

Tax Collection Strategies and Compliance of Residential Rental Income Earners in Kasarani Sub-County, Kenya

Opiili David Ojuma¹, Margaret Kosgei²

¹Researcher, School of Business, Economics and Tourism, Kenyatta University, Kenya

²Department Accounting and Finance, School of business, Economics and Tourism, Kenyatta University, Kenya

ABSTRACT

Financial freedom is one of the goals economies dream to achieve in both developed and developing nations through taxation. However, non-compliance according to previous literature hindered tax authorities from achieving the set tax collection targets. Drop in National Residential rental income tax collection was reported in the year 2020 by Organization for Economic Cooperation and Development in Kenya. Similarly, the Country's tax authority data revealed reduction in tax collection for Kasarani Sub County in the year 2020/2021. The key objective of this research was to investigate influence that tax collection strategies have on the compliance of residential rental income earners in Kasarani sub-county in Kenya. The specific objectives aimed at determining the influence of taxpayers trust building, Knowledge & tax awareness, modern technology adoption and effective tax law enforcement strategies on the compliance of residential property owners. The research was anchored on the social exchange, reasoned action, technology acceptance and economic deterrence theories. Descriptive research design was applied to evaluate the influence of independent variables on the dependent ones. A population of 871 property owners was considered with 274 respondents obtained from population target in aid of stratified sample model whereas questionnaires were applied in collecting primary data. Analysis of data was run on multiple regression model supported with descriptive techniques. Validity test together with reliability analysis was done using Analysis of Variance and Cronbach Alpha models. Multicollinearity, normality, heteroscedasticity, and linearity tests were undertaken for diagnostic purpose. Study findings indicated that tax payer's trust building ($t=3.399$, $p<0.05$), knowledge & awareness campaign ($t=5.732$, $p<0.05$), modern technology ($t=2.897$, $p<0.05$) and effective tax law enforcement strategy ($t=4.795$, $p<0.05$) had positive and significant effect on the compliance of Residential Rental Income earners in Kasarani Sub County. The study concluded that mutual trust building aided mobilization of public support for tax collection agenda prompting the initially skeptic residential rental income taxpayers to embrace tax compliance, that tax knowledge & awareness strategy positively affected tax compliance, tax collection and reporting through the modern technology based systems proved to significantly support tax compliance and that the tax law enforcement measure is very strategic in influencing tax income collection. Study recommended use of competitive communication skills as a trust building window in formal and informal interactions between the taxpayer and agency on matters tax compliance. The study recommended the training of taxpayers on use of technology and expansion of its tax labs centers networks close at the Sub County level for easy access.

Key Words: Rental Income Taxation, Rental Property Income Tax, Technology in Taxation, Tax compliance

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1.0 Introduction

1.1 Background of Study

Being a window for revenue to many economies worldwide, fiscal policies development in taxation is fundamental. International Monetary Fund-IMF (2021) report indicates tax revenue contributed to 47.5% of the total Gross domestic product globally. However, compliance remains a tax policy issue of core importance and concern to both developed and developing economies where a significant rate of non-compliance is registered in developing nations. Tax avoidance and evasion is relatively high in developing economies with 15% compliance while developed countries record 40% (Akitoby, 2018). Previous reports indicate global economies lose at least 8% of its GDP in tax evasion (Rile, 2011) with 2% and 10% recorded in South and North America respectively. Nigeria with the highest population in the African continent is reported to only collect tax revenues in USD 27.5 billion being two times lower than South Africa USD 57b accordingly (fiawoo, 2018) study.

Tax income collection has been growing gradually for Kenya despite some target misses reported. In the previous financial reports, it's confirmed that KRA collected KES 1.58 trillion against target of KES 1.8 trillion due to tax compliance challenge. Future tax collection sustainability on rental income, gives projections that urban habitat pressure show that Nairobi City County is expected to grow a population of 10 million residents by the year 2050 with a sizable number of slum dwellers. This report shows an investment opportunity for real estate developers who can exploit further in property investment which is expected to contribute more rental tax revenue for government given right tax collection strategies. In view of the above context Kenya tax agency introduced a new tax regime via finance Act 2015 charging tax at the flat rate of 10% on gross income on rented property.

The new tax regime is structured to facilitate ease of tax compliance among the property holders in the governments bid to mobilize more revenues to finance its operations and relief itself from debt reliance. KPPRA (2021) report indicated swelling of debt in Kenya during the Covid-19 Pandemic from KES 6.28 trillion to KES 7.34 trillion. The need is evident to have the identified tax collection strategies evaluated to evaluate the effect of tax collection strategies in motivation of compliance amongst residential property owners in Kasarani Sub County, Kenya.

1.2 Statement of the Problem

Introduction of the current tax on residential rental income was purposely designed to encourage the property income earners to easily adhere to tax compliance requirements. However, despite this initiative by the KRA tax noncompliance remains a threat to tax collection targets in the sector. Kenya being developing economy rely more so on tax revenue mobilization to finance its national budget (Yatani, 2021). In the report by OECD (2023), focusing "Revenue statistics in Africa," indicate Kenya's national property income tax revenue staggering at 38.2%, 22.1%, 49.6%, (23.6%), 13.7% year 2016 to 2020 respectively. This bad trend is an explicit indicator of noncompliance behavior among the property income earners in the country at large. KRA (2021)

data in Kasarani Sub County show erratic tax collection of 9.5%, 13.7%, 16%, 21.5%, 18.9%, 20.4% year 2016 to 2021 respectively informing of fiscal gap in tax compliance. In view of the above statistics investigation should be undertaken on the tax collection strategies applied by KRA to determine their effect on RRIT compliance in Kasarani Sub County, Kenya.

Nyarkpoh (2018) carried on study to find out the influence of trust on compliance of taxpayer in Ghana. Findings revealed that trust in government significantly influenced tax compliance. It was noted that quality services provision, fair & equitable tax system and integrity can build trust between the property tax payers and KRA through attitude and perception change. This study however was carried out in Ghana whose socioeconomics factors are different to Kenya where the current study was based. Obongo et al., (2018) examined how the knowledge & awareness influenced tax compliance among EPZ investors. The cross sectional design survey was applied. Findings revealed close correlation between tax knowledge & awareness with tax compliance since the taxpayers had good knowledge and aware of the laws and regulations of taxation. Cross sectional survey study design was adopted while the current study shall focus on descriptive model of data analysis.

Mathenge (2021) conducted study to examine the influence of technology reforms on tax compliance amongst SME's in the county of Nyeri. Outcome of this research indicated that the technological tax reforms positively influenced tax compliance, with moderate training carried out among the SME's on the use of iTax, e- registration to meet compliance. Study focused on SME's whereas the current research dwelled on property rental owners. Rosid and Romadhaniah (2021) assessed the effects tax enforcement in enhancing tax level of compliance in Indonesia. The end results of the study indicated effective law enforcement positively influenced tax compliance. Most taxpayers fear criminal investigations, property forfeiture and hefty penalties charged for non-compliance. This study analyzed data from 352 tax offices, where the current research focused one tax office. The four literature reviews focused on SME's, EPZ investors, and tax officials with no focus on property income earners as intended by the current study.

1.3 Objectives of study

This section addresses general and specific objectives of the study.

1.3.1 General Objective

Investigated effects of tax collection strategies and compliance of residential rental income earners in Kasarani Sub County, Kenya

1.3.2 Specific Objectives

The study was guided by the following specific objectives:

- i. Evaluate effect of taxpayers trust building strategy on rental income earners compliance in Kasarani Sub County.
- ii. Investigate the effect of knowledge & awareness campaign strategy on rental property income earners compliance in Kasarani Sub County.
- iii. Investigate the influence of modern technology adoption strategy on the residential income earners compliance in Kasarani Sub County.
- iv. Examine law enforcement strategy impact residential property owner's compliance in Kasarani Sub County.

2.0 Literature Review

2.2 Theoretical Literature Review

The section highlights relevant theories that constitute suitable ground for research. These theories are oriented towards human behaviors in regard to tax compliance obligation.

2.2.1 Theory of Social Exchange

It was proposed by George Humans in 1958. He was a socialist who also adopted the idea of psychology behavior on human by Burrhus Frederic Skinner American Psychologists with principles of economics in bid to make it better. It assumes that people are motivated to receive rewards or benefits for the costs or expenses they undergo. The theory is linked to a social exchange contract between the taxpayer and tax authority where both parties are mutually inclusive in social exchange accomplishments. The tax authorities legally influence persons to fulfil their obligations of tax compliance and in return receive quality goods and services (Umar, Derashid and Ibrahim, 2017). The taxpayer and government relationship is based on the social exchange hypothesis. Default in the part government to offer adequate, quality goods & services reduced taxpayer compliance confidence (Lee, Gokalp & Kim, 2021). Tax payer's attitude & perception change may influence trust towards government (KRA) in reference to matters corruption, high tax compliance costs, poor service provision and equity. The social exchange theory aspect can be achieved where both parties are dedicated to win-win game scenario thus building trust building indicative. Employees of an organization were devoted to work if the company provides financial assistance and job growth, creating a sense of obligation for them to reciprocate (Yigit, 2016). The social exchange theory is relevant in supporting ideals of this study on trust building strategy between the residential rental income earners and KRA in embracing tax compliance.

2.2.2 Reasoned Action Theory

This theory was proposed by Fishbein and Ajzen in 1975. In the year 1980 modification was effected to align it with the dynamic circumstances of the time. According to this theory, attitude and perception are assumed to influence the course of action on human behavior. Systematic use of disposable information is paramount in decision-making process (Azam, Bertolotti, Board, and Atif(2020). This theory stresses individual's intent as a function of social influence and personal factors. Social influence factor is peer pressure around a person performing or non-performing a specific behavior which is purely subjective. Individual factors are pros and cons evaluation on outcome of behavior. These two theorists' formulations and attitudes are influenced by the function of believing about behavior and the social values of that behavior or feedback. Individual beliefs directly affect subjective norms of relevant referents on behavior and drive to comply with the referents. According to this theory, behavior under optimum control and attitude are derived from beliefs and behavior from behavioral intentions (Kaiser and Lange, 2021). The determinant of behavior is also directed by intention to cause the behavior (positive & negative evaluation) as well as an influence by the attitude executing behavior on traditional norms (Scoppa, 2021). This theory is relevant in understanding link between tax knowledge & awareness strategy and compliance by residential property owners of Kasarani Sub County.

2.2.3 The Theory of Technology Acceptance

The proposer is Fred Davis in 1986. The theory focuses on usability and simplicity as the indicator of system application objective with intention to be a catalyst for implementation in this conception. It would also be of sufficient motivation to implement a proposed system if organizational tasks were made more straightforward. The author assumes the conditions that should be met for technology to bring about significant changes (David, 1988). The perceived ease of use and its usefulness positively motivated intention for adoption (Davis, 1989).

Seagers & Grovers (1993) examined a replication of Davis Adam's study and critiqued the existing model before proposing a new one based on three criteria. The utility usability of the 14-system efficacy, both believed that functionality and perceived performance were crucial while adopting new technology. The technology acceptance theory is thus an appropriate paradigm when considering adopting technology to boost a firm's performance. Additionally, it is based on the principles of streamlining organizational chores, maintaining performance effectiveness and processing capacity. This theory is relevant in understanding the benefit of adopting current technology as a strategy in collecting tax.

2. 2. 4 Economic Deterrence theory

It was proposed by theorist known as Becker in the year (1968). He assumes economical losses should not exceed benefits or profits of an undertaking, otherwise socioeconomic action shall be taken to minimize or stop it altogether. Governments deter individuals who don't adhere to fiscal laws by imposing sometimes very punitive measures via penalties and fines to correct the situation. Tax compliance or non-compliance can get affected by policy elements such as tax regime that influence tax evasion and the likelihood of detection with consequences thereon. The cost of fraud is determined by the repercussions implying that if given likelihood of identification and severity of the sanctions or punishment, very few tax cheats would be reported. The deterrence hypothesis was developed to address the problem associated with tax compliance (Mathenge & Abdul, 2021). It contended that tax evaders have the thinking of benefits maximizing when they cheat the tax system. Study by Alm and EL-Ganainy (2013), hypothesis on deterrence are based on weight of avoiding taxman's detection compared to the potential for penalties if found out. According to Alstadsaeter, Johannesen & Zucman (2018), illegal means are intentionally and knowingly used for tax evasion through non-disclosure of actual income made. Taxpayers can be persuaded or compelled to comply as much as the deterrence objective is achieved. Most theorists argue that in order to ensure tax compliance, tax reforms are necessary. Therefore economic deterrence theory in its full context supports the employment of effective tax law enforcement strategy in influencing compliance of property income earners.

2. 3 Empirical Literature Review

Involved literature review of previous scholars.

2.3.1 Taxpayer Trust Building Strategy and Compliance of Residential Rental Income Earners

Otindo (2019) carried out investigation to determine factors affecting compliance behavior by taxpayers on revenue performance in Kenya. In this research, the binary probit model was adopted to analyze data from the Afro barometer survey. The research outcome revealed taxpayer trust on KRA administration & patriotism had significantly positive influence of likelihood to embrace compliance. In contrast, education and demographic factors moderately influenced the compliance

likelihood of the taxpayers. Recommendations were made to expand tax education, transparency & accountability, and taxpayer participation in tax policy matters. However, current research looked at general taxpayer compliance in Kenya, unlike the proposed research, that focused on the compliance of residential rental income earners.

Nyarkpoh (2018) studied how taxpayers trust in the government affect compliance in Ghana. This study adopted an Afro Barometer Round 6 survey to collect data for analysis in determining influence of trust in tax payments. The binary probit model was applied to generate a trust in government index based on Rothstein's (2005) and Rothstein's & Teorellis (2008) with in - out model. This was used to investigate how trust compliance is impacted by trust in government. According to outcome the research confidence in tax authority has large and favorable influence of likelihood on tax compliance. In addition, the research outcome also indicated that covariates like low corruption and high-security levels had significantly and positively influenced the likelihood of compliance in tax. It was recommended that the government should provide adequate quality goods and services, control corruption and enhance safety of citizen in order to win the trust and consequently improve tax compliance. However, a gap emerged in this study where no adequate public data was available to the users due to Afro barometer data, which is only helpful for the cross-sectional analysis of taxation studies. However, the current study employed the use of questionnaires to collect enough data for better outcome.

Sakirin, Darwanis, & Abdullah (2021).), examined the effects of knowledge, trust level & religiosity on tax payer's compliance in property tax payment in Indonesia. Sample of 396 property owners were drawn from a total population of 34,000. The researchers used questionnaires in collecting data for analysis together with regression model. The outcome revealed trust significantly and positively influenced property tax compliance. In contrast, tax education partially influenced tax compliance and religiosity insignificantly and negatively influenced compliance in property tax. This research focused on general property owners other than residential rental property owners.

Maelo (2020) investigated the elements influencing VAT compliance among Hotels in Nakuru, Kenya. This study was conducted for three years, examining trust, social norms, and perception variables. The aim was to determine the extent of VAT compliance. The theories of planned behavior, social contract, and cognitive dissonance informed the research. The causal link between trust and social norms, perception and VAT compliance was investigated using an explanatory research approach. Data was collected using questionnaires from 284 hotels out of 1076 total population, with inferential and descriptive models considered for data analysis. Analysis showed trust significantly and positively influenced VAT compliance, whereas social norms and perception partially influenced VAT compliance. Theories of planned behavior and cognitive dissonance confirmed the study's outcome and recommendation to improve trust among the stakeholders via efficient resource allocation by government. Positive compliance tax norms by hotels were also important.

2.3.2 Tax Knowledge & Awareness Strategy and Compliance of Residential Rental Income Earners

Asshfaw and Sebat's (2019) examined factors determining tax compliance in Kaffa, Bench Maji and Sheka Zones, Ethiopia. Structured questionnaires were applied to 311 randomly selected taxpayers. Analysis outcome revealed education level, knowledge & awareness, tax system simplicity, attitude, perceived government role and reward of loyal taxpayers positively affected

compliance. Recommendation made to develop simplified system of tax, reward loyal taxpayers, and ensure accountability and transparency in tax revenue collected. This study examined data collected using an econometric model (Ordered logit regression model), whereas the proposed study adopted a multiple regression model in examining data collected. Triandani and Apollo (2020) analyzed knowledge of taxation and awareness on compliance among individual entrepreneurs of Tangerang region of Indonesia. Sample obtained using simple random method for investigation, in which 70 individual entrepreneurs were selected for analysis. Multiple regression analysis was employed to process data via statistical research software model. Regression findings indicate taxpayer understanding & awareness on tax matters positively and significantly influenced compliance. Research focused more on individual entrepreneurs' tax compliance than the proposed study, which focused on individual residential property investor's tax compliance.

Geremew (2017) studied effects of system tax factors on property income earners tax compliance in Hawassa, Ethiopia. Mixed study approach with descriptive research design applying. Cross-sectional survey model was used to interrogate rental income tax compliance among the taxpayers. Sample applied was 153 with standard questionnaires sent out to 161 respondents. Data were analyzed using statistical software (SPSS) model 20 and quantitative data were analyzed by multiple regression, correlation and reliability tests done on the data's validity. The outcome showed tax unawareness, peer influence, perception, education level, lack of incentives & trust positively influenced the compliance. Research applied 153 taxpayers to collect data in the Hawassa City of Ethiopia. In contrast, the proposed study employed a sample of 274 Property owners in Kasarani Sub County, Kenya.

Mushinge, Shilengwe, Kanyense & Mwenya (2021) studied compliance level amongst residential owners and hindering factors of Kitwe City, Zambia. Primary and Secondary data was considered in adopting survey methodology for obtaining responses from six tax authority officers, one hundred forty tenants and one hundred twenty-eight landlords. The results indicated lack of tax awareness component contributed to reduced tax compliance. The research took place in Zambia, whereas proposed research shall be undertaken in Kenya. Omondi and Theuri (2019) examined compliance costs and tax awareness effects on the compliance of small and medium enterprises in Nakuru. Structured questionnaires were sent for data collection from 302 SMEs out of 1416 target population. Application of descriptive & inferential model on data analyzing was adopted. Findings of the study show tax awareness positively and significantly influenced tax compliance. This research recommended initiating programs to enhance training and sensitization of the taxpayers (SMEs) to create awareness of tax requirements. MSME were considered on the study whereas current research shall dwell on compliance of residential rental property owners.

Obongo (2020) studied how tax knowledge and awareness influenced compliance by investors in the EPZ, Kenya. A model of Cross-sectional survey was adopted in which 152 fully registered firms were drawn via census sampling. Five-point Likert questionnaires were applied in data collection for investigation. Analysis of Variation (ANOVA) model was applied. Multiple correlation analyses aided the process. The analysis showed that most of the firms under study had put more resources and emphasis on training their employees to empower them with tax regulations and requirements. Analysis outcome of this study indicated positive influence of knowledge & awareness on tax compliance and recommended public awareness campaigns on tax compliance matters. Study focused EPZ investors, while current research shall focus on Residential rental income taxpayers.

2.3.3 Modern Technology Adoption Strategy and Compliance of Residential Rental Income Earners

Sentanu and Budiarta (2019) studied modernization of tax systems and compliance in the Badung Bali, Indonesia. The effect of e-filing and e-billing systems was examined and administration reforms among individual taxpayers in reference to tax compliance. According to the study, tax reporting via technology based system proved to support tax compliance and revenue collection in Bali. The survey method of data collection was applied in aid of questionnaires sent and received back from 100 registered taxpayers sampled from a population of 126,477. The measure of the variables was based on the usability on e-filing and e-billing. This study engaged 100 sampled taxpayers in data collection, whereas the research involves a sample of 274 residential property owners for better results.

Twesige, Gasheja, Baryandama, & Alexis (2019) researched on the tax reforms in Rwanda. The ICT reforms were examined to investigate effects on tax compliance. Descriptive and explanatory design applied during analysis for 56 Rwanda revenue authority employees. Primary and secondary data were collected using questionnaires supported by the Yemen formula for analysis. The study outcome showed that Information Communication Technology (ICT) positively and significantly influenced tax compliance. This study used Yemen's formula to arrive at the sample requirement RRA employee. In contrast proposed study adopted use of the questionnaires.

Masunga, et al. (2020) studied effects of electronic tax system quality and its influence on Tanzania large taxpayer's compliance behavior. Information System Success model (ISSM) was applied with the construct of quality services, quality systems, quality information, satisfaction of users and behavioral intentions in determining compliance character as measure for 313 large taxpayers' responses, collected with the aid of close-ended structured questionnaires. The study evaluated vital variables and their indicators via Partial Least Square Structural Equation (PLS-SEM) with the help of the Smart PLS3 Model. This model's outcome indicated that deployment of electronic system of tax substantially impacted compliance. This study adopted self-administered close-ended questionnaires in data collection, while the proposed study adopts both closed and open-ended questionnaires.

Katua (2019) examined impact of digitizing tax administration and tax compliance by MSMEs in the Nairobi CBD. The key investigative aspect considered the specific objectives of the study being to establish the effects of digitization of tax administration on Compliance. This study embraced the employment of descriptive data analysis methodology. Inferential statistics were undertaken in this study by performing digitization in tax administration against tax compliance. The outcome of inferential analysis showed that digitizing tax administration significantly improved tax compliance while technology mediated administration digitization and tax compliance. This study looked at SMEs while the proposed research looked at Residential property owners in Kasarani Sub County.

Malonza (2016) studied technology influence on medium corporate tax compliance in Kenya. Study used descriptive statistics in analyzing data collected from 75 sampled medium corporate taxpayers from the 1507 total population via structured questionnaires. The SPSS model was used in data analysis whose outcome showed that the use of technology (tax) positively affected medium corporate tax compliance. This study obtained 5% sample from the target population of 1507 taxpayers. In contrast, the proposed research opted for the Israel Glen formula in determining sample size from a target population of 871 taxpayers.

2.3.4 Effective Law Enforcement Strategy and Compliance of Residential Rental Income Earners

Rosid and Romadhaniah (2021) investigated the effects of enforcement on tax compliance improvement in Indonesia. The study adopted census data collection approach for analysis using 352 tax offices in the country. The application of descriptive design was employed during research. Study findings showed a positive and significant impact of effective law enforcement in improving compliance. This study targeted tax authority officials, current study to target Residential property owners. Randelovic (2017) examined tax enforcement technique's effectiveness in improving tax compliance and general revenue collection in Ondo State, Nigeria. This study assessed tax audits, tax penalties, and tax amnesty. A structural questionnaire was adopted in collecting data from 150 sampled respondents from the tax agency together with the government's service board. Regression analysis indicated that any marginal improvement in tax audit and penalty increases tax compliance; however, tax amnesty did not show any positive change. Audit and tax penalty application was recommended. The study looked at tax reforms other than tax collection strategies as compliance drivers.

Kipkoech & Tenai (2016) examined economic elements influencing tax compliance across diverse limited liability companies in the town of Eldoret, Kenya. The aim being to discover effects of costs, rewards, amounts of income, penalties, audit techniques and fines imposed on compliance of limited liability companies under the municipality of Eldoret jurisdiction. A survey methodology was applied in data collection via structured questionnaires from 320 companies drawn from a population of 1470 taxpayers. Statistics such as descriptive & inferential were applied during analysis. Audit represented significant and positive influence in tax compliance followed closely by rate & penalty. Unlike the proposed research which focused more on economic factors driving tax compliance than social factors. Kenya Revenue Authority (2016) assessed tax reforms influence in gross sales tax by SMEs in Kenya's Industrial area. Research survey method was applied to obtain data from 186 respondents sampled from a population of 1240 SMEs with a questionnaire. Regression analysis results indicated positive correlation in reforms with compliance. However, penalties and technical support revealed negative correlation with tax compliance. This study focused at SMEs turnover while the proposed research gross residential rental income taxes which have different charge rates.

2.5 Conceptual Framework

Researchers use conceptual frame work tool in visualizing the mutual relationship between variables in research (Workneh, 2020). According to this project independent variables include taxpayer trust building strategy, tax knowledge & Awareness strategy, Modern technology adoption strategy and Effective tax law enforcement strategies whereas dependent variable is compliance of residential rental income tax.

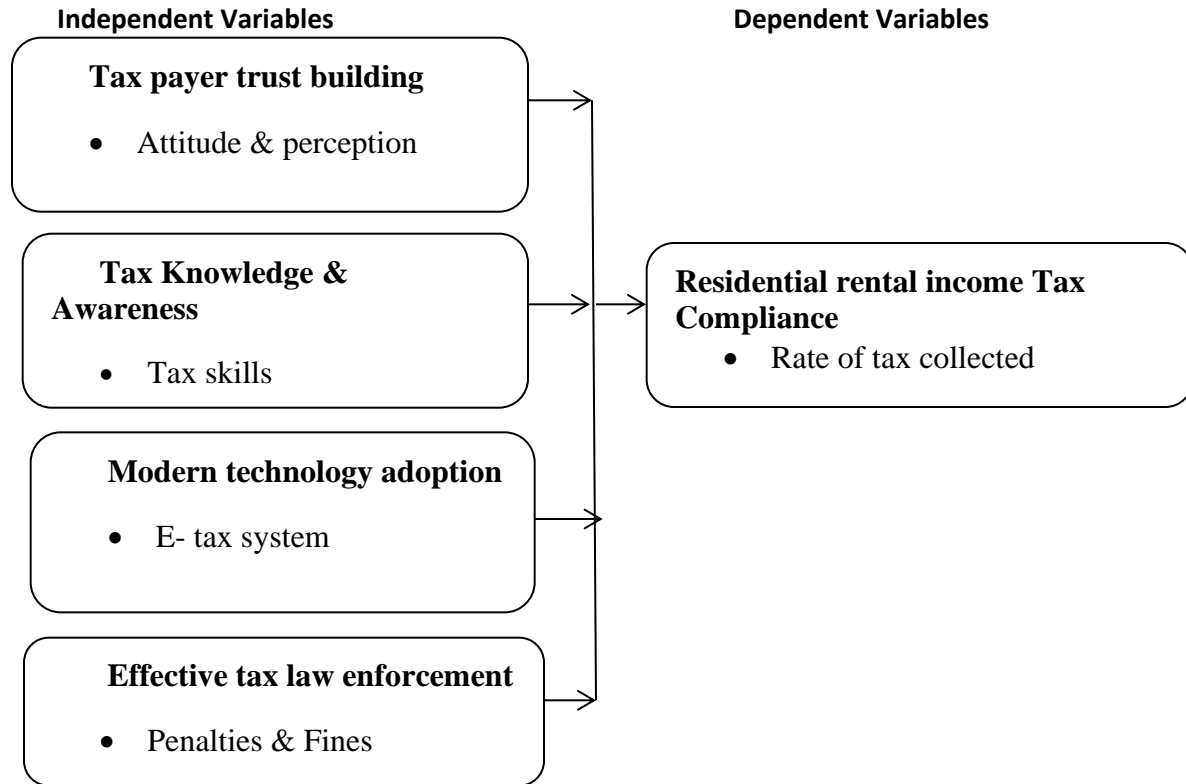


Figure: 1 conceptual framework

Source: researcher (2023)

3.0 Research Methodology

Descriptive technique was used in data acquisition. This is usually done to determine and characterize given variable of interest for a specific context which applied in the proposed study. A descriptive study approach was used to present and determine the state of the phenomena under inquiry as the study attempt to investigate the strategies affecting compliance of residential rental income earners in Kasarani Sub County. The target was 871 residential rental properties in Kasarani Sub County (KRA, 2021). The sample was drawn from a population of 871 landlords registered for tax purposes in Kasarani Sub County, using stratified sampling method. This enabled study of relatively few units (Wards) in order to obtain data that is representative. To determine the sample size of residential rental property owners in Kasarani Sub-County, a formula by Israel Glen D (1992) adopted at 95% confidence.

$$n = N/1+N (e)^2$$

n = Sample size

N = Total target population

e = Sampling error at (5%) at 95% Confidence.

Then:

$$= 871/1+871(.05)^2$$

$$= 871/3.1775$$

$$n = 274$$

A proportion of stratified random sample was selected from the target population.

Personal dropping and picking procedure was used in terms of questionnaires delivery. According to the studies in the previous researches indicating limitations response to questionnaires by respondents thus need to minimize the future possibility (mugenda & mugenda, 2012). Questionnaire was applied for primary data collection from the residential rental income earners in Kasarani Sub County. Both closed and open-ended questionnaires were applied. Questionnaires were subdivided into six parts; Demographic, Taxpayer Trust building strategy, Tax Knowledge & Awareness strategy, Modern technology adoption strategy, Effective tax law enforcement strategy and compliance of residential rental income earners. Secondary data on revenue collected in Kasarani Sub County for period 2016 to 2021 was also sought.

Data from questionnaires were analyzed descriptively and inferentially using SPSS v. 21. The descriptive statistics involved measures of central tendencies. The secondary data was analyzed by comparing KRA reports on residential income revenues covering a period of 2016- 2021. In contrast, inferential statistics involved a multiple regression model. The inferential analysis investigated relationship of variables.

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

Where:

Y = Residential rental income earners compliance

X_1 = Taxpayer trust building strategy

X_2 = Tax Knowledge & Awareness strategy

X_3 = Modern technology adoption strategy

X_4 = Effective tax law enforcement strategy

β_0 = Constant value

$\beta_1 - \beta_3$ = Regression coefficient

ϵ = error term

4.0 Research Findings

Analysis of regression was carried out to determine the influence of one variable to other. This was realized by regression of the independent variables that included; tax payers trust building strategy, knowledge and awareness campaign strategy, modern technology adoption strategy, effective tax law enforcement strategy and tax compliance of RRI earners as dependent variable. The results of the joint regression analysis are displayed in Tables 1, 2 and 3 respectively.

Table: 1. The Model Summary

Model	R'	R' square	Adjust R' squared	Standard Error of the Estimate
1	0.874 ^a	0.709	0.701	0.319

Source: Research Data (2023)

Table 1 shows that the coefficient correlation as represented by the value of R as 0.874, indicating independent variables having very strong link with the performance. The table 4.11 further revealed that the adjusted R2 was 0.701. This means that 70.1% of all differences in the RRI earner's tax compliance in Kasarani Sub County, Kenya can be described by taxpayers' trust building strategy, knowledge and awareness campaign strategy, modern technology adoption strategy and effective tax law enforcement strategy, with the remaining 29.9% described by matters not included in the formula.

The analysis outcome of variance is demonstrated in Table 2 Where significant values are 0.000 being below 0.05 as required.

Table 2: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	228.895	4	57.224	303.399	.000 ^b
	Residual	50.736	265	0.1886		
	Total	279.631	269			

Source: Research Data (2023)

As shown in Table 2 the significant value is at 0.000 which is below 0.05. The outcome value of F at 303.399 was greater than value of mean square at 57.224 implying the model significantly determined the RRI earner's tax compliance in Kasarani Sub County, Kenya.

Table 3: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Standard Error	Beta		
1	(Constant)	.744	.297		2.505	.001
	Tax payer's trust building strategy	.724	.213	.016	3.399	.000
	Knowledge and awareness campaign strategy	.877	.153	.163	5.732	.001
	Modern technology adoption strategy	.588	.203	.047	2.897	.000
	Effective tax law enforcement strategy	.609	.127	.007	4.795	.000

Source: Research Data (2023)

The table 3 findings revealed a constant value of 0.642 representing the rate at which the RRI earners tax compliance in Kasarani Sub County changes when taxpayers trust building strategy, knowledge and awareness campaign strategy, modern technology adoption strategy and effective tax law enforcement strategy are kept at constant. In addition, it is observed that one unit change in taxpayer trust results to positive response in the RRI earner's tax compliance in Kasarani Sub County by 72.4%. A unit increase in knowledge and awareness campaign strategy would increase RRI earner's tax compliance in Kasarani Sub County by 87.7%. A unit increase in modern technology adoption strategy would increase RRI earner's tax compliance in Kasarani Sub County by 58.8% and a unit increase in effective tax law enforcement strategy would increase RRI earner's tax compliance in Kasarani Sub County by 60.9%.

The regression equation was represented as below:

$$Y = .744 + .724X_1 + .877X_2 + .588X_3 + .609X_4 + \varepsilon$$

Y = Tax compliance of RRI earners

X₁ = Taxpayers trust building strategy

X₂ = Knowledge and awareness campaign strategy

X₃ = Modern technology adoption strategy

X₄ = effective tax law enforcement strategy

5.0 Conclusions and Recommendations

5.1 Conclusions

The study concluded that mutual trust building aids mobilization of public support for tax collection agenda prompting the initially skeptic RRI taxpayers to embrace tax compliance, demand necessary reforms that the tax system needed for equity and ease of use and the accountability of public resources (taxes) being fundamental in providing government with predictable and sustainable fiscal ground while promoting inclusive growth and development of economy.

That tax knowledge & awareness strategy positively affected tax compliance. The understanding and being aware of tax requirements in terms of registration on itax platform, accurate tax income declaration, timely filing and payment is very important in promoting tax compliance of the RRI earners. Lack of tax awareness component could contribute to non-tax compliance. The tax agency invested immensely on training programs for RRI taxpayers on the use of itax platform in registering and filing tax due and aggressive use of mass media platforms such as television, radio and dailies not forgetting road shows. More resources and emphasis were invested on training their employees to empower them with tax regulations and requirements knowledge. Tax collection and reporting through the modern technology based systems proved to significantly support tax compliance. Regression analysis outcome online filing and payment via itax system gives good ground for efficiency and efficacy in dealing with large and complicated residential rental income tax matters.

The tax law enforcement measure is very strategic in influencing tax income collection. The use of agency notices, court suits and charge placement proved to positively deter tax noncompliance among residential property income earners. Most property owners don't wish the court engagement processes neither do they support the property forfeiture action by the tax authority as

it proves very expensive to them compared to tax compliance and it has proved that as the tax default charge increases, the compliance increases in the same proportional measure

5.2 Recommendations

The study recommended KRA to develop the use of competitive communication policy among others as a trust building window in formal and informal interactions between the Residential property owners and Kenya Revenue Authority officials on matters tax compliance. KRA officials be trained and equipped with professional skills on communication in solving tax compliance challenges, create mutual respect between Kenya Revenue Authority and Residential rental income earners as a trust building pointer and initiate programs to reward loyal residential property owners, guarantee accountability for tax paid by RRI earners while observing the doctrine of equity in goods and services provision. Study recommended development of robust training and sensitization programs to equip Residential Rental Income earners in the Sub County with technical skills and create awareness on tax compliance requirements. The study also recommended Kenya Revenue Authority to train residential property owners on effective use of technology, install strong internet via WIFI and expand the tax lab networks to all the Sub Counties level for ease of access. Simplified digital tax systems development is recommended to manage the dynamics of noncompliance among residential property income earners.

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