (2019) observations that tax audits, particularly those that take

the form of back-duty audits, had a considerable negative impact on tax evasion. Further, the findings are in consistent with Mulugeta (2019) findings that tax audits had a positive and significant impact on both tax compliance.

4.5.3 Regression Analysis

Multivariate regression analysis was utilized to assess correlation between independent and dependent variables.

Table 4.12: Model Summary

Model	R	R-Square	Adjusted R-Square	Std. Error of Estimate
1	.937 ^a	.878	.874	.26803

a. Predictors (Constant), Back Duty Audits , Desk audit , Field Audits , Correspondence audit

The R-squared for tax audits and tax compliance was 0.878. This implied that 87.8% of variation of tax compliance could be accounted for by desk audit, back duty audit, correspondence audit and also field audit.

Table 4.13: ANOVA

Model		Sum of Squares	df	Mean-Square	F	Sig.
1	Regression	64.759	4	16.190	225.362	.000 ^b
	Residual	8.980	125	.072		
	Total	73.739	129			

a. Dependent Variable: Tax compliance

b. Predictors: (Constant), Back Duty Audits , Desk audit , Field Audits , Correspondence audit

In this study, ANOVA was utilized to evaluate the adequacy of the model in fitting the data. The calculated F-value was 225.362, while the critical F-value was 2.47, as shown in Table 4.14. Since the calculated F-value surpassed the critical F-value and the p-value (0.000) was < 0.05, the model was considered to be a good fit.

Table 4. 14: Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	0.455	0.169		2.692	0.031
Correspondence audit	0.444	0.157	0.460	2.828	0.024
Desk audit	0.883	0.160	0.899	5.519	0.000
Field Audits	0.287	0.134	0.311	2.142	0.045
Back Duty Audits	0.697	0.210	1.701	3.319	0.000

a. Dependent Variable: Tax compliance

Regression equation was;

$$Y=0.455+ 0.444X_1 +0.883X_2 +0.287X_3 +0.697X_4+\varepsilon$$

Correspondence audit has a positive and significant effect on tax compliance in Kenya ($\beta_1=0.444$, p value= 0.024). Given that, p -value (0.024) was below 0.05 , the association was regarded as significant. This denotes that enhancement in correspondence audit would increase in tax compliance in Kenya. These results agree with Olaoyea and Ogundipe (2018) argument that field audits had significant influence on tax compliance. In addition, the findings conform to Karemera (2017) findings that desk tax audit had a positive influence on tax compliance. Further, the findings are in agreement with Alemu (2020) observations that Correspondence audit has a positive influence on tax compliance.

Desk audit has a positive and significant effect on tax compliance in Kenya ($\beta_1=0.883$, p value= 0.000). Since, p -value (0.000) was less than 0.05 , the association was considered to be significant. This denotes that enhancement in desk audit would increase in tax compliance in Kenya. The results conform to Olaoye et al. (2018) who disclosed that desk audit has significant positive relation with tax compliance. The findings also conform to Amah and Nwaiwu (2018) observations that desk audit had a significant and positive influence on personal income tax. Also, the findings align with Karemera (2017) observations that desk tax audit positively influenced tax compliance.

Further, field audit has a positive and significant effect on tax compliance in Kenya ($\beta_1=0.287$, p value= 0.045). Since, p -value (0.000) was less than 0.05 , this association was considered to be significant. This implies that enhancement in field audit would increase tax compliance. The findings are also conforming to Olaoye, Solanke and Ogunleye (2018) argument that field audit influences tax compliance significantly. In addition, the findings disagree with Mudakemwa, Maringa and Uzikwambara (2022) observations that field audit had a strong positive relation with tax compliance. Further,

the findings agree with Leandra (2018) observations that field audit had a positive significant impact on tax compliance.

Also, back duty audit has a positive and significant effect on tax compliance in Kenya ($\beta_1=0.697$, $p\text{-value}=0.000$). Since, $p\text{-value}$ (0.000) was less than 0.05, this association was considered to be significant. This denotes that enhancement in back duty audit would enhance tax compliance. The results conform to Adediran, Alade, and Oshode (2018) observation that back duty audit influences revenue collection significantly and positively. In addition, the findings are consistent to Mulugeta (2019) observations that back duty audit positively and significantly impacted both tax compliance and income. Further, the findings conform to Macgregor and Nwaiwu (2018) observations that back duty tax audits were discovered to have great impact on individual and corporate income taxes.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter centers on summarizing the findings, drawing conclusions, and providing recommendations. This inquiry also sought to examine how desk audit, field audit, correspondence audit and back duty audit influences tax compliance.

5.2 Summary

The section aimed at summarizing the findings pertaining to desk audit, field audit, correspondence audit and back duty audit.

5.2.1 Desk Audit

The findings established that had a positive and significant effect on tax compliance in Kenya. Moreover, KRA requests the tax payer to provide more documents to support the submitted return. The organization also uses letters to request the tax payer to provide more information on submitted return. In addition, the study found that KRA is interested in getting some extra evidence to make sure information on tax return is accurate and proper. Further, the documents requested from the taxpayer provide adequate information to support the tax return submitted. Also, taxpayers' books and financial records are thoroughly inspected. Desk audit is conducted at the tax office where tax payer's books and financial records are examined.

The study revealed that KRA examines the information on tax return to ensure it is accurate and proper. The audit is closed so long as the returns are examined, and the taxpayer has evidence. Further, after assessment, the tax payer may face fines and

penalties if the tax return is found to be inaccurate. However, tax officials may not get all the necessary information after analyzing the taxpayers' books and financial records. KRA officials hold meetings with the tax payers and also make phone calls to the taxpayer. The study established that desk audit allows for more in depth analysis on the information available on the taxpayer returns. In addition, desk audit provides insights on trends and patterns on the taxpayer level of compliance which helps highlights instances of non-compliance.

5.2.2 Field Audit

The findings further revealed that field audit had a positive and significant effect on tax compliance in Kenya. Moreover, study disclosed that tax officials usually visit the taxpayers' place of business in order to examine the business financial records. The study also found that KRA conducts registration checks to ensure the taxpayer engages in legal business. The study also found that physical verification of documents ensures no fake documents are presented. In addition, KRA officials examine the facts and figures to ensure information provided is accurate.

The study disclosed that tax officials were contented with the way in which registration checks were conducted. In addition, the study found that tax officials visit accountant's office to analyze business financial records and ensure tax returns are filed accurately. Also, the study found that assessment of the registration ensure the taxpayer pay tax for goods and services that they were registered to offer. Moreover, the study established that facts and figures make it easier to conduct the audit.

The study disclosed that tax officials were all satisfied with the way in which verification of documents is carried out. In addition, verification of documents is made by tax official in-person. The study also found that figures condense detailed

information and thus avoid complex information and data. In addition, field audits are effective in tax compliance as it ensures physical verification of documents and registration checks. In addition, more information can be obtained in a field audit as staff can obtain information that the taxpayer may not have provided.

5.2.3 Correspondence Audit

The findings revealed that correspondence audit had a positive and significant effect on tax compliance in Kenya. Moreover, researcher established that tax officials were satisfied with the way in which confirmation of deductions is carried out. Further, the study also disclosed that accurate confirmation of deductions ensure correct taxes are paid. In addition, KRA officials use telephone to request the taxpayers to provide explanations on submitted returns. In addition, KRA officials ensure proper deductions are made. The study revealed that telephone calls provide interactive communication with the tax payer. In addition, KRA uses emails to request for additional documents from the taxpayers. The study also found tax officials usually request taxpayers to provide some additional documents in the office for examination. Moreover, the study found that telephone calls provide immediate personal response.

The study revealed that document examination takes place in the tax office. In addition, during audit, they examine books and financial records of the taxpayer in-person. Also, the study found that the tax officials were satisfied with the use of email as a means of communication with the tax payer. Further, it was easy to trace any information provided through the Email. Correspondence audit heavily influences compliance as it is only through obtaining additional information/corresponding with the taxpayer that an individual can assess compliance status. In addition, using correspondence audit, the KRA checks integrity of taxpayer through mail and asks the person to provide

documentation of any deductions or exemptions they claim, either by filling out a special form or enclosing photocopies of the pertinent financial records.

5.2.4 Back Duty Audit

The findings indicated that back duty audit affects tax compliance in Kenya significantly and positively. Moreover, appointment of an accountant allows staffs to analyze business financial records. The study also found that tax officials were satisfied with the way timelines identification is done. In addition, the study found that tax officials can develop capital statement with ease. Also, the study revealed that proper identification of timeliness enables the tax payers to organize all the document and avail themselves. Furthermore, the study uncovered that appointing an accountant allows staff to access taxpayer records for a restricted period of six years preceding the year of the audit. In addition, the study found that development of capital statement analysis helps in identifying under-reported income. Also, the study revealed that the tax payers get earlier notification before tax audit exercise begins. Further, the study found that tax officials were capable of identifying under-reported income from the capital statement.

The study established that tax officials book an appointment with the accountant on time. In addition, the tax officials could obtain information on when business profits level has been understated. The study found that the tax officials acquire information on when the source of revenue has been overlooked from tax return. In addition, back duty audits help in identifying areas of non-compliance where the taxpayer understated the taxes due. Further, in most cases taxpayers do not know how to arrive at the right tax base leading to inaccurate payment of taxes. Back duty audits help in identifying areas of non-compliance where the taxpayer understated the taxes due. Kenya Revenue

Authority Staff might have grounds to believe that a taxed person has not submitted a complete or accurate income tax return. To ascertain their true position, the organization will conduct additional research.

5.3 Conclusions

The study concludes that that desk audit positively and significantly affected tax compliance in Kenya. The findings revealed that desk audit (scrutiny of taxpayers' books and records, administrative checks on returns, no official communication with taxpayer and request for more documents) affected tax compliance. This implies that an improvement in desk audit leads to an improvement in tax compliance.

In addition, the study concludes that field audit positively and significantly affected tax compliance in Kenya. The findings revealed that field audit (Visits to taxpayers, Physical verification of documents, Confirmation of facts and figures and Registration checks influences tax compliance) affected tax compliance in Kenya. The findings imply that an enhancement in field audit will lead to an enhancement in tax compliance in Kenya.

Further, the study concludes that correspondence audit positively and significantly affected tax compliance in Kenya. The findings revealed that correspondence audit (report, notification by email, telephone calls, simple document examination and confirmation of deductions) affected tax compliance in Kenya. The findings imply that improvement in correspondence audit would improve compliance.

The study concludes that back duty audit positively and significantly affected tax compliance in Kenya. The findings revealed that back duty audit (obtaining of information, identification of timelines, appointment of an accountant and development of capital statement) affected tax compliance in Kenya. This implies that an

enhancement in back duty audit will result to enhancement in tax compliance.

5.4 Recommendations

5.4.1 Kenya Revenue Authority management

The research disclosed that desk audits influences tax compliance in Kenya. Therefore KRA should enhance desk audits by requesting the tax payers to provide more documents including books and financial records to support the submitted returns. In addition, tax officials should also make use of phone calls to communicate with the tax payers during tax audits.

The study disclosed that field audits influences tax compliance in Kenya. Therefore, KRA should enhance field audits so as to ensure physical verification of documents by tax official in person so that no fake documents are presented. The study also found that tax officials were not visiting taxpayer's home to assess individual financial records. This study recommends that KRA should expand the field audits to include visiting the taxpayers in their homes.

The study found that correspondence audit influences tax compliance in Kenya. Therefore, KRA should enhance the use of correspondence audit by using use emails to request for additional documents from the taxpayers and examine books and financial records in the tax office. The study also recommends that KRA should use telephones to request the taxpayers to provide explanations on submitted returns.

The study disclosed that back duty audits influences tax compliance in Kenya. Therefore, KRA should enhance the use of back duty audits by increasing appointments with tax payers and their accountants so as to improve the identification of under-reported income from the capital statement as well as allow tax officials to analyze

business financial records.

5.4.2 Kenyan Government and Policymakers

Given the positive relationship between desk audits, field audits, correspondence audits, and tax compliance, the government should invest in enhancing the capacity of the Kenya Revenue Authority (KRA) to conduct comprehensive and effective audits. This could involve increasing the number of trained auditors, expanding technological infrastructure for data collection and analysis, and fostering better communication channels for official correspondence with taxpayers. By improving the quality and coverage of audits—both desk and field-based—the government can significantly reduce tax evasion and improve overall compliance. In particular, expanding the use of electronic platforms for tax return filing and communication could facilitate quicker response times and reduce the administrative burden on both taxpayers and auditors.

Policymakers should also prioritize back duty audits to ensure that past non-compliance is addressed. The findings suggest that back duty audits have a significant positive effect on compliance, particularly when clear timelines, proper documentation, and accountability mechanisms are in place. To increase the efficacy of back duty audits, it would be beneficial for the government to implement stricter enforcement mechanisms, such as establishing more detailed records of taxpayer histories and promoting transparency in how audits are conducted. This would ensure that non-compliant taxpayers are held accountable, further incentivizing tax compliance. Additionally, policymakers could integrate incentive structures for taxpayers who proactively correct past underreporting before being audited, which would promote a culture of voluntary.

5.4.3 Academicians and Researchers

Academicians and researchers should conduct further studies to examine the varying

effectiveness of different tax audit strategies in enhancing compliance, not only within Kenya but also in other developing countries. The study highlights the significant positive correlation between desk audits, field audits, correspondence audits, and back duty audits with tax compliance. Future research can explore how these audit strategies can be optimized through technological innovations (e.g., AI in data analysis) and how these strategies differ in impact based on taxpayer demographics or sector-specific challenges. Comparative studies could also be conducted to assess the effectiveness of audits in various tax systems globally, considering factors such as legal frameworks, taxpayer attitudes, and audit methodologies.

Given the significant influence of various tax audit methods on compliance, researchers are encouraged to explore the underlying behavioral factors driving tax compliance in the context of Kenya. Studies should investigate how factors like taxpayer trust in government, perceived fairness of audits, and the role of social norms in shaping compliance influence the effectiveness of audits. This can help inform not only auditing strategies but also the design of policies aimed at fostering voluntary compliance, reducing the costs of enforcement, and building trust between taxpayers and tax authorities (Murphy & McGrath, 2013). A focus on understanding the psychological and social aspects of tax compliance, alongside traditional economic measures, can provide a more holistic approach to tax administration and compliance improvement.

5.5 Recommendation for Further Studies

The researcher assessed the relation between tax audits and tax compliance in Kenya. However, this inquiry collected data from staff working in Kenya Revenue Authority only. As such, the views and opinions of the tax payers were not considered in this study. Thus, the study suggests further researches on tax audits and tax compliance in Kenya from perspective of tax payers. The researcher also found that tax audits could only explain 87.8% of the tax compliance. As such, more studies ought to be performed on other factors influencing tax compliance in Kenya.

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APPENDICES

Appendix I: Questionnaire

The researcher intends to examine tax audits and tax compliance. The information will be employed for learning. The data obtained will be handled with privacy.

Section A: General Information

1. Indicate duration in which you have worked in this firm

Below 2 years [] 3 and 5 years []
 6 and 8 years [] 9 and 11 years []
 Over 12 years []

Section B: Correspondence audit and Tax compliance

2. Specify your agreement level on correspondence audit and tax compliance and tax compliance in Kenya using scale of SA denotes Strongly Agree; A denotes Agree; N denotes Neutral; D denotes Disagree; and SD denotes Strongly Disagree

Parameters	SD	D	N	A	SA
Notification by email					
Our organization use email to request for additional documents from the tax payers					
It is easy to trace any information provided through the Email					
Am satisfied with the use of email as a means of communication with the tax payer					

Telephone calls					
Our organization use telephone to request the taxpayers to provide explanations on submitted returns					
Telephone calls provide immediate personal response					
Telephone calls provide interactive communication with the tax payer					
Simple document examination					
Our organization usually request the taxpayers to provide some additional documents in the office for examination					
Document examination takes place in the tax office					
During audit, we examine books and financial records of the taxpayers in-person					
Confirmation of deductions					
Our organization ensure proper deductions are made					
Accurate confirmation of deductions ensure correct taxes are paid					
Am satisfied with the way in which confirmation of deductions is carried out					

3. How else does correspondence audit influence tax compliance in Kenya?

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Section C: Desk audit

4. Kindly indicate your agreement level on various statements pertaining to desk audit and tax compliance

Parameters	S	D	N	A	S
	D				A
Scrutiny of taxpayers' books and financial records					
Taxpayers' books and financial records are thoroughly inspected					
I am able to get all the necessary information after analyzing the taxpayers' books and financial records					
Am satisfied with the way in which scrutiny of taxpayers' books and financial records					
Administrative checks on returns					
Our organization examine the information on tax return to ensure it is accurate and proper					
The audit is closed so long as the returns are examined and the taxpayer has evidence					
After assessment, the tax payer may face fines and penalties if the tax return are found to be inaccurate,					
No official communication with taxpayer					
Our organization does not hold no meetings with the tax payers					
Our organization does not make phone calls to the tax payer					
Our organization use letters to request the tax payer to provide more information on submitted return.					
Request for more documents					
Our organization request the tax payer to provide more documents to support the submitted return					
Our organization is only interested in getting some extra					

evidence to make sure the information on tax return is accurate and proper.					
The documents requested from the tax payer provide adequate information to support the tax return submitted					

5. How else does desk audit influence tax compliance?

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Section D: Field Audits

6. Kindly indicate your agreement level on various statements pertaining to field audits and NG- tax compliance

Parameters	S	D	N	A	S
	D				A
Visits to the taxpayers					
I visit taxpayer's home to assess individual financial records					
I usually visit the taxpayers' place of business in order to examine the business financial records					
I visit accountant's office to analyze business financial records and ensure tax return are filed accurately					
Physical verification of documents					
Verification of documents are made by tax official in-person					
Physical verification of documents ensure no fake documents are presented					

Am satisfied with the way in which verification of documents is carried out					
Confirmation of facts and figures					
Our organization examine the facts and figures to ensure information provided is accurate					
Figures condense detailed information and thus avoid complex information and data					
Facts and figures make it easier to conduct the audit					
Registration checks					
Our organization conduct registration checks to ensure the taxpayer engages in legal business					
Assessment of the registration ensure the taxpayer pay tax for goods and services that they were registered to offer					
Am satisfied with the way in which registration checks are conducted					

7. How else does field audit influence tax compliance?

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Section E: Back Duty Audits

8. Indicate your agreement level on statements pertaining to back duty audits and tax compliance

Parameters	SD	D	N	A	SA
Obtaining of information					
Am able to obtain information on when the level of business profits has been understated					
I am able to acquire information on when the source of revenue has been overlooked from tax return					
I am capable of acquiring information when double claim for capital allowance in respect to present or past years					
Identification of timelines					
The tax payers get earlier notification before tax audit exercise begins					
Proper identification of timeliness enable the tax payers to organize all the document and avail themselves					
Am satisfied with the way timelines identification is done					
Appointment of an accountant					
Our organization book an appointment with the accountant on time					
Appointment of an accountant allows me to analyze business financial records					
Appointment of an accountant enables me to access taxpayer's records to limited period of six years before year of actual audit.					
Development of capital statement					
I am able to develop capital statement with ease					
Development of capital statement analysis helps in identifying under-reported income.					
I am capable of identifying under-reported income from the capital					

statement					
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9. How else does Back Duty Audit influence tax compliance?

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Section F Tax compliance

10. Kindly indicate your agreement level on various statements relating to tax compliance in Kenya

Statements	S	D	N	A	S
	D				A
Timely payment of tax					
Timely payment of tax is a major problem facing many large taxpayers					
Organizations always pay its taxes in time					
Organizations have never been fined for late payment of tax					
Accurate payment of taxes					
I have adequate information on how to correctly calculate the taxes to be paid					
The tax base is very complicated					
Organizations always ensure accuracy in payment of its taxes					
Organizations have never been fined for inaccurate payment of taxes					
Increased amount of tax					
The amount of collected on yearly basis has been decreasing					
The amount of tax collected on yearly basis has been increasing					
Am satisfied with revenue collected from tax payers					

Appendix II: Data Extraction Tool

Year	2017	2018	2019	2020	2021
Amount of tax collected (Ksh.)					

Appendix III: NACOSTI Permit



REPUBLIC OF KENYA

RefNo: 850487



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Date of Issue: 14/February/2024

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National Commission for Science, Technology and
Innovation(NACOSTI),
Off Waiyaki Way, Upper Kabete,
P. O. Box 30623 - 00100 Nairobi, KENYA
Telephone: 020 4007000, 0713788787, 0735404245
E-mail: dg@nacosti.go.ke
Website: www.nacosti.go.ke