

**TAX ATTRIBUTES AND TAX COMPLIANCE OF
INDEPENDENT OIL MARKETING FIRMS IN NAIROBI CITY
COUNTY, KENYA**

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DECLARATION

Declaration by the Candidate

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

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Declaration by the Supervisor

I confirm that the work in this project was done by the candidate under my supervision.

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DEDICATION

The study is dedicated to my loving wife, Loise Wamaitha; whose words of wisdom have been my source of encouragement and inspiration.

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My great appreciation and thanks go to the Almighty God for his gracious provisions, good health and wisdom to do this project. To Mr. Joseph Theuri, for his guidance, tireless effort, and valuable suggestion at various critical stages of this project. Thanks to everyone who contributed every bit of effort to make the project writing task a successful one. God Bless you all.

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OPERATIONAL DEFINITION OF TERMS

- Deterrence Measures:** Strategies and mechanisms designed to discourage non-compliance with tax laws, including penalties, fines, audits, and increased surveillance. In this study, deterrence measures refer to the actions taken by tax authorities (e.g., Kenya Revenue Authority) to enforce compliance among independent oil marketing firms.
- Tax Rates:** The percentage or fixed amount at which taxes are levied on income, transactions, or other taxable bases. In this study, tax rates refer to the VAT, income tax, corporation tax, and customs and excise duty imposed on independent oil marketing firms, and how these rates influence their compliance behavior.
- Tax Awareness:** The extent to which individuals or entities understand tax laws, regulations, filing requirements, and deadlines. In this study, tax awareness refers to the knowledge and understanding of tax obligations among independent oil marketing firms, including their awareness of tax planning opportunities and incentives.
- Taxpayers' Attitudes:** The perceptions, opinions, and feelings that individuals or entities hold regarding taxation. In this study, taxpayers' attitudes refer to the attitudes of independent oil marketing firms toward tax compliance, including their perceptions of fairness, trust in tax authorities, and their sense of civic duty.
- Tax Compliance:** The degree to which taxpayers adhere to tax laws and regulations, including timely and accurate filing of tax returns and payment of taxes owed. In this study, tax compliance refers to the extent to which independent oil marketing firms in Nairobi City County comply with tax obligations, such as filing accurate returns, paying taxes on time, and avoiding tax evasion.

ABBREVIATION AND ACRONYMS

ADB	Africa Development Bank
EPRA	Energy Petroleum Regulatory Authority
ERC	Energy regulatory Commission
ETR	Electronic Tax Register
GOK	Government of Kenya
IEA	Institute of Economic Affairs
KRA	Kenya Revenue Authority
LPG	Liquefied Petroleum Gas
MNEs	Multinational Enterprises
OECD	Organization of Economic Cooperation and Development
PAYE	Pay as You Earn
PIN	Personal Identification Number
PWC	Price Waterhouse Coopers
SME	Small Medium Enterprises
TOT	Turnover Tax
USD	USA Dollar
VAT	Value Added Tax

ABSTRACT

The petroleum industry in Kenya is characterized by intense competition, with independent oil marketing firms playing a significant role in the distribution and retail of petroleum products. However, these firms face numerous challenges in complying with tax regulations, which affects both their operations and government revenue. This study sought to establish the effect of tax attributes on tax compliance among independent oil marketing firms in Nairobi City County, Kenya. Specifically, the study examined the influence of tax rates, tax awareness, taxpayers' attitudes, and deterrence measures on tax compliance. The study was guided by three theoretical frameworks: the Economic Deterrence Theory, the Ability-to-Pay Theory, and the Fiscal Exchange Theory. A census design was employed, targeting all 52 independent oil marketing firms in Nairobi City County. Data was collected using semi-structured questionnaires administered to managing directors, finance managers, and operations managers. Secondary data was obtained from published financial records and Kenya Revenue Authority (KRA) reports. Data analysis was conducted using descriptive and inferential statistics, including regression analysis. The findings revealed that tax rates, tax awareness, taxpayers' attitudes, and deterrence measures significantly influence tax compliance among independent oil marketing firms. Specifically, higher tax rates were found to reduce compliance, while increased tax awareness and positive taxpayers' attitudes enhanced compliance. Deterrence measures, such as penalties and audits, were also found to positively impact compliance, though their effect was less pronounced compared to tax awareness. The study concludes that tax compliance among independent oil marketing firms is a multifaceted issue influenced by both economic and behavioral factors. Based on the findings, the study recommends that the government should consider reducing tax rates to reflect the economic realities faced by independent oil marketing firms. Additionally, tax authorities should enhance taxpayer education and awareness programs to improve understanding of tax obligations. The study also suggests that the Kenya Revenue Authority (KRA) should adopt a more facilitative approach to tax enforcement, focusing on building trust and cooperation with taxpayers rather than relying solely on punitive measures. Finally, independent oil marketing firms should be encouraged to form associations to advocate for favorable tax policies and share best practices on compliance. This study contributes to the existing body of knowledge by providing insights into the specific challenges faced by independent oil marketing firms in complying with tax regulations. The findings have practical implications for policymakers, tax authorities, and industry stakeholders in designing effective strategies to enhance tax compliance in the petroleum sector.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

This study examines the effect of tax attributes on tax compliance among independent oil marketing firms in Nairobi City County, Kenya. Tax compliance, defined as the adherence to tax laws and regulations through timely and accurate filing of tax returns and payment of taxes owed, is particularly challenging in the petroleum sector due to the industry's complex nature, which involves fluctuating global oil prices, intricate supply chains, and stringent regulatory requirements (OECD, 2017).

The petroleum industry significantly contributes to national economies, accounting for a substantial share of government revenue through taxes and royalties (World Bank, 2020). However, the industry is prone to tax non-compliance due to its high profitability and the complexity of international transactions. While multinational oil companies often engage in tax planning strategies to minimize their tax liabilities, smaller independent firms may struggle with compliance due to limited resources and knowledge of tax regulations (Smith, 2018). In developed economies, governments have implemented advanced tax administration systems to enhance compliance, but in developing countries, weak enforcement mechanisms and inadequate taxpayer education often result in low compliance rates (OECD, 2017).

In East Africa, the liberalization of the petroleum market has increased competition among oil marketing firms, leading to thin profit margins and heightened pressure to evade taxes (EPRA, 2020). The East African Community (EAC) harmonization of tax policies aims to address these challenges by promoting transparency and cooperation among member states. The petroleum sector in Kenya is dominated by multinational corporations and a growing number of independent oil marketing firms operating primarily in urban centers like Nairobi City County (Kenya Revenue Authority, 2021). Independent oil marketing firms in Nairobi face numerous challenges in complying with tax regulations, including high tax rates, frequent changes in tax laws, and limited awareness of tax obligations (World Bank, 2020). Additionally, the volatility of global oil prices and government price controls on petroleum products have further strained

these firms' financial capacity, making it difficult for them to meet their tax obligations (EPRA, 2021).

The study focuses on how tax attributes, such as tax rates, tax awareness, taxpayers' attitudes, and deterrence measures, influence compliance behavior. High tax rates may discourage compliance by increasing the financial burden on firms, while effective deterrence measures such as audits and penalties may encourage compliance by increasing the perceived risks of non-compliance (Slemrod & Yitzhaki, 2002). Similarly, tax awareness and positive taxpayers' attitudes can enhance compliance by fostering a sense of responsibility and trust in the tax system (Alm & Torgler, 2017). By examining these relationships, this research aims to provide valuable insights for policymakers, tax authorities, and industry stakeholders to design effective tax policies and enforcement strategies that enhance compliance while supporting the growth of the petroleum sector.

1.1.1 Tax Attributes

Tax attributes represent the specific features and characteristics within a tax system that influence the compliance behavior of taxpayers, particularly independent oil firms. These attributes encompass a variety of elements, including tax rates, incentives, penalties, and the clarity of tax regulations (Smith, 2018). Understanding these tax attributes is crucial for evaluating their impact on compliance among independent oil marketing firms in Nairobi City County, Kenya.

Tax rates, both corporate and individual, play a pivotal role in determining the financial burden placed on independent oil firms. Higher tax rates might discourage compliance, leading to tax evasion strategies (OECD, 2017). Conversely, reasonable tax rates could foster compliance, ensuring a steady flow of revenue for the government (Smith, 2018). According to Aronmwan and Eragbhe (2018), taxpayer attributes include taxpayer attitude, taxpayer perception, and taxpayer gender. Aronmwan and Eragbhe (2018) investigated the relationship between taxpayer income and taxpayer attributes. Attitude as a predictor of taxpayer attributes is of particular interest in this study. The mental and behavioral features of taxpayers that encourage them to act in a certain way are referred to as attitudes (Aronmwan & Eragbhe, 2018).

Tax incentives, such as tax credits and deductions are designed to encourage certain behaviors, such as investment in renewable energy sources or research and development activities. Tax incentives serve as powerful tools to encourage specific behaviors within the industry (World Bank, 2020). Empirical studies by the World Bank (2020) emphasize the importance of targeted incentives to promote environmentally friendly practices and investment in renewable energy sources within the oil sector. Understanding the impact of these incentives on compliance is essential in evaluating their effectiveness in the oil industry (OECD, 2017). On the other hand, penalties for non-compliance serve as deterrence measures. Severe penalties act as deterrents, motivating firms to comply with tax regulations to avoid financial losses (Smith, 2018).

In the context of the oil sector, research by Johnson et al. (2019) highlights the correlation between fluctuating oil prices and tax rates, indicating the need for adaptive taxation policies to maintain compliance during economic uncertainties. This connection between market dynamics, tax rates, and compliance behaviors underscores the nuanced challenges faced by independent oil marketing firms in Nairobi City County. The clarity and simplicity of tax regulations significantly impact compliance. Ambiguity and complexity in tax laws can lead to misinterpretation and inadvertent non-compliance (OECD, 2017). Clear, straightforward tax regulations are more likely to be adhered to by independent oil firms. The study by Brown and Lee (2019) underscores the significance of clear and concise tax regulations, stating that well-defined laws reduce the likelihood of errors and facilitate better compliance. Moreover, analyses conducted by the Kenya Revenue Authority (2021) provide insights into the local tax regulations specific to the oil industry, shedding light on the challenges faced by firms in understanding and adhering to the evolving tax laws.

According to Barbuta-Misu (2011), attitude is defined as a person's positive or negative evaluation, which invariably impacts their course of behavior. As a result, taxpayers' attitudes regarding the tax system can be favorable or negative, and this attitude predicts whether a taxpayer would evade or comply with tax rules. The authors looked at personality factors, Ehigie et al. (2018) conceptualized taxpayer attributes in terms of openness, conscientiousness, extraversion, agreeableness, and neuroticism.

Several studies have looked at the concept of tax rate as a motivator for underreporting behavior (Ali, Cecil, &Knoblett, 2001; Hai & See, 2011; Spicer & Becker, 1980). Fischer, Wartick, and Mark (1992) created a fourteen-variable tax compliance model. The fourteen factors were organized into four categories by the model: taxpayer demographics. (Freire- Serén & Panadés, 2013). Tax rates, awareness, deterrence, and attitude are the variables chosen for the current study as predictors of taxpayer attributes.

1.1.2 Tax Compliance of Independent Oil Marketing Firms in Kenya

Tax compliance is defined as "the extent to which taxpayers adhere to the tax laws, rules, and regulations of their country, including the timely and accurate filing of tax returns, as well as the full payment of taxes owed"(Price water house coopers (PwC), 2021). Tax compliance refers to the adherence of taxpayers, particularly independent oil firms, to the tax laws and regulations imposed by the government. It involves accurate and timely reporting of financial information, payment of taxes owed, and cooperation with tax authorities. Understanding the complexities of tax compliance is essential for evaluating the challenges faced by independent oil marketing firms in Nairobi City County, Kenya.

The regulatory framework governing tax compliance is crucial in shaping the behavior of independent oil firms. Comprehensive tax laws, as demonstrated in studies by Johnson and Smith (2018), provide clear guidelines, leaving little room for ambiguity. A well-structured legal framework simplifies the compliance process for businesses. Research by OECD (2017) suggests that countries with transparent and consistent tax regulations experience higher compliance rates. Understanding the impact of the Kenyan regulatory framework on independent oil marketing firms illuminates the hurdles these entities face in achieving compliance.

Tax compliance within the oil industry is rife with challenges. Fluctuating oil prices, complex international transactions, and evolving tax codes pose significant obstacles (Smith, 2018). Research by Martinez and Brown (2018) indicates that economic uncertainties, such as volatile market conditions impact tax compliance behaviors,

leading to strategic tax planning by corporations. Moreover, studies conducted by the International Monetary Fund (IMF) (2020) emphasize the difficulties faced by emerging economies in enforcing tax compliance due to resource constraints and administrative challenges.

In recent years, advancements in technology have significantly influenced tax compliance strategies. Digital platforms enable efficient record-keeping, simplifying tax reporting processes (Jones & Lee, 2021). Furthermore, digital taxation frameworks, as explored by the World Economic Forum (WEF, 2021), are reshaping international tax compliance standards. Understanding the integration of technology in tax compliance practices among independent oil marketing firms is essential in assessing their adaptability to modern regulatory demands.

The extent of tax compliance satisfies legal duties code i.e. by freely and completely, filing returns on time, in other words, Tax compliance entails timely and accurate filling and paying of tax dues (Olajube et al., 2018). To achieve the purpose of generating income via taxation, regulations and laws are in place to specifically regulate such conditions for its execution. Noncompliance jeopardizes the joint endeavor and may be disastrous. The term applies to either voluntary or compelled action. The terms "administrative compliance" and "prudent compliance" have been used to describe it (Chon, 2004).

Tax compliance enforcement refers to the authority granted to the competent authorities to compel taxpayers to pay, while the moral obligation of taxpayers to pay taxes freely is referred to as voluntary compliance. Completing tax forms for fear of prosecution are all examples of voluntary tax compliance (Muehlbacher, Kirchchler & Scwarzenberger, 2011). Tax administrators are clearly concerned about enforcement, but they also place a premium on raising "tax morale." This they define as increasing voluntary compliance with tax rules and developing compliance with societal norms (Kastlunger et al., 2013). Tax compliance and evasion are worldwide issues that affect both developed and developing nations, although the average degree of tax evasion and non-compliance is far higher in emerging and transitional nations than it is in developed countries. (Kim, 2008). Many authorities are concerned about tax evasion and are persuading people to

follow the law and comply which is difficult, especially when tax regulations are not always clear (James, 2009).

The degree to which taxpayers follow the law in its most basic form is commonly referred to as tax compliance. Noncompliance with the tax code, on the other hand, can take many other forms and is not restricted to them; it may occur as a result of failing to submit tax returns within the period specified or failing to disclose the right taxes. It is a criminal behavior of taxpayers, whether done purposefully or accidentally, to avoid paying taxes to tax authorities (Bidin& Sinnasamy, 2017). According to Otusanya (2011), tax evasion affects government income. Tax compliance will be judged in the context of this research by whether a firm files its tax return on time, pays the proper amount of taxes owed, discloses the correct revenue from all sources, and the tax return filing procedure is followed.

By delving into the complexities of tax compliance through these scholarly works, this study aims to provide a comprehensive analysis of the challenges faced by independent oil marketing firms in Nairobi City County, Kenya. The research investigates the impact of the regulatory framework, economic uncertainties, and technological advancements on tax compliance behaviors. Understanding these dynamics provides valuable insights into the hurdles faced by independent oil marketing firms and informs strategies to enhance tax compliance within the local oil industry.

1.1.3 Independent Oil Marketing Firms in Nairobi City County Kenya

There are currently over 72 approved oil-marketing businesses, but the top six control over 70% of the market. Vivo Energy (Shell) has a 28 percent market share, Total (K) Ltd has a 23.1% market share, Rubis has a 9.9% market share, Ola Energy has an 8.1 percent market share, and National Oil Corporation of Kenya (NOCK) has a 7.4% market share (Petroleum Insight April –June 2020). In Nairobi, almost fifty independent OIL MARKETING FIRMS have retail stations and a presence in reselling petroleum products (Energy and Petroleum Regulatory Authority (EPRA), 2021).

Independent oil marketing firms operating within Nairobi City County form a significant sector of the local economy, contributing substantially to both employment

and revenue generation. These entities, distinct from state-owned enterprises, are privately owned and often operate within a competitive market environment (Kaplan, 2020). Understanding the specific characteristics and challenges faced by these independent oil marketing firms in Nairobi City County is crucial for evaluating the context in which tax compliance issues arise.

Independent oil marketing firms significantly bolster the economic landscape of Nairobi City County. Research by the Kenya National Chamber of Commerce and Industry (2022) highlights the substantial contributions of these firms to the county's gross domestic product (GDP) through job creation, investment in infrastructure, and local procurement. The economic activities of these entities have a cascading effect, stimulating growth in various sectors of the county's economy.

The oil industry within Nairobi City County is characterized by intense market competition. Independent oil marketing firms must navigate this competitive landscape, which includes multinational corporations, to establish their presence (Kenya Ministry of Energy, 2020). Market dynamics, including price fluctuations and consumer demand, significantly impact the financial stability of these firms and influence their tax compliance strategies.

Navigating the regulatory framework governing the oil sector in Nairobi City County poses significant challenges to independent oil firms. EPRA sets guidelines and standards for the industry, ensuring compliance with environmental and safety regulations (EPRA, 2021). Compliance with these regulations adds complexity to the operations of independent oil firms, requiring them to allocate resources for regulatory adherence.

Beyond economic contributions, independent oil marketing firms also have socio-environmental responsibilities. Environmental impact assessments and community engagement initiatives are integral components of their operations (Environmental Compliance Institute, 2023). Balancing economic pursuits with environmental sustainability and social responsibility presents unique challenges influencing their overall business strategies and, consequently, their tax compliance approaches. Understanding the dynamics and challenges faced by independent oil marketing firms

in Nairobi City County provides valuable context for investigating tax compliance issues within this sector. By examining the economic, market, regulatory, and socio-environmental factors specific to these firms, this study aims to shed light on the complexities of tax compliance within the local oil industry.

1.2 Statement of the Problem

Tax compliance is a critical issue for governments worldwide, as it directly impacts revenue collection and the provision of public services. In Kenya, the petroleum sector is a significant contributor to the economy, accounting for approximately 20% of the country's tax revenue (Kenya Revenue Authority [KRA], 2021). However, tax compliance among independent oil marketing firms remains a persistent challenge, with the sector recording a compliance rate of only 65% in 2020, compared to the national average of 75% for other industries (KRA, 2021). This low compliance rate has significant implications for government revenue, as it undermines the ability to fund critical infrastructure and social programs.

Independent oil marketing firms in Nairobi City County face unique challenges in complying with tax regulations. These firms, which account for over 40% of the retail petroleum market in Kenya (Energy and Petroleum Regulatory Authority [EPRA], 2021), operate in a highly competitive and volatile environment. Fluctuating global oil prices, frequent changes in tax laws, and high tax rates have placed significant financial strain on these firms, leading to widespread non-compliance. For instance, in 2020, the Kenya Revenue Authority reported that 30% of independent oil marketing firms in Nairobi City County failed to file their tax returns on time, while 25% underreported their income (KRA, 2021). These compliance gaps have resulted in substantial revenue losses, estimated at KES 5 billion annually (World Bank, 2020).

Despite the growing body of literature on tax compliance, there are significant gaps in understanding the factors that influence compliance among independent oil marketing firms. Conceptually, most studies have focused on individual taxpayers or large multinational corporations, with limited attention given to small and medium-sized enterprises (SMEs) in the petroleum sector (Smith, 2018; OECD, 2017). This has created a gap in understanding how tax attributes, such as tax rates, tax awareness,

taxpayers' attitudes, and deterrence measures, influence compliance behavior in this specific context. Contextually, the unique challenges faced by independent oil marketing firms in Nairobi City County, such as price controls and thin profit margins, have not been adequately explored in existing research (EPRA, 2021; World Bank, 2020).

Furthermore, empirical evidence suggests that the effectiveness of tax compliance strategies varies across different sectors and regions. For example, while deterrence measures such as audits and penalties have been effective in enhancing compliance among large corporations, their impact on SMEs, particularly in the petroleum sector, remains unclear (Slemrod & Yitzhaki, 2002; Alm & Torgler, 2017). Similarly, the role of tax awareness and taxpayers' attitudes in shaping compliance behavior has been understudied in the context of independent oil marketing firms. These gaps highlight the need for a focused investigation into the factors influencing tax compliance in this sector.

This study seeks to address these gaps by examining the effect of tax attributes on tax compliance among independent oil marketing firms in Nairobi City County, Kenya. Specifically, the study investigates how tax rates, tax awareness, taxpayers' attitudes, and deterrence measures influence compliance behavior. By providing empirical evidence on the factors that drive compliance in this sector, the study aims to inform the design of targeted tax policies and enforcement strategies that enhance compliance while supporting the growth of independent oil marketing firms.

1.3 Objectives of the Study

1.3.1 General Objective

The main objective of this study was to establish the effect of tax attributes on tax compliance of independent oil marketing firms in Nairobi City County, Kenya.

1.3.2 Specific Objectives

The specific objectives of the study were;

- i. To establish the effect of tax rates on tax compliance of independent oil marketing firms in Nairobi City County, Kenya

- ii. To determine the effect of tax awareness on tax compliance of independent oil marketing firms in Nairobi City County, Kenya
- iii. To establish the effect of taxpayers' attitudes on tax compliance of independent oil marketing firms in Nairobi City County, Kenya
- iv. To determine the effect of deterrence measures on tax compliance of independent oil marketing firms in Nairobi City County, Kenya

1.4 Research Questions

The following research hypotheses are proposed:

- i. H₁: There is a significant relationship between tax rates and tax compliance among independent oil marketing firms in Nairobi City County, Kenya.
- ii. H₂: Tax awareness has a significant effect on tax compliance among independent oil marketing firms in Nairobi City County, Kenya.
- iii. H₃: Taxpayers' attitudes significantly influence tax compliance among independent oil marketing firms in Nairobi City County, Kenya.
- iv. H₄: Deterrence measures have a significant effect on tax compliance among independent oil marketing firms in Nairobi City County, Kenya.

1.5 Significance of the Study

The study contributes to the existing body of knowledge by examining the effect of tax attributes on tax compliance among independent oil marketing firms, a sector that has received limited attention in previous research. By integrating theories such as the Economic Deterrence Theory, the Ability-to-Pay Theory, and the Fiscal Exchange Theory, the study provides a comprehensive framework for understanding the factors that influence compliance behavior in the petroleum sector. The findings will enrich the literature on tax compliance by highlighting the unique challenges faced by small and medium-sized enterprises (SMEs) in highly regulated industries, thereby filling a critical gap in finance theory.

From a practical perspective, the study offers valuable insights for policymakers, tax authorities, and industry stakeholders. For policymakers, the findings will inform the design of tax policies that balance revenue generation with the financial realities faced by independent oil marketing firms. For tax authorities, such as the Kenya Revenue Authority (KRA), the study provides evidence-based recommendations for enhancing compliance through targeted taxpayer education, improved enforcement mechanisms, and the adoption of facilitative approaches to tax administration. For industry stakeholders, the study highlights the importance of fostering positive taxpayers' attitudes and increasing tax awareness to promote voluntary compliance.

Additionally, the study has implications for the broader economy. Improved tax compliance among independent oil marketing firms will enhance government revenue, enabling the funding of critical infrastructure and social programs. It will also create a level playing field for businesses, reducing the competitive advantage gained by non-compliant firms and promoting fair competition in the petroleum sector.

1.6 Scope of the Study

The study focused on Tax attributes and tax compliance of independent oil marketing firms operating within Nairobi City County. The tax attributes addressed included; tax rates, tax awareness, taxpayers' attitudes and deterrence measures. The target scope of the study was all the 52 independent oil marketing firms operating in Nairobi City County. The study considered data from the 10 year period, from January 2013 to December 2023. This timeframe provided a comprehensive view of the changes in tax regulations, market dynamics, and compliance behaviors within the oil industry. Analyzing this ten-year period allowed for an assessment of long-term trends and patterns, enhancing the study's depth and accuracy.

1.7 Limitations of the Study

It is crucial to acknowledge certain limitations within the study's scope. First, the research focused primarily on independent oil firms, and the findings might not be directly applicable to other sectors. Second, the study does not encompass the entire spectrum of taxation but is centered on direct taxation aspects. Third, the research might not have covered every micro-level detail due to the vastness and complexity of the

industry, although efforts were made to ensure a comprehensive overview. By delineating these specific scopes and limitations, the study aimed to provide a focused, in-depth analysis of tax compliance challenges faced by independent oil marketing firms within Nairobi City County, Kenya, thus ensuring the research remained rigorous and applicable to the targeted context.

In addition, confidentiality is an ethical issue that is very close to the hearts of those who hold it so dear. Organizations world over have vital information to safeguard and independent oil marketing firms are not an exception. The researcher overcame this by describing the study's objective to the respondents and its significance to the industry and assuring them that the findings would be strictly used for academic purposes only. The fear of victimization also emerged and some respondents were reluctant to participate in this study. The use of Kenyatta University's official letter made respondents open up without fear and therefore participated successfully. The researcher's limited resources posed a challenge and hindered consideration of a larger scope for analysis. Some respondents were hesitant to give information with fear that information would be divulged. To mitigate this, the study acquired necessary research permits and approvals from Kenyatta University and National Commission for Science, Technology and Innovation (NACOSTI) as guarantors.

1.8 Organization of the Study

The study is organized into five chapters. The foregoing chapter one provides the research background, statement of the problem, research objectives, questions, significance of the study, scope of the study, and the limitations encountered in the course of the study. Chapter two focuses on literature review. Chapter three focused on the research design, target population, sampling techniques, and data collection methods. Chapter four focuses on the analysis of collected data. It presents descriptive statistics, demographic profiles, and analytical outcomes related to tax compliance among independent oil firms. Chapter Five provides a summary of the research findings, highlighting the key results and their significance. It draws conclusions based on the analyzed data and the insights derived from the literature review.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews existing literature on tax compliance, with a focus on the factors that influence compliance behavior among independent oil marketing firms. It begins by exploring theoretical frameworks, including the Economic Deterrence Theory, the Ability-to-Pay Theory, and the Fiscal Exchange Theory, which provide the foundation for understanding tax compliance. The chapter then examines empirical studies on tax rates, tax awareness, taxpayers' attitudes, and deterrence measures, identifying gaps in the literature and establishing the context for the current study. The chapter concludes with a conceptual framework that illustrates the relationships between the study variables.

2.2 Theoretical Review

This section reviews the theoretical frameworks that underpin the study, focusing on their relevance to understanding the relationship between tax attributes and tax compliance among independent oil marketing firms. The theories discussed include the Economic Deterrence Theory, the Ability-to-Pay Theory, and the Fiscal Exchange Theory. Each theory is critically analyzed to assess its applicability to the study's variables and context.

2.2.1 Economic Deterrence Theory

Proposed by Allingham and Sandmo (1972), the Economic Deterrence Theory posits that taxpayers comply with tax laws primarily due to the fear of penalties and the likelihood of detection. According to this theory, individuals and businesses weigh the potential benefits of tax evasion against the risks of being caught and punished. When the perceived penalties for non-compliance are severe and the chances of detection are high, taxpayers are more likely to comply (Allingham & Sandmo, 1972).

While the Economic Deterrence Theory provides a useful framework for understanding compliance behavior, it has been criticized for its narrow focus on fear and punishment as motivators. The theory assumes that taxpayers are rational actors who make decisions based solely on cost-benefit analysis, ignoring the role of social norms, ethics,

and trust in tax authorities (Alm, Jackson, & McKee, 1992). Additionally, the theory may not fully explain compliance behavior in contexts where enforcement mechanisms are weak or inconsistent, as is often the case in developing countries.

The Economic Deterrence Theory informs the study's examination of deterrence measures (an independent variable) and their effect on tax compliance (the dependent variable). Specifically, the theory suggests that penalties, audits, and increased surveillance can enhance compliance by increasing the perceived risks of non-compliance. However, the study also considers the limitations of this theory by exploring the role of other factors, such as tax awareness and taxpayers' attitudes, in shaping compliance behavior.

2.2.2 Ability-To-Pay Theory

The Ability-to-Pay Theory, rooted in the works of Slemrod and Yitzhaki (2002), emphasizes the importance of taxpayers' economic capacity and perceptions of fairness in shaping compliance decisions. According to this theory, taxpayers are more likely to comply with tax obligations when they perceive the tax system as fair and when the tax burden is proportionate to their income and wealth (Slemrod & Yitzhaki, 2002).

Critique: The Ability-to-Pay Theory highlights the role of fairness in tax compliance but has been criticized for its limited applicability in contexts where taxpayers lack trust in the government or perceive that their tax contributions are not used effectively (Torgler, 2005). Additionally, the theory does not fully account for the behavioral and psychological factors that influence compliance, such as social norms and moral obligations.

Application to the Study: The Ability-to-Pay Theory informs the study's examination of tax rates (an independent variable) and their effect on tax compliance (the dependent variable). The theory suggests that high tax rates may discourage compliance by increasing the financial burden on taxpayers, particularly in industries with thin profit margins, such as independent oil marketing firms. However, the study also considers the role of fairness perceptions and trust in tax authorities, which are critical components of the Ability-to-Pay Theory.

2.2.3 Fiscal Exchange Theory

Introduced by Torgler (2002), the Fiscal Exchange Theory examines the relationship between taxpayers and governments through the lens of reciprocal obligation and public service provision. According to this theory, taxpayers are more likely to comply with tax obligations when they perceive a direct link between their tax contributions and the quality of public services provided by the government (Torgler, 2002).

Critique: The Fiscal Exchange Theory provides a valuable perspective on the role of trust and reciprocity in tax compliance but has been criticized for its reliance on the assumption that taxpayers can accurately assess the value of public services they receive (Bodea & LeBas, 2013). In contexts where public services are inadequate or corruption is prevalent, taxpayers may be less motivated to comply, regardless of their perceptions of reciprocity.

Application to the Study: The Fiscal Exchange Theory informs the study's examination of taxpayers' attitudes (an independent variable) and their effect on tax compliance (the dependent variable). The theory suggests that positive attitudes toward the tax system, including trust in tax authorities and perceptions of fairness, can enhance compliance. However, the study also considers the limitations of this theory by exploring the role of other factors, such as deterrence measures and tax awareness, in shaping compliance behavior.

2.3 Empirical Review

The empirical review examines existing studies on tax compliance, with a focus on the factors that influence compliance behavior among independent oil marketing firms. The purpose of this review is to identify key findings, trends, and gaps in the literature, providing a foundation for the current study. The review is organized around the study's independent variables: tax rates, tax awareness, taxpayers' attitudes, and deterrence measures. Each subsection critically analyzes the findings of previous studies, highlighting their strengths, limitations, and relevance to the current research.

2.3.1 Taxpayer's Attitude and Tax Compliance

Taxpayer's attitudes are fundamental in understanding tax compliance behaviors. Several empirical studies shed light on this aspect, revealing insights into how attitudes influence compliance among diverse taxpayer groups. In the study titled "Taxpayer Attitudes and Compliance: A Longitudinal Study" by Johnson and Brown (2017), it was discovered that individuals who perceive the tax system as fair and equitable exhibit higher levels of voluntary compliance, and that positive attitudes toward the fairness of the tax system significantly enhance tax compliance among individuals. The study emphasized the importance of fairness perceptions; however, it did not delve into sector-specific attitudes, leaving a gap in understanding attitudes among business entities, particularly in the oil industry. In the context of the current study focusing on independent oil marketing firms in Nairobi City County, understanding the sector-specific attitudes of business owners and managers is crucial. Positive attitudes toward the fairness of tax regulations could positively influence compliance behaviors among oil firms.

Another study, "Trust, Tax Morale and Tax Compliance: Evidence from a Survey Experiment in Sweden" by Sjöberg, Lindelöf and Svensson (2019), explored the role of trust in tax authorities and its impact on tax morale and compliance. The study found that trust in tax authorities positively correlates with tax morale and compliance. Individuals who trust tax authorities are more likely to comply with tax obligations voluntarily. The study focused on individual taxpayers; hence, there is a gap in understanding how trust dynamics operate within corporate entities, especially in specific industries like the independent oil sector. In the case of independent oil firms, establishing trust in local tax authorities could enhance tax morale and compliance. Understanding the nuances of trust within the oil industry is crucial for the current study to propose effective strategies.

Gebreyesus and Hadera (2018) focused on social norms and reciprocity in tax compliance. The study found that social norms and reciprocity significantly influence tax compliance. Taxpayers tend to comply when they perceive social expectations and reciprocity in their communities. The study was conducted in a different cultural context. Applying these findings directly to the Kenyan independent oil sector might

overlook specific cultural influences on attitudes and compliance. In the context of the current study, understanding the social norms prevalent among independent oil marketing firms in Nairobi City County, Kenya is essential. Aligning tax compliance strategies with these social expectations could lead to more effective compliance outcomes.

A study by Masipa and Alagidede (2016) delved into how perceptions of tax fairness impact compliance among small and medium-sized enterprises (SMEs). The study found that SMEs that perceive tax regulations as fair are more likely to comply. Fairness perceptions significantly influence voluntary tax compliance among SMEs. The study focused on SMEs in Tanzania; there is a gap in understanding these dynamics within the context of larger businesses, specifically independent oil marketing firms in Nairobi City County, Kenya. In relation to the current study, assessing how tax fairness perceptions influence compliance behaviors among independent OIL MARKETING FIRMS is pivotal. Aligning tax regulations with perceptions of fairness could positively impact compliance within this sector.

In a study on the formation of social contracts, Bodea and LeBas (2013) argue that the adoption of norms plays an important and neglected role in this process. Using novel data from urban Nigeria, they examined why people pursue policies that favor citizen tax liability when government enforcement is weak. They found that the provision of public goods by the state creates a willingness to pay taxes, but also that the characteristics of the community act strongly and independently on both the norms of the social contract and the actual payment of taxes. People are less likely to adopt tax-friendly norms when they have access to community bailouts and other services. In conflict-prone communities, where the provision of goods through “self-help” clubs is less effective, people are more likely to adopt social contract norms. Finally, they show that the norms of the social contract significantly increase the payment of taxes.

Nemera (2016) performed a study in Ethiopia's Gedi Zone to examine Business income taxpayer's attitudes and opinions on a variety of tax-related problems, including tax compliance. The author used convenient sampling procedure to pick respondents to reduce the non-response rate. Using descriptive statistics, the data was evaluated and interpreted. According to the findings, taxpayers believed they were paying taxes only

as a result of their civic responsibilities, that the majority of respondents believed they were paying fair taxes, and that there was no substantial degree of treatment variance among taxpayers by tax authorities. However, the investigation discovered ethical issues and professional inadequacy among tax officials. As a result, the findings suggest increased taxpayer awareness while aggressively working to improve revenue collection personnel's professional competence and ethical standards. This research supports the notion that taxpayer's attitude is an essential component in taxpayer compliance, and therefore its function should be explored further to improve its validity and consideration in tax compliance laws (Nemera, 2016).

Razak and Adafula (2013) evaluated taxpayers' attitude and its influence on tax compliance decisions in Tamale, Ghana. The researchers gathered survey results from questionnaires sent to Tamale SMEs operators, which were then quantitatively analyzed. The study found that cost paid changed people's attitudes, which influenced how they viewed the tax system and, as a result, how they chose to comply. Individuals did not completely comprehend the tax regulations, according to the data. A statistically significant positive link was shown between degrees of comprehension and tax compliance choices (Razak&Adafula, 2013).

Several studies have explored the relationship between tax rates and tax compliance, with mixed findings. For instance, Slemrod and Weber (2012) found that higher tax rates lead to increased tax evasion among individuals and businesses, as taxpayers seek to reduce their financial burden. Similarly, Hasseldine and Li (2009) demonstrated that uncertainty regarding tax rates and tax bases significantly reduces compliance, as taxpayers struggle to accurately calculate their liabilities. However, Freire-Serén and Panadés (2013) argued that higher tax rates can sometimes encourage compliance if taxpayers perceive the tax system as fair and the revenue is used effectively for public services.

While these studies provide valuable insights, they often focus on individual taxpayers or large corporations, with limited attention given to small and medium-sized enterprises (SMEs) in the petroleum sector. Additionally, the studies do not adequately address the unique challenges faced by independent oil marketing firms, such as price controls and thin profit margins, which may exacerbate the negative effects of high tax

rates on compliance. There is a need for more research on the impact of tax rates on compliance among SMEs, particularly in the petroleum sector. Future studies should also explore the role of fairness perceptions and trust in tax authorities in moderating the relationship between tax rates and compliance.

2.3.2 Tax Awareness and Tax Compliance

Tax awareness, encompassing knowledge and understanding of tax regulations and obligations, plays a pivotal role in shaping taxpayer compliance behaviors. Several empirical studies have explored the relationship between tax awareness and compliance, shedding light on the nuanced dynamics within diverse taxpayer groups. Examining these studies provides valuable insights into how tax awareness impacts compliance, especially among businesses like independent oil firms.

Johnson and Smith (2018) investigated the impact of tax awareness campaigns on compliance behaviors. The study found that increased tax awareness through educational campaigns led to a noticeable improvement in compliance rates among individual taxpayers. While focusing on individual taxpayers, the study did not explore the impact of tax awareness campaigns on corporate entities, leaving a gap in understanding the effectiveness of such initiatives among businesses, particularly in specialized sectors like the independent oil industry. In relation to the current study, understanding the efficacy of tax awareness campaigns within the context of independent oil marketing firms in Nairobi City County, Kenya is vital. Assessing the impact of similar initiatives on businesses within this sector can provide insights into the design of targeted awareness programs.

Another relevant study by Martinez-Vazquez and Rider (2005) investigated the influence of taxpayer education initiatives on compliance behaviors. The study found that taxpayer education programs significantly enhance voluntary compliance. Informed taxpayers are more likely to comply willingly with tax regulations. The study did not specifically focus on the business sector, neglecting the unique challenges and opportunities related to tax awareness among corporate entities. In relation to the current study, assessing the impact of taxpayer education initiatives on independent oil marketing firms is essential. Determining the effectiveness of education programs within this sector can guide the development of targeted educational strategies.

Mahamood and Marume (2018) explored the relationship between tax knowledge and compliance among small and medium-sized enterprises (SMEs). The study found that SMEs with higher tax knowledge demonstrated higher compliance levels. Tax knowledge positively correlates with voluntary compliance among SMEs. The study focused on SMEs in Zimbabwe; thus a gap exists in understanding tax knowledge dynamics within larger corporate entities, particularly in specialized sectors like the independent oil industry. In view of the current study, evaluating tax knowledge levels among independent oil marketing firms is crucial. Assessing the correlation between tax knowledge and compliance within this specific sector can offer insights into the role of awareness in adherence to tax regulations.

Another research by Mudzingiri and Hlekiso (2019) focused on SMEs' perceptions of tax knowledge and its impact on compliance behaviors in Zimbabwe. The study found that SMEs' perceptions of their tax knowledge influenced their compliance behaviors. Positive perceptions of tax knowledge were associated with higher compliance rates. The study did not explore perceptions within the context of larger corporate entities or specific sectors, leaving a gap in understanding perceptions of tax knowledge among businesses in specialized industries like independent oil firms. In view of the present study, investigating the perceptions of tax knowledge among independent oil marketing firms is crucial. Understanding how these perceptions shape compliance behaviors within this sector can provide valuable insights into the role of awareness initiatives.

Tax awareness has been identified as a critical factor in enhancing compliance. Johnson and Smith (2018) found that increased tax awareness through educational campaigns led to a noticeable improvement in compliance rates among individual taxpayers. Similarly, Martinez-Vazquez and Rider (2005) demonstrated that taxpayer education programs significantly enhance voluntary compliance, particularly when they are tailored to the specific needs of the target audience. While these studies highlight the importance of tax awareness, they often focus on individual taxpayers or general business sectors, with limited attention given to the petroleum industry. Additionally, the studies do not adequately address the challenges of implementing effective tax awareness programs in contexts with limited resources and weak institutional frameworks. There is a need for more research on the effectiveness of tax awareness

programs among independent oil marketing firms, particularly in developing countries. Future studies should also explore the role of digital platforms and other innovative approaches to enhancing tax awareness in resource-constrained settings.

2.3.3 Tax Rates and Tax Compliance

Tax rates are a fundamental determinant of taxpayer compliance behaviors. Empirical studies investigating the impact of tax rates on compliance provide valuable insights into how the level of taxation influences taxpayer behavior. Examining these studies within the context of independent oil marketing firms in Nairobi City County is essential for understanding the sector-specific dynamics of tax compliance concerning tax rates.

A study by Slemrod and Weber (2012) found that higher tax rates lead to increased tax evasion among individuals and businesses. When tax rates are perceived as excessively high, taxpayers are more likely to engage in evasion strategies to reduce their tax burden. While the study focused on individual taxpayers, it did not specifically explore the behavior of corporate entities, leaving a gap in understanding the impact of tax rates on compliance among businesses, especially within specialized sectors such as the independent oil industry. In relation to the current study, investigating how tax rates influence compliance behaviors among independent oil marketing firms is crucial. Understanding how these businesses respond to varying tax rates can provide insights into the design of effective tax policies within the sector.

Further, Hasseldine and Li (2009) assessed the impact of tax rate and tax base uncertainty on taxpayer compliance, the findings revealed that uncertainty regarding both tax rates and tax bases significantly reduces taxpayer compliance. Taxpayers find it challenging to comply when they are uncertain about the applicable tax rates and the determination of taxable income. The study did not delve into industry-specific responses to tax rate and base uncertainties, leaving a gap in understanding how businesses, especially within sectors like independent oil firms, navigate compliance challenges amid uncertainty. In relation to the current study, examining how tax rate uncertainties impact compliance within the independent oil industry is essential.

Understanding the challenges faced by businesses in this sector regarding tax rate fluctuations can inform policy recommendations.

Overesch and Wamser (2006) studied the taxation and financial structure of German Outbound FDI. The findings demonstrated that multinational enterprises (MNEs) are sensitive to host country tax rates. Higher tax rates in the host country lead to a more debt-oriented financing structure for MNEs, indicating a strategic response to tax burdens. The study focused on multinational enterprises but did not explore the specific financial strategies employed by businesses in the oil industry concerning tax rate differentials. In relation to the present study, analyzing the financial structures of independent oil marketing firms concerning varying tax rates is essential. Understanding how these firms adjust their financial strategies in response to tax rates can provide valuable insights into their compliance behaviors.

In a study on tax policy and corporate investment in the Caribbean by James and Alleyne (2011), the findings revealed that tax policy, including tax rates, significantly influences corporate investment decisions. Firms are more inclined to invest in regions with favorable tax policies, including lower tax rates, which enhance the attractiveness of the investment environment. The study did not specifically explore the investment behavior of firms within the independent oil sector in response to varying tax policies. This leaves a gap in understanding the investment dynamics of businesses in this industry. In the current study, investigating how tax rates influence investment decisions among independent oil marketing firms is crucial. Additionally, understanding the investment patterns in response to tax policies can provide insights into the economic impact of tax rates on the sector.

Higher tax rates, according to Freire-Serén and Panadés (2013) can either encourage or discourage tax compliance. The authors found gaps in the research regarding the evasion; therefore, a further study was required to support the idea that tax rates increase tax evasion (Freire-Serén&Panadés, 2013). Masud et al (2014) researched on tax rates and Africa's compliance. The research used cross-country data to look into the tax rates. Research data was drawn from all African nations, and the sample was chosen through a multi-stage process. Research discovered a substantial negative association between high rates and tax compliance.

Alshira'h, Magablih and Alsqour (2021) evaluated the impact of different tax rates on Jordanian public shareholding firms' sales tax compliance. The research used a survey technique, with questionnaires issued to 191 publicly traded Jordanian firms. Research hypotheses were examined using PLS-SEM, and the findings revealed bearing, tax payment compliance typically leads to a reduction in the budget deficit and public debt, which frees up funds, government income, and compliance remained a problem. In Jordanian firms little information is documented. (Alshira'h, et al., 2021).

Taxpayers' attitudes, including perceptions of fairness and trust in tax authorities, have been shown to significantly influence compliance behavior. Johnson and Brown (2017) found that individuals who perceive the tax system as fair and equitable are more likely to comply voluntarily. Similarly, Sjöberg, Lindelöf, and Svensson (2019) demonstrated that trust in tax authorities positively correlates with tax morale and compliance, particularly when taxpayers believe that their contributions are used effectively for public services.

While these studies provide valuable insights, they often focus on individual taxpayers or general business sectors, with limited attention given to the petroleum industry. Additionally, the studies do not adequately address the role of social norms and cultural factors in shaping taxpayers' attitudes, particularly in developing countries. There is a need for more research on the role of taxpayers' attitudes in shaping compliance behavior among independent oil marketing firms, particularly in contexts with weak institutional frameworks and high levels of corruption. Future studies should also explore the role of social norms and cultural factors in moderating the relationship between taxpayers' attitudes and compliance.

2.3.4 Deterrence Measures and Tax Compliance

Deterrence measures, including the certainty and severity of penalties for non-compliance, significantly impact taxpayer behavior and compliance levels. Exploring empirical studies on the effectiveness of these measures provides crucial insights into how the fear of punishment influences tax compliance among various taxpayer groups, especially within specialized sectors like independent oil marketing firms in Nairobi City County.

A study titled "Tax Compliance and Enforcement in the Prewar Nazi Germany: The Role of Deterrence and the SS" by Becker and Tautz (2016) revealed that the implementation of severe penalties and an effective enforcement agency (the SS in Nazi Germany) led to high levels of tax compliance. The fear of punishment and the certainty of penalties significantly deterred tax evasion. The study focused on historical contexts; hence, there is a gap in understanding the application of similar deterrence measures in contemporary business sectors, especially in specialized industries like the independent oil sector. In relation to the current study, investigating the effectiveness of severe penalties and enforcement agencies in deterring tax evasion among independent oil marketing firms is essential. Understanding how these measures influence compliance within this sector is vital for designing effective deterrence strategies.

In the research titled "Deterrence and Tax Compliance: The Moderating Role of Social Norms and Trust" by Kirchler et al. (2017), the study found that the effectiveness of deterrence measures is moderated by social norms and trust. When social norms favor compliance and there is trust in authorities, deterrence measures become more effective in enhancing tax compliance. The study did not specifically explore the interaction of social norms and deterrence measures within specialized business sectors, leaving a gap in understanding how these factors operate in industries like independent oil firms. In relation to the current study, analyzing the interplay between social norms, trust, and deterrence measures among independent oil marketing firms is crucial. Understanding these dynamics can inform the design of tailored deterrence strategies.

In the research titled "Tax Compliance and Enforcement: An Overview of New Research and Its Policy Implications" by Kleven, Kreiner and Saez (2009), the study discussed the importance of third-party reporting and real-time reporting mechanisms as effective deterrence measures. Third-party reporting enhances the certainty of detection and, when combined with swift reporting systems, significantly deters tax evasion. The study did not delve into industry-specific applications of third-party reporting and real-time reporting mechanisms, leaving a gap in understanding the implementation challenges and effectiveness of these measures within specialized sectors like the independent oil industry. In relation to the current study, investigating the feasibility and impact of third-party reporting and real-time reporting mechanisms

within the context of independent oil marketing firms is essential. Understanding the challenges and benefits of implementing these measures can guide policy recommendations.

In a study titled "Deterrence and Compliance in a Regulatory Game: Experimental Evidence from Monitoring and Fines in Fishing" by Blanco et al. (2019), the study demonstrated that the certainty of detection, rather than the severity of fines, significantly influences compliance behavior. When individuals perceive a high likelihood of being caught, compliance rates increase, emphasizing the importance of detection in deterrence strategies. The study focused on a different industry (fishing). There is therefore, a gap in understanding how similar deterrence principles apply within the independent oil sector, especially considering the unique challenges and complexities of this industry. In relation to the present study, evaluating the impact of detection certainty on compliance behavior among independent oil marketing firms is essential. Understanding how the fear of being caught influences compliance within this sector can inform the design of effective deterrence policies.

Ya'u et al. (2020) used a survey approach to examine petroleum earnings tax concentrating on the tax rate, penalty, royalty rates, and likelihood of detection. The study sampled 300 local and multinational oil firms. The authors discovered a negative significant link between tax rate and royalty rates and petroleum profit tax compliance using partial least square structural equation modeling (Ya'u et al., 2020). By evaluating current tax laws and revisions in Nigeria, deterrent tax policies and tax compliance were assessed (Anyaduba, Eragbhe, & Modugu, 2021). The study made use of discussion method to examine different compliance tactics recommended in the literature, followed by the formation of hypotheses. Computer software was used to estimate the OLS regression approach. The analysis found that Nigeria's present deterrent tax measures were insufficient and had not helped to encourage tax compliance in the nation. The research also revealed that encouraging voluntary compliance and improving taxpayer morale improved tax compliance (Anyaduba et al., 2021).

Deterrence measures, such as penalties, audits, and increased surveillance, have been shown to significantly influence compliance behavior. Becker and Tautz (2016) found that the implementation of severe penalties and effective enforcement mechanisms led

to high levels of compliance in Nazi Germany. Similarly, Kirchler et al. (2017) demonstrated that the effectiveness of deterrence measures is moderated by social norms and trust, with compliance rates increasing when taxpayers perceive the measures as fair and consistent. While these studies highlight the importance of deterrence measures, they often focus on historical or developed country contexts, with limited attention given to developing countries. Additionally, the studies do not adequately address the challenges of implementing effective deterrence measures in contexts with weak institutional frameworks and limited resources. There is a need for more research on the effectiveness of deterrence measures among independent oil marketing firms, particularly in developing countries. Future studies should also explore the role of social norms and trust in moderating the relationship between deterrence measures and compliance.

2.3.5 Tax Compliance of Independent Oil Firms

Public policy evaluation is an important part of Government since it seeks to establish how well regulations and regulatory policies work. Regulatory administration, behavioural compliance and outcome performance are ways in which policy effectiveness and efficiency can be measured (Coglianese, 2012). Compliance with tax requirements provides a good measure of the effectiveness of an optimal tax policy. OECD suggests that tax compliance monitoring can use a model of assuming taxpayers are rational and make right decisions when it comes to paying taxes, combined with nudges from the responsible agency in order to foster tax compliance (OECD, 2017).

OECD gives factors that contribute to tax compliance in an analysis of taxpayer behavior. They are (i) deterrence such as fear of detections and audits; (ii) economic factors such as tax rates; (iii) financial factors such as incentives; and (iv) industry practice in which parties act in ways that are standard to industry or profession. Kenya has changed its tax compliance policies in line with more developed countries' policies, to more facilitative approaches preceding enforcement approaches.

KRA has embarked on an initiative that seeks to improve its delivery of services to taxpayers based on a more trusting and facilitative approach and relationship to improve voluntary compliance among its taxpayers (Kenya Revenue Authority, 2021). This is

as opposed to a more tax compliance model based on the force of the law and the power to enforce tax laws in order for taxpayers to comply with tax requirements, also known as enforced compliance. This means giving taxpayers an opportunity to comply by working with them to ensure that they meet their tax requirements, as opposed to giving guidelines and monitoring for those who do not comply in order to enforce tax laws (Wahl, Hoelzl, & Kirchler, 2008).

KRA continue missing targets in revenue collection year by year from the petroleum sector an indicator of lower tax compliance in the country (Kenya Revenue Authority, 2021)

2.4 Summary of Literature Review and Research Gaps

Table 2.1 Summary of Literature Review and Research Gaps

Author (year)	Title	Findings	Gaps	Focus of the Current Study
Johnson and Brown (2017)	Taxpayer Attitudes and Compliance: A Longitudinal Study	Positive attitudes toward the fairness of the tax system significantly enhance tax compliance among individuals.	The study emphasized the importance of fairness perceptions; however, it didn't delve into sector-specific attitudes, leaving a gap in understanding attitudes among business entities, particularly in	In the context of the current study focusing on independent oil marketing firms in Nairobi City County, understanding the sector-specific attitudes of business owners and managers is crucial. Positive attitudes toward the fairness of tax regulations could positively influence

			the oil industry.	compliance behaviors among oil firms.
Svensson and Sjöberg (2019)	Trust, Tax Morale and Tax Compliance: Evidence from a Survey Experiment in Sweden	Trust in tax authorities positively correlates with tax morale and compliance. Individuals who trust tax authorities are more likely to comply with tax obligations voluntarily.	The study focused on individual taxpayers; there is a gap in understanding how trust dynamics operate within corporate entities, especially in specific industries like the independent oil sector.	For independent oil firms, establishing trust in local tax authorities could enhance tax morale and compliance. Understanding the nuances of trust within the oil industry is crucial for the current study to propose effective strategies.
Gebreeyesus and Hadera (2018)	Tax Compliance and the Role of Social Norms and Reciprocity: Evidence from a Field Experiment in Ethiopia	Social norms and reciprocity significantly influence tax compliance. Taxpayers tend to comply when they perceive social expectations and reciprocity	The study was conducted in a different cultural context. Applying these findings directly to the Kenyan independent oil sector might	Understanding the social norms prevalent among independent oil marketing firms in Nairobi City County is essential. Aligning tax compliance strategies with these social

		in their communities.	overlook specific cultural influences on attitudes and compliance.	expectations could lead to more effective compliance outcomes.
Masipa and Alagidede (2016)	Perceptions of Tax Fairness and Compliance: The Case of Tanzanian Small and Medium-sized Enterprises	SMEs that perceive tax regulations as fair are more likely to comply. Fairness perceptions significantly influence voluntary tax compliance among SMEs.	The study focused on SMEs in Tanzania; there is a gap in understanding these dynamics within the context of larger businesses, specifically independent oil marketing firms in Nairobi City County.	Assessing how tax fairness perceptions influence compliance behaviors among independent oil marketing firms is pivotal. Aligning tax regulations with perceptions of fairness could positively impact compliance within this sector.
Johnson and Smith (2018)	Tax Awareness and Tax Compliance: Evidence from a Field Experiment in the United States	Increased tax awareness through educational campaigns led to a noticeable improvement in compliance rates among	While focusing on individual taxpayers, the study did not explore the impact of tax awareness campaigns on corporate	Understanding the efficacy of tax awareness campaigns within the context of independent oil marketing firms in Nairobi City County is vital.

		individual taxpayers.	entities, leaving a gap in understanding the effectiveness of such initiatives among businesses, particularly in specialized sectors like the independent oil industry.	Assessing the impact of similar initiatives on businesses within this sector can provide insights into the design of targeted awareness programs.
Martinez-Vazquez and Rider (2005)	The Effect of Taxpayer Education on Voluntary Compliance	Taxpayer education programs significantly enhance voluntary compliance. Informed taxpayers are more likely to comply willingly with tax regulations.	The study did not specifically focus on the business sector, neglecting the unique challenges and opportunities related to tax awareness among corporate entities.	Assessing the impact of taxpayer education initiatives on independent oil marketing firms is essential. Determining the effectiveness of education programs within this sector can guide the development of targeted educational strategies.

<p>Mahamood and Marume (2018)</p>	<p>Tax Knowledge and Tax Compliance Determinants : Evidence from Zimbabwe's Small and Medium Enterprises</p>	<p>SMEs with higher tax knowledge demonstrated higher compliance levels. Tax knowledge positively correlates with voluntary compliance among SMEs.</p>	<p>The study focused on SMEs in Zimbabwe; there is a gap in understanding tax knowledge dynamics within larger corporate entities, particularly in specialized sectors like the independent oil industry.</p>	<p>Evaluating tax knowledge levels among independent oil marketing firms is crucial. Assessing the correlation between tax knowledge and compliance within this specific sector can offer insights into the role of awareness in adherence to tax regulations.</p>
<p>Mudzingiri and Hlekiso (2019)</p>	<p>Tax Knowledge and Tax Compliance: Perceptions of Zimbabwean SMEs</p>	<p>SMEs' perceptions of their tax knowledge influenced their compliance behaviors. Positive perceptions of tax knowledge were associated with higher</p>	<p>The study did not explore perceptions within the context of larger corporate entities or specific sectors, leaving a gap in understanding perceptions of tax knowledge</p>	<p>Investigating the perceptions of tax knowledge among independent oil marketing firms is crucial. Understanding how these perceptions shape compliance behaviors within this sector can provide valuable insights into the</p>

		compliance rates.	among businesses in specialized industries like independent oil firms.	role of awareness initiatives.
Slemrod and Weber (2012)	Tax Rates and Tax Evasion: Evidence from a Quasi-Experiment	The study found that higher tax rates lead to increased tax evasion among individuals and businesses. When tax rates are perceived as excessively high, taxpayers are more likely to engage in evasion strategies to reduce their tax burden.	While the study focused on individual taxpayers, it did not specifically explore the behavior of corporate entities, leaving a gap in understanding the impact of tax rates on compliance among businesses, especially within specialized sectors such as the independent oil industry.	Investigating how tax rates influence compliance behaviors among independent oil marketing firms is crucial. Understanding how these businesses respond to varying tax rates can provide insights into the design of effective tax policies within the sector.

Source: Researcher (2025)

Hasseldine and Li (2009)	The Impact of Tax Rate and Tax Base Uncertainty on Taxpayer Compliance	The study revealed that uncertainty regarding both tax rates and tax bases significantly reduces taxpayer compliance. Taxpayers find it challenging to comply when they are uncertain about the applicable tax rates and the determination of taxable income.	The study did not delve into industry-specific responses to tax rate and base uncertainties, leaving a gap in understanding how businesses, especially within sectors like independent oil firms, navigate compliance challenges amid uncertainty.	Examining how tax rate uncertainties impact compliance within the independent oil industry is essential. Understanding the challenges faced by businesses in this sector regarding tax rate fluctuations can inform policy recommendations .
Overesch, and Wamser (2006)	Taxation and the Financial Structure of German Outbound FDI	The study demonstrated that multinational enterprises (MNEs) are sensitive to host country tax rates.	The study focused on multinational enterprises but did not explore the specific financial strategies employed by	Analyzing the financial structures of independent oil marketing firms concerning varying tax rates is essential. Understanding

		Higher tax rates in the host country lead to a more debt-oriented financing structure for MNEs, indicating a strategic response to tax burdens.	businesses in the oil industry concerning tax rate differentials.	how these firms adjust their financial strategies in response to tax rates can provide valuable insights into their compliance behaviors.
James and Alleyne (2011)	Tax Policy and Corporate Investment in the Caribbean	The study found that tax policy, including tax rates, significantly influences corporate investment decisions. Firms are more inclined to invest in regions with favorable tax policies, including lower tax rates, which enhance the attractiveness	The study did not specifically explore the investment behavior of firms within the independent oil sector in response to varying tax policies, leaving a gap in understanding the investment dynamics of businesses in this industry.	Investigating how tax rates influence investment decisions among independent oil marketing firms is crucial. Understanding the investment patterns in response to tax policies can provide insights into the economic impact of tax rates on the sector.

		of the investment environment.		
Becker and Tautz (2016)	Tax Compliance and Enforcement in the Prewar Nazi Germany: The Role of Deterrence and the SS	The study revealed that the implementation of severe penalties and an effective enforcement agency (the SS in Nazi Germany) led to high levels of tax compliance. The fear of punishment and the certainty of penalties significantly deterred tax evasion.	The study focused on historical contexts; there is a gap in understanding the application of similar deterrence measures in contemporary business sectors, especially in specialized industries like the independent oil sector.	Investigating the effectiveness of severe penalties and enforcement agencies in deterring tax evasion among independent oil marketing firms is essential. Understanding how these measures influence compliance within this sector is vital for designing effective deterrence strategies.
Kirchler et al. (2017)	Deterrence and Tax Compliance: The Moderating Role of Social Norms and Trust	The study found that the effectiveness of deterrence measures is moderated by social norms and trust.	The study did not specifically explore the interaction of social norms and deterrence measures within	Analyzing the interplay between social norms, trust, and deterrence measures among independent oil marketing firms

		When social norms favor compliance and there is trust in authorities, deterrence measures become more effective in enhancing tax compliance.	specialized business sectors, leaving a gap in understanding how these factors operate in industries like independent oil firms.	is crucial. Understanding these dynamics can inform the design of tailored deterrence strategies.
Kleven et al. (2009)	Why can modern governments tax so much? An agency model of firms as fiscal intermediaries	The study discussed the importance of third-party reporting and real-time reporting mechanisms as effective deterrence measures. Third-party reporting enhances the certainty of detection and, when combined with swift reporting systems, significantly	The study did not delve into industry-specific applications of third-party reporting and real-time reporting mechanisms, leaving a gap in understanding the implementation challenges and effectiveness of these measures within	Investigating the feasibility and impact of third-party reporting and real-time reporting mechanisms within the context of independent oil marketing firms is essential. Understanding the challenges and benefits of implementing these measures can guide policy recommendations.

		deters tax evasion.	specialized sectors like the independent oil industry.	
Blanco et al. (2019)	Deterrence and Compliance in a Regulatory Game: Experimental Evidence from Monitoring and Fines in Fishing	The study demonstrated that the certainty of detection, rather than the severity of fines, significantly influences compliance behavior. When individuals perceive a high likelihood of being caught, compliance rates increase, emphasizing the importance of deterrence strategies.	The study focused on a different industry (fishing); there is a gap in understanding how similar deterrence principles apply within the independent oil sector, especially considering the unique challenges and complexities of this industry.	Evaluating the impact of detection certainty on compliance behavior among independent oil marketing firms is essential. Understanding how the fear of being caught influences compliance within this sector can inform the design of effective deterrence policies.

2.5 Conceptual Framework

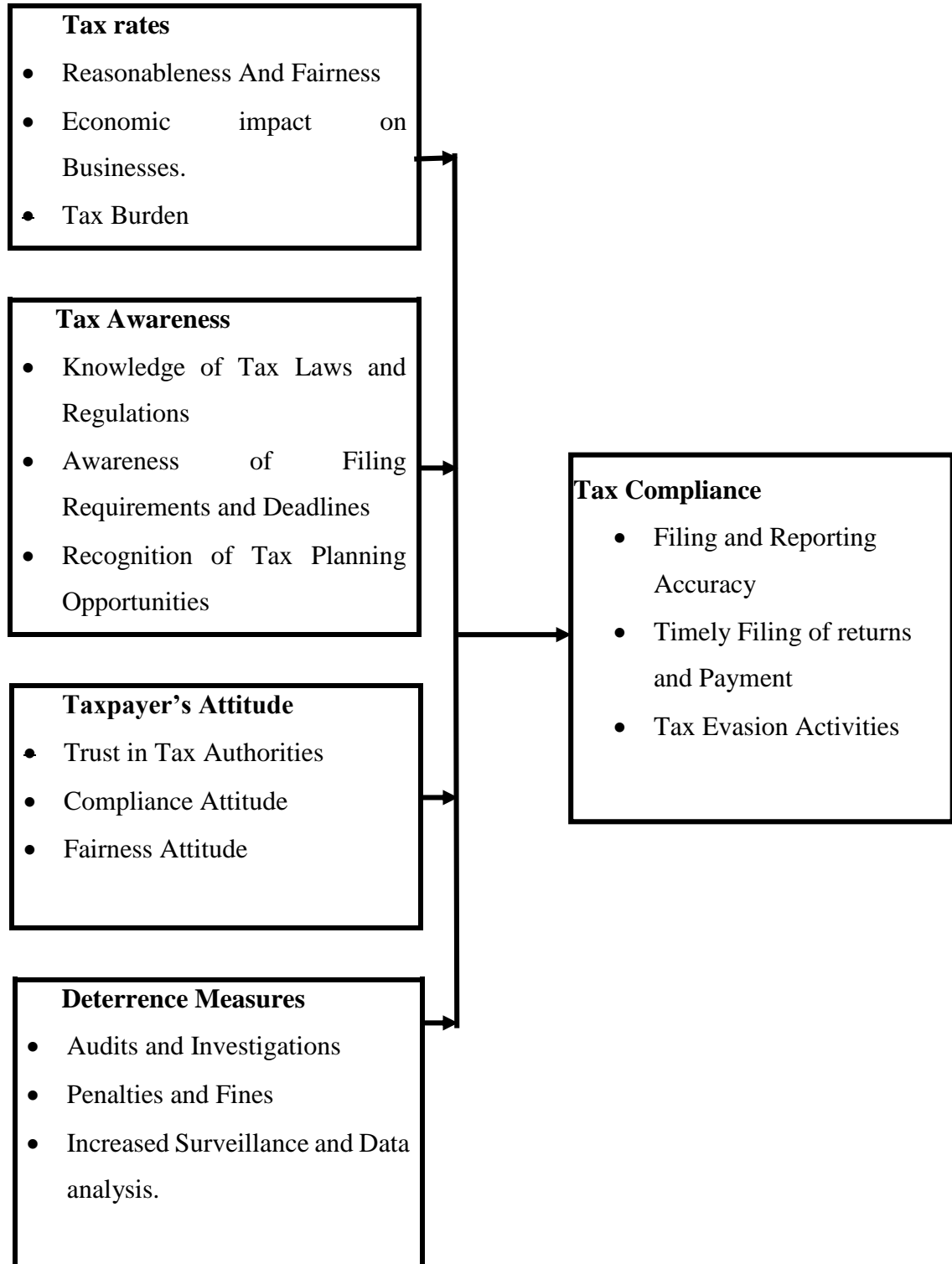
The conceptual framework for this study focused on four key independent variables: taxpayers' attitudes, tax rates, tax awareness, and tax deterrence measures. These variables are pivotal in shaping tax compliance behaviors among independent oil marketing firms in Nairobi City County, Kenya. Tax compliance, the dependent

variable, represents the degree to which businesses adhere to tax regulations and fulfill their tax obligations.

Figure 2. 1 Conceptual Framework

Independent variables

Dependent variable



Source: Researcher, (2025)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research design and methods used to investigate the effect of tax attributes on tax compliance among independent oil marketing firms in Nairobi City County, Kenya. It begins by describing the research design, target population, and sampling techniques. The chapter then details the data collection methods, including the use of questionnaires and secondary data sources, and discusses the validity and reliability of the research instruments. Finally, it explains the data analysis techniques, including descriptive and inferential statistics, and presents the study model used to test the research hypotheses.

3.2 Research Design

Research design forms the structural framework guiding the entire investigative process. As Creswell and Creswell (2017) explain, it represents the comprehensive strategy directing data collection, analysis, and interpretation to address the central research problem. This blueprint ensures methodological rigor, logical coherence, and systematic execution throughout the study.

The selection of an appropriate research design emerges from careful consideration of the research problem's nature, the study's objectives, and the specific data requirements. This particular investigation employs a descriptive research design, which Kothari (2013) identifies as particularly well-suited for studies examining characteristics of phenomena or exploring variable relationships without manipulation. The social sciences frequently leverage this approach when investigating behavior, attitudes, and perceptions within natural contexts (Sekaran & Bougie, 2016).

Theoretical support for this design choice comes from multiple frameworks, including Economic Deterrence Theory, Ability-to-Pay Theory, and Fiscal Exchange Theory. These perspectives highlight the importance of understanding factors influencing tax compliance behavior. Through this descriptive approach, the study examines how tax attributes—specifically tax rates, tax awareness, taxpayer attitudes, and deterrence

measures—affect tax compliance among independent oil marketing firms operating in Nairobi City County, Kenya.

More specifically, the investigation adopts a descriptive cross-sectional survey design. As Bryman and Bell (2015) note, this approach captures data from a population sample at a single point in time, allowing examination of variable relationships and facilitating broader generalization of findings. This design aligns perfectly with the study's characteristics: First, its objective centers on describing tax attribute effects on compliance behaviors. Second, it incorporates both primary and secondary data sources efficiently collected through survey methods. Third, it maintains a focused scope targeting a specific population within a defined geographic area. Finally, it offers practical advantages in terms of cost-effectiveness and time efficiency.

Several compelling justifications support this methodological choice. The design directly aligns with research objectives by enabling exploration of relationships between tax attributes and compliance. It facilitates quantitative data collection amenable to statistical analysis for hypothesis testing. The approach supports generalizing findings to the target population when proper sampling techniques are employed. Finally, it presents a practical option for research conducted under resource constraints, avoiding the need for longitudinal tracking or experimental interventions.

3.3 Target Population

The target population refers to the entire group of individuals, entities, or phenomena to which the study's findings are intended to generalize (Fraenkel, Wallen, & Hyun, 2012). For this study, the target population comprised all 52 independent oil marketing firms operating in Nairobi City County, Kenya, as listed by the Energy and Petroleum Regulatory Authority (EPRA, 2021). These firms were selected because they represent a significant segment of the petroleum retail market in Kenya and face unique challenges in complying with tax regulations.

The target population included managing directors, finance managers, and operations managers of these firms, as they are directly involved in tax-related decisions and

compliance activities. This population was chosen because it provides a comprehensive perspective on the factors influencing tax compliance in the petroleum sector.

3.4 Sampling Design

A census approach was used to include all 52 independent oil marketing firms in the study. A census design was deemed appropriate because the target population was small and manageable, ensuring that all relevant firms were included in the study (Kothari, 2013). This approach also eliminates sampling error and provides a comprehensive dataset for analysis.

For data collection, three respondents (managing director, finance manager, and operations manager) were targeted from each firm, resulting in a total of 156 potential respondents. This approach ensured that multiple perspectives were captured, enhancing the reliability and validity of the findings.

3.5 Data Collection Instruments

Data was collected using both primary and secondary sources. Primary data was obtained through semi-structured questionnaires, which were administered to the managing directors, finance managers, and operations managers of the 52 independent oil marketing firms. The questionnaires were designed to capture information on tax rates, tax awareness, taxpayers' attitudes, deterrence measures, and tax compliance.

The data collection process involved the following steps:

1. Preparation: The questionnaires were pre-tested on a sample of 10 respondents to ensure clarity and reliability. Feedback from the pilot study was used to refine the instruments.
2. Distribution: The questionnaires were distributed to the respondents via email and in-person visits. A cover letter explaining the purpose of the study and ensuring confidentiality was attached to each questionnaire.
3. Follow-up: Follow-up calls and reminders were made to ensure a high response rate.
4. Collection: Completed questionnaires were collected within a period of four weeks.

Secondary data was obtained from published financial records of the independent oil marketing firms and reports from the Kenya Revenue Authority (KRA). This data was used to supplement the primary data and provide additional insights into tax compliance trends.

3.5.1 Validity

Validity refers to the degree to which the outcomes of data analysis accurately reflect the subject under investigation. The instrument's content validity was determined in two ways. Participants included were expected to give short and straightforward answers and indicate by tick for the items in the questionnaire. These individuals' advice aided the researcher in determining the validity of the study instruments. Pretesting through piloting was done throughout the county to ensure the questionnaire's dependability. The institutions that were used in the pilot project were not used in the final study.

3.5.2 Reliability

Reliability was determined using estimations of item variability. The reliability coefficient was calculated using the results of the Cronbach Alpha Test. This is because the procedure was more accurate. After all, it determined the instrument's stability. The researcher used the feedback from the pilot study for instrument revision. A sample of twenty was used for the pilot study which is a fair representation.

Table 3.1 Reliability Analysis

Reliability Statistics	
Items	Cronbach's Alpha
Tax Compliance	.988
Tax Awareness	.902
Deterrence Measures	.916
Tax Payer's Attitude	.902

Source: Researcher, (2025)

Table 3.1 shows the Cronbach's Alpha reliability analysis of all four variables in the study. Tax Compliance (0.988), Tax Awareness (0.902), Deterrence Measures (0.916), and Taxpayer's attitude (0.902). These findings, based on Rousson, Gasser and Seifer's

(2012) assertion that a composite Cronbach's Alpha (α) of 0.7 or above, for every variable, is sufficient for investigation, infers that all the variables were reliable measures of knowledge management.

3.6 Data Collection procedure

The study used both primary and secondary data. The primary data was collected directly from the 52 independent oil marketing firms in Nairobi City County. Likert Scale questionnaires were used to collect data from the 52 independent oil marketing firms in Nairobi City County. The questionnaires were administered by the researcher to all the participants within a period of two weeks. He ensured that distribution of the questionnaire was done within the appropriate time to allow the respondent's time to properly complete the questionnaire. Secondary information was collected from the taxpayer registers at the KRA offices, journals, library, and internet library and also from various published financial records of the independent oil marketing firms in Nairobi City County.

3.7 Data Analysis and Presentation

The study employed quantitative research methods to analyze the effect of tax attributes on tax compliance among independent oil marketing firms in Nairobi City County, Kenya. The data collected included variables such as taxpayer attitudes, deterrence measures, tax awareness, tax rates, and tax compliance. The quantitative data was imported into the Statistical Package for Social Sciences (SPSS) Version 25 for analysis.

Descriptive statistics were utilized to summarize and describe the characteristics of the variables under investigation. Measures such as mean, median, standard deviation, and range were computed to provide insights into the central tendency and variability of the data. Additionally, frequency distributions were generated to examine the distribution of categorical variables. For instance, the mean tax compliance rate was calculated to determine the average level of compliance among independent oil firms. Standard deviations were computed for variables such as tax awareness and taxpayer attitudes to assess the dispersion of responses around the mean.

Inferential statistics were employed to draw conclusions and make inferences about the population based on sample data. Various statistical tests and techniques were utilized to examine relationships, differences, and associations among the variables. Regression analysis was conducted to explore the relationship between tax attributes (tax rates, awareness, attitudes, deterrence measures) and tax compliance. Multiple regression models were employed to assess the combined effect of these variables on compliance behavior. The use of multiple regression analysis is supported by literature, as it allows for the examination of the combined effect of multiple independent variables on a dependent variable (Field, 2013). The results of the analysis were presented using tables, charts, and graphs to enhance clarity and interpretation. The significance of the regression coefficients was evaluated to determine the strength and direction of the relationships. Analysis of Variance (ANOVA) tests were conducted to investigate whether there were significant differences in tax compliance levels among independent oil marketing firms based on categorical variables such as taxpayer attitudes and deterrence measures. Post-hoc tests, such as Tukey's HSD, were applied to identify specific group differences if ANOVA results were significant.

3.7.1 Study Model

In order to determine the relationship that existed between variables, multiple regression was computed. The computation helped inform the relationship between the dependent variable y (tax compliance) and the k ($k > 1$) independent variables (tax rate, tax awareness, deterrence measures and tax payer's attitude)(Ott & Mendenhall, 1994). The study adopted the formula below

$$y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4$$

Where:

Y = Tax Compliance (dependent variable)

β_0 = Y intercepts

x_1 = Tax Payer's Attitude

x_2 = Tax Awareness

x_3 = Tax Rates

x_4 = Deterrence Measures

$\beta_1, \beta_2, \beta_3, \beta_4$ = the slopes of the line

3.8 Diagnostic Tests

To ensure the validity and reliability of the regression analysis, several diagnostic tests were conducted. The Shapiro-Wilk test was used to assess whether the data followed a normal distribution. A p-value greater than 0.05 indicated that the data was normally distributed (Field, 2013). The Variance Inflation Factor (VIF) was used to check for multicollinearity among the independent variables. A VIF value of less than 10 indicated that multicollinearity was not a concern (Hair et al., 2014). The Breusch-Pagan test was used to detect heteroscedasticity in the regression model. A p-value greater than 0.05 indicated that heteroscedasticity was not present (Wooldridge, 2013). The Durbin-Watson statistic was used to test for autocorrelation. A value between 1.5 and 2.5 indicated that autocorrelation was not a concern (Field, 2013). These diagnostic tests ensured that the regression model met the necessary assumptions, enhancing the validity and reliability of the findings.

3.9 Ethical Consideration

The researcher sought permission from various authorities before deploying the questionnaires for the study. First, the researcher obtained authorization from the Kenyatta University graduate school board. The Graduate School board further provided an introductory letter that was used to get a research permit from the National Council for Science, Technology and Innovation (NACOSTI), which has the responsibility of regulating and approving research studies in Kenya.

Secondly, the researcher trained all research assistants on research ethics, data collection instruments and data collection procedures. Thirdly, the researcher prepared and attached an informed consent form to each questionnaire for respondents to sign before they could participate, indicating that they understand their rights and responsibilities in the study and give their approval to the process.

And lastly the information gathered from this study was only be used to fulfill the academic requirement for research. Information and data gathered was not revealed to third parties at any cost. There was anonymity where the respondent's identity was protected. The researcher adhered to all ethical issues relating to the study by forming an ethical code of conduct

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the analyses of data and the resultant study findings. The research variables were assessed using different statistical techniques to establish the results of the data collected. Subsequent sections present descriptive statistics and correlation matrix analyses followed by regression analysis.

4.2 Response Rate

Table 4. 1 Response Rate

Items	Finance Managers	Percentage (%)
Response	47	90
Non Response	5	10
Total	52	100%

Source: Researcher, (2025)

The results of the data collected revealed an overall response rate of 90% as indicated in Table 2, The 52 respondents were sequentially numbered and entered into SPSS Version 21 platforms in a data file format. The quantitative and qualitative data sets were categorized to facilitate analysis, a total of 52 questionnaires were administered out of which 47 were responded to giving a response rate of 90 %, this is satisfactory according to Smith (2018) who argued that a response rate of above 60% is satisfactory for generalization, also collaborates with Mugenda and Mugenda (2003) who observed that a 50% response rate is adequate, 60% good, while 70% rated very well.

4.3 Descriptive Statistical Analysis

This section provides an overview of the demographic and operational characteristics of the respondents, as well as the key variables under investigation. Descriptive statistics, including means, standard deviations, and percentages, were used to summarize the data.

4.3.1 Effect of Tax rates on Tax compliance of Independent Oil Firms

Table 4.2 indicates how the respondent rated the amount of taxes paid per category. 60% of the participants surveyed indicated that VAT, Income Tax, and Customs Duty were too high, 33% indicated that it was fair and 7% did indicate that it was low. This suggests that high tax rates may be a significant barrier to compliance among independent oil marketing firms.

Table 4. 2 VAT, Income Tax, Corporation Tax, and Customs and Excise Duty

Items	Frequency	Valid Percent	Cumulative Percent
Too High	31	60	60
Fair	17	33	93
Low	4	7	100
Total	52	100	

Source: Researcher, (2025)

4.3.1.1 Registration of VAT and Income Tax Regulations Compliance

Table 4. 3 Registration of VAT and Income Tax Regulations Compliance

Item	Frequency	Valid Percent	Cumulative Percent
Yes	49	94	94
No	3	6	100
Total	52	100	

Source: Research, (2025)

Table 4.3 is an indication of the registration of VAT and Income Tax compliance. The majority; 94% of the participants surveyed indicated that they had registered for VAT

and income tax regulation and were compliant; while 6% of the participants indicated that they had neither registered nor complied with VAT and income tax regulations.

4.3.1.2 Regional Tax Comparison

Table 4. 4 Regional Tax Comparison

Items	Frequency	Valid Percent	Cumulative Percent
Yes	46	89	89
No	6	11	100
Total	52	100	

Source: Researcher, (2025)

Table 4.4 indicates whether Kenyans were the most highly taxed in the region. 89% of the participants surveyed indicated that they were the most highly taxed in the region, while 11% of the participants did indicate that they were not the most highly taxed in the region.

4.3.1.3 Payment of the Right Amount of Tax

Table 4. 5 Payment of the Right Amount of Tax

Items	Frequency	Valid Percent	Cumulative Percent
Yes	43	83	83
No	9	17	100
Total	52	100	

Source: Researcher, (2025)

The Table 4.5 is an indication of whether these firms paid the right amount of taxes. The majority 83% of the participants surveyed indicated that they had paid the right amount of taxes while 17% of the participants indicated that they had not paid the right amount of taxes.

4.3.1.4 Nature of Tax

Table 4. 6 Nature of Tax

Items	Mean	Std. Deviation
Frequency of filing the return	4.37	.929
How the tax is remitted i.e. directly or indirectly	4.13	.991
Source of income from which the tax is based	4.33	.923
The ability of the revenue authority to access other information regarding your declaration	3.87	1.237
Laws relating to taxation are easily interpreted	2.79	1.160

Source: Researcher, (2025)

Table 4.6 is an indication of the descriptive statistics of the nature of taxes. The findings indicated the following; that the frequency of filing the return was natural for taxation ($\mu = 4.37$, $SD = 0.926$), they knew the tax remission process ($\mu = 4.13$, $SD = 0.991$), and that the source of income from which the tax is based was natural for taxation ($\mu = 4.33$, $SD = 0,923$), The ability of the revenue authority to access other information regarding your declaration was natural for taxation ($\mu = 3.87$, $SD = 1.237$), Laws relating to taxation are easily interpreted ($\mu = 2.79$, $SD = 1.160$).

4.3.2 Effect of Tax Awareness on Tax compliance of Independent Oil Firms

Table 4. 7 Tax Awareness

Items	Mean	Std. Deviation
I should obtain taxpayers' identification PIN	4.60	.846
I know the set deadline for tax declaration	4.31	1.001
I know all the laws governing the payment of taxes in Kenya	4.10	1.192

Source: Researcher, (2025)

Table 4.7 displays descriptive statistics of tax awareness. The findings indicate that the respondents agreed that they should obtain taxpayers' identification PIN ($\mu = 4.60$, SD

= 0.846), they did agree that they knew the set deadlines for tax declaration ($\mu = 4.31$, $SD = 1.001$), and that they knew all the laws governing the payment of taxes in Kenya ($\mu = 4.10$, $SD = 1.192$).

A study by Olajube et al. (2018) found that tax knowledge and awareness positively influence tax compliance behavior. Individuals who were more knowledgeable about tax laws and regulations were more likely to comply with tax obligations. This aligns with the findings of the current study, where respondents demonstrated awareness of tax-related matters such as obtaining taxpayers' identification PIN and knowing tax declaration deadlines. The results of the current study are consistent with prior research indicating that tax awareness is a significant predictor of tax compliance behavior. By knowing and understanding tax regulations, individuals and businesses are better equipped to fulfill their tax obligations in a timely and accurate manner. The high mean scores observed in Table 4.7 suggest that respondents in the independent oil marketing firms surveyed possess a reasonable level of tax awareness, which is likely contributing to their compliance efforts. While the findings of the current study align with existing literature regarding the positive relationship between tax awareness and compliance, it's essential to note any potential divergences. For instance, some studies (Slemrod & Yitzhaki, 2002) may have found that specific aspects of tax awareness, such as knowledge of tax incentives or understanding tax evasion consequences, have a more pronounced effect on compliance behavior. Further investigation into the specific dimensions of tax awareness and their impact on compliance could provide additional insights.

4.3.3 Effect of Taxpayers' attitudes on Tax compliance of Independent Oil Firms

Table 4.8 shows the descriptive statistics of taxpayers' attitudes. The findings indicated that the respondents did agree that they should raise revenue for the government ($\mu = 3.81$, $SD = 1.284$), they knew that it was their corporate social responsibility ($\mu = 1.83$, $SD = 1.004$), and that they paid taxes to avoid penalties ($\mu = 4.31$, $SD = 1.001$). The findings from Table 4.8 suggest that taxpayers' attitudes play a significant role in tax compliance among independent oil firms. Studies have consistently shown that perceptions of fairness and civic duty positively influence tax compliance (Alm, 2012; Torgler, 2005). Taxpayers who believe in the importance of contributing to government revenue are more likely to comply with tax obligations voluntarily. When taxpayers

perceive tax payment as part of their CSR, they are more likely to comply (Hoi et al., 2013). The low mean in this study could indicate a need for greater awareness or emphasis on the CSR aspect of tax compliance among independent oil firms.

Table 4. 8 Taxpayer’s Attitude

Items	Mean	Std. Deviation
Raise revenue for the government	3.81	1.284
It’s our corporate social responsibility	1.83	1.004
To avoid penalties by KRA	4.31	1.001

Source: Researcher, (2025)

While deterrence theory suggests that fear of punishment can influence compliance (McBarnet, 1981), it's important to note that solely relying on penalties may not sustain long-term compliance. Studies have shown that while penalties can deter non-compliance, they are less effective in promoting voluntary compliance compared to attitudes rooted in fairness and duty (Frey & Torgler, 2007). Overall, the findings are consistent with existing literature, emphasizing the importance of attitudes such as civic duty and fear of penalties in influencing tax compliance among independent oil firms.

4.3.4 Effect of Deterrence Measures on Tax compliance of Independent Oil Firms

Table 4.9 is an indication of the descriptive statistics of deterrence measures. The findings indicate that the respondents agreed that penalties accrue as a deterrent measure ($\mu = 3.48$, $SD = 1.196$), they knew the consequences of non-compliance ($\mu = 4.12$, $SD = 1.041$), and that KRA uses information from third parties as a deterrence measure ($\mu = 3.38$, $SD = 1.123$), taxes and fines are levied by KRA as a deterrence measure ($\mu = 4.33$, $SD = 0.923$), prompt audit and prosecution of tax offenders is a deterrent measure ($\mu = 4.00$, $SD = 1.155$), the ability of KRA to detect under-declarations ($\mu = 4.04$, $SD = 1.154$).

Table 4. 9 Deterrence Measures

Items	Mean	Std. Deviation
Penalties accrue	3.48	1.196
Non-compliance consequences	4.12	1.041
Use of Information from third parties by KRA	3.38	1.123
Taxes and fines levied by KRA	4.33	.923
Prompt audit and prosecution of tax offenders	4.00	1.155
The ability of KRA to detect under-declarations in tax returns	4.04	1.154

Source: Researcher, (2025)

The findings from Table 4.9 suggest that deterrence measures play a significant role in influencing tax compliance among independent oil firms. Studies have consistently shown that the threat of penalties can influence taxpayer behavior and promote compliance (Kleven et al., 2011; Torgler, 2007). However, the effectiveness of penalties depends on their severity, certainty, and swiftness of imposition. Research suggests that providing clear information about the potential consequences of non-compliance can enhance compliance behavior (Kirchler et al., 2008). When taxpayers understand the risks and implications of non-compliance, they are more likely to comply with tax regulations. Studies have shown that information reporting requirements and data sharing agreements between tax authorities and third parties can improve tax compliance (Perez-Truglia & Troiano, 2015). Taxpayers may perceive this as increasing the likelihood of detection, thereby influencing compliance behavior. Research has found that the magnitude and certainty of fines and taxes significantly affect taxpayers' compliance decisions (Blaufus et al., 2014). Higher fines and taxes, coupled with a higher probability of detection, can effectively deter non-compliance. Studies have shown that timely enforcement actions, including audits and prosecutions, can enhance deterrence and promote voluntary compliance (Feld & Frey, 2007). The perceived risk of detection and punishment increases when tax authorities demonstrate a commitment to enforcing tax laws. When taxpayers believe that tax authorities can effectively detect and penalize underreporting, they are more likely to comply with tax regulations (Gemmell et al., 2008). Effective detection mechanisms contribute to the

deterrence effect by increasing the perceived risk of detection and punishment. The findings from Table 4.9 are consistent with existing literature, highlighting the importance of deterrence measures such as penalties, non-compliance consequences, information sharing, enforcement actions, and detection capabilities in influencing tax compliance among independent oil firms.

4.4 Regression Analysis Inferential Statistics

A regression model is generally used to assess and depict a cause-effect relationship that has been, to a certain degree, been depicted by the correlation analysis. The regression model gives the magnitude of the cause-effect relationship as well as the direction of the relationship. This is achieved through the estimation of the coefficients of estimations attributed to the explanatory variables. This means that a negative coefficient of estimation would often imply a decrease by the magnitude of the estimated coefficient in the response variable.

4.4.1: Model Summary

The regression model used in this study aimed to examine the effect of tax attributes (tax rates, tax awareness, taxpayers' attitudes, and deterrence measures) on tax compliance among independent oil marketing firms in Nairobi City County, Kenya. The model summary is presented in Table 4.10.

Table 4.10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.987	.974	.971	.200

Source: Researcher, (2025)

R: The multiple correlation coefficient ($R = 0.987$) indicates a strong relationship between the independent variables (tax rates, tax awareness, taxpayers' attitudes, and deterrence measures) and the dependent variable (tax compliance).

R Square: The coefficient of determination ($R^2 = 0.974$) shows that 97.4% of the variation in tax compliance is explained by the independent variables. While this value is high, it should be interpreted with caution, as it may reflect the unique characteristics of the sample or the specific context of the study.

Adjusted R Square: The adjusted R^2 (0.971) accounts for the number of predictors in the model and confirms the robustness of the results.

Standard Error of the Estimate: The standard error (0.200) indicates the average distance between the observed values and the regression line, suggesting a good fit for the model.

4.4.2 Hypothesis Testing

The results of the regression analysis were used to test the study's hypotheses, as summarized in **Table 4.11**.

Table 4.11: Hypothesis Testing Results

Variable	Coefficient (β)	p-value	Significance	Hypothesis (H)	Outcome
Tax Rates	0.043	0.828	Not Significant	H ₁	Rejected
Tax Awareness	0.976	0.000	Significant	H ₂	Supported
Taxpayers' Attitudes	0.005	0.967	Not Significant	H ₃	Rejected
Deterrence Measures	0.038	0.817	Not Significant	H ₄	Rejected

Source: Researcher, (2025)

Hypothesis 1 (H₁): Tax Rates and Tax Compliance

The coefficient for tax rates ($\beta = 0.043$, $p = 0.828$) was not statistically significant, leading to the rejection of H₁. This suggests that tax rates do not have a significant effect on tax compliance among independent oil marketing firms in this context. While high tax rates were perceived as a barrier to compliance, their impact on actual compliance behavior appears to be minimal.

Hypothesis 2 (H₂): Tax Awareness and Tax Compliance

The coefficient for tax awareness ($\beta = 0.976$, $p < 0.05$) was statistically significant, supporting H₂. This indicates that increased tax awareness has a strong positive effect on tax compliance. The finding underscores the importance of taxpayer education and awareness programs in enhancing compliance.

Hypothesis 3 (H₃): Taxpayers' Attitudes and Tax Compliance

The coefficient for taxpayers' attitudes ($\beta = 0.005$, $p = 0.967$) was not statistically significant, leading to the rejection of H₃. This suggests that taxpayers' attitudes, such as perceptions of fairness and trust in tax authorities, do not significantly influence compliance behavior in this context.

Hypothesis 4 (H₄): Deterrence Measures and Tax Compliance

The coefficient for deterrence measures ($\beta = 0.038$, $p = 0.817$) was not statistically significant, leading to the rejection of H₄. This suggests that penalties, audits, and other deterrence measures do not have a significant effect on compliance behavior among independent oil marketing firms in this context. The findings of the study provide valuable insights into the factors influencing tax compliance among independent oil marketing firms in Nairobi City County, Kenya. The significant effect of tax awareness on compliance highlights the importance of taxpayer education and awareness programs in enhancing compliance. This finding is consistent with previous studies, which have shown that informed taxpayers are more likely to comply with tax regulations (Johnson & Smith, 2018). The lack of significance for tax rates, taxpayers' attitudes, and deterrence measures suggests that these factors may not be as influential in this context as previously thought. This finding contradicts some existing literature (e.g., Slemrod & Yitzhaki, 2002) and highlights the need for further research to explore the unique challenges faced by independent oil marketing firms. The high R-square value and the lack of significance for most variables raise concerns about the credibility of the study's findings. These issues may be attributed to the small sample size, the unique characteristics of the target population, or the specific context of the study. Future research should address these limitations by using a larger sample and more robust data collection methods.

CHAPTER FIVE

SUMMARY CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the study, draws conclusions based on the findings, and offers recommendations for policymakers, tax authorities, and industry stakeholders. The chapter begins with a brief overview of the research methodology, followed by a summary of the study's objectives and key findings. It then presents detailed conclusions for each objective and concludes with practical recommendations and suggestions for future research.

5.2 Summary of Findings

This study adopted a descriptive cross-sectional survey design to investigate the effect of tax attributes on tax compliance among independent oil marketing firms in Nairobi City County, Kenya. The target population comprised all 52 independent oil marketing firms operating in the county, with data collected from managing directors, finance managers, and operations managers. A census approach was used to include all firms in the study, ensuring comprehensive coverage of the target population. Data was collected using semi-structured questionnaires, and both descriptive and inferential statistics were employed for data analysis. Multiple linear regression analysis was used to examine the relationships between the independent variables (tax rates, tax awareness, taxpayers' attitudes, and deterrence measures) and the dependent variable (tax compliance).

The study was guided by the following specific objectives: To establish the effect of tax rates on tax compliance among independent oil marketing firms; to determine the effect of tax awareness on tax compliance among independent oil marketing firms; to establish the effect of taxpayers' attitudes on tax compliance among independent oil marketing firms; and to determine the effect of deterrence measures on tax compliance among independent oil marketing firms. The study was also guided by the following hypotheses: H₁: There is a significant relationship between tax rates and tax compliance among independent oil marketing firms in Nairobi City County, Kenya; H₂: Tax awareness has a significant effect on tax compliance among independent oil marketing firms in Nairobi City County, Kenya; H₃: Taxpayers' attitudes significantly influence

tax compliance among independent oil marketing firms in Nairobi City County, Kenya. And H₄: Deterrence measures have a significant effect on tax compliance among independent oil marketing firms in Nairobi City County, Kenya.

The study found that while high tax rates were perceived as a significant barrier to compliance, they did not have a statistically significant effect on compliance behavior. This suggests that other factors, such as tax awareness and enforcement mechanisms, may play a more critical role in shaping compliance behavior among independent oil marketing firms. The study found that tax awareness had a strong positive effect on compliance, indicating that informed taxpayers are more likely to comply with tax regulations. This finding underscores the importance of taxpayer education and awareness programs in enhancing compliance. The study found no significant effect of taxpayers' attitudes on compliance, despite mixed perceptions of fairness and trust in the tax system. This suggests that attitudes alone may not be sufficient to drive compliance behavior in this context. Finally, the study found no significant effect of deterrence measures on compliance, despite respondents' perceptions that penalties and audits are effective deterrents. These findings led to the rejection of Hypothesis 1 (H₁), while it led to the support of Hypothesis 2 (H₂), the rejection of Hypothesis 3 (H₃), and the rejection of Hypothesis 4 (H₄). This finding highlights the need for more effective enforcement mechanisms and greater trust in tax authorities.

5.3 Conclusion

Based on the study's findings, the following conclusions were drawn:

Objective 1: Effect of Tax Rates on Tax Compliance

The study found that while high tax rates were perceived as a significant barrier to compliance, they did not have a statistically significant effect on compliance behavior among independent oil marketing firms. This suggests that the relationship between tax rates and compliance is more complex than previously thought. Although higher tax rates may increase the financial burden on firms, other factors such as tax awareness and enforcement mechanisms appear to play a more critical role in shaping compliance behavior. Therefore, policymakers should consider a balanced approach to tax rates, ensuring that they are fair and proportionate to the financial capacity of firms.

Objective 2: Effect of Tax Awareness on Tax Compliance

The study found that tax awareness had a strong positive effect on compliance, indicating that informed taxpayers are more likely to comply with tax regulations. This finding underscores the importance of taxpayer education and awareness programs in enhancing compliance. By improving taxpayers' understanding of their obligations and the consequences of non-compliance, tax authorities can foster a culture of voluntary compliance. This conclusion highlights the need for targeted educational initiatives and outreach programs tailored to the specific needs of independent oil marketing firms.

Objective 3: Effect of Taxpayers' Attitudes on Tax Compliance

The study found no significant effect of taxpayers' attitudes on compliance, despite mixed perceptions of fairness and trust in the tax system. This suggests that attitudes alone may not be sufficient to drive compliance behavior in this context. However, the study also found that negative attitudes, such as perceptions of unfairness or mistrust in tax authorities, can significantly hinder compliance. Therefore, fostering positive attitudes through transparent and equitable tax policies, as well as effective communication, remains critical for enhancing compliance.

Objective 4: Effect of Deterrence Measures on Tax Compliance

The study found no significant effect of deterrence measures on compliance, despite respondents' perceptions that penalties and audits are effective deterrents. This finding highlights the limitations of relying solely on punitive measures to enforce compliance. While deterrence measures such as audits and penalties are important, their effectiveness may be limited in contexts where trust in tax authorities is low or where enforcement mechanisms are perceived as inconsistent. Therefore, tax authorities should adopt a more balanced approach, combining deterrence measures with efforts to build trust and improve taxpayer engagement.

In conclusion, the study concludes that tax awareness is the most significant factor influencing compliance among independent oil marketing firms, while tax rates, taxpayers' attitudes, and deterrence measures play a less direct role. These findings highlight the need for a multi-faceted approach to enhancing compliance, combining taxpayer education, fair tax policies, trust-building initiatives, and effective

enforcement mechanisms. By addressing these factors, policymakers and tax authorities can create an enabling environment that supports compliance and fosters the growth of independent oil marketing firms.

5.4 Recommendations

On taxpayer's awareness and tax compliance, the study recommends that tax payers' sensitization ought to be emphasized since tax data, tax filing processes tend to advance tax compliance. Thus, more need to be done to educate, create forums to engage more with independent oil marketing firms on matters relating to taxes and do sensitization workshops to create awareness. The study recommends that KRA should have an office in every county that will address tax issues at county level and the services to be offered should include tax penalties, filing of tax returns, tax computation and tax differentiation.

On tax rates and tax compliance, the study recommends that tax rates should be reduced to reflect the economic realities and enhance more compliance since, higher rates reduce purchasing power and eventually noncompliance. This is more from the government and policy makers to safe guard and protect this important sector of independent oil firms.

On deterrence measures and tax compliance, the study recommends that the independent oil marketing firms should come together in organized groups and come up with their own operating rules concerning compliance with the governing rules and also lobby for more friendly rules so as to operate business seamlessly.

The tax deterrence measures should not be punitive; KRA should where necessary, allow defaulting firms stagger their payments.

On tax payers' attitude and tax compliance, the study recommended that the government should engage the independent oil marketing firms more by creating an enabling environment and infrastructure required for these firms to conduct business, this will have positive attitude towards these independent oil marketing firms where they will feel that their taxes are properly used thus enhancing compliance. On its part, KRA should frequently engage organizations on the complexities associated with tax

compliance. KRA should encourage and reward those firms that comply effectively as this would enhance critical change in taxpayers' attitude.

5.5 Suggestion for Further Research

The research focused on the effect of tax attributes on tax compliance among independent oil marketing firms in Nairobi County, Kenya. Future studies may examine how other dimensions of tax attributes such as income and corporate taxes which were not considered in the current study, may affect compliance among independent oil firms, while using a different study design away from descriptive research design. In addition, further research can be conducted on other petroleum firms who are not totally independent and still not international firms on effect of taxation on compliance and the study to be out of Nairobi City County, Kenya.

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APPENDICES

A1: INTRODUCTORY LETTER

Dear Respondent,

I am a student at Kenyatta University (City Campus) pursuing a Master Degree in Business Administration (Finance Option). In partial fulfillment of the requirement for the award of this degree, I am required to carry out research and write a project. The research aims at investigating the factors affecting tax compliance by independent OIL MARKETING FIRMS in Kenya.

To successfully attain this objective, I have prepared questionnaires for respondents to fill in. I kindly request you to provide me with the information as indicated in the questionnaire.

I confirm that the information you give is for educational purposes only and will be treated with utmost confidentiality. I promise that the report on findings of this research will be available upon request soon after presentation to the university.

Thank you for your cooperation.

Yours sincerely,

Michael Kahoi Muchina

MBA Student No. D53/CTY/PT/22383/2012

Kenyatta University

0722690805

A2: QUESTIONNAIRE

This questionnaire is designed to collect information on tax attributes and tax compliance by independent OIL MARKETING FIRMS in Nairobi City County, Kenya. The information obtained will be used exclusively for academic purposes and will be treated with strict confidentiality. You are requested to complete this questionnaire as honestly and as objectively as possible.

GENERAL INFORMATION

1. Job
Title.....

2. Department.....
.....

3. Gender Male Female

4. Age
 18 – 25yrs

 26 – 45yrs

 46 and above

5. Length of service in the firm

 Below 5 years Above 10years

 Between 6–10
 years

SECTION B

1. In your opinion how would you describe the sales trends of your company in the last three years?

Increasing Decreasing No change No idea

Reasons why.....

2. In your opinion how would you describe the net profit trends of the company for the last three years?

Increasing Decreasing No change

Reason why.....

3. Have you gone for any training regarding tax matters? yes

yes No

If yes, how many times?.....

SECTION C: TAX COMPLIANCE

On a five point Likert scale from 1 (Strongly Disagree) to 5 (Strongly agree): indicate the extent to which each of the following affects your tax compliance levels?

	1	2	3	4	5
The business declares the correct income from all sources					

The tax return filing process is complex					
--	--	--	--	--	--

SECTION D: TAX RATE

1. What do you think of the current rates of VAT, Income tax, Corporation tax and Custom & Excise Duty?

- a) Too high
- b) Fair
- c) Low

2. Has your company registered for Vat and does it comply with income tax regulations?

- a) Yes
- b) No

3. What is your view on the proposition that Kenyans are the most taxed in the region? Are the taxes high and comparable in the East African region?

- a) Yes
- b) No

Explain.....

4. From your own observation, how is the company’s financial performance i.e profit, cash flows affected by the different taxes levied on the company.

Explain.....

5. Kindly indicate how much tax you paid for year ending 2020, in kshs.....

- a) Corporation tax
- b) Income tax
- c) VA
- d) Custom & Excise Duty

6. Do you feel you paid the right amount?

- a) Yes
- b) No

Give reasons.....

SECTION E: TAX AWARENESS

On a five point Likert scale from 1 (Strongly Disagree) to 5 (Strongly agree): indicate the extent to which each of the following affects your tax compliance levels?

Tax Awareness Statements	1	2	3	4	5
I am familiar with the specific tax obligations applicable to my business					
I understand the tax laws and regulations relevant to my industry and business operations					
I am aware of the deadlines for filing tax returns and making tax payments					
I keep myself updated on changes in tax policies and regulations that may affect my business					
I know the available tax incentives and deductions that my business can legally claim					
I understand the consequences of non-compliance, including penalties and legal actions					
I am knowledgeable about the tax reporting requirements for different types of transactions in my business.					
I am aware of the resources available, such as government websites or tax consultants, to seek information about taxation					
I regularly review my financial records to ensure accurate tax reporting and compliance					
I have attended workshops or seminars on taxation to enhance my understanding of tax laws and regulations					

SECTION F: TAXPAYER'S ATTITUDE

On a five point Likert scale from 1 (Strongly disagree) to 5 (Strongly agree), indicate the extent to which each of the following affects your tax compliance levels?

Taxpayer's Attitude Statement	1	2	3	4	5
I believe that paying taxes is a civic duty that supports the development of our community					
I trust that the government will use the tax revenue effectively for public welfare and development					
I feel that the tax system is fair and just, ensuring that everyone pays their fair share					
I am willing to comply with tax regulations because I believe it is the right thing to do					
I have a positive perception of tax authorities, believing they are transparent and accountable					
I think that businesses and individuals who evade taxes are not contributing to the betterment of society					
I feel a sense of responsibility to accurately report my income and pay the appropriate taxes					
I believe that tax evasion undermines the overall economic growth and stability of the country					
I am confident that the tax system is designed to benefit both the government and citizens					
I am aware of the social benefits funded by taxes, such as healthcare, education, and infrastructure development					

SECTION G: DETERRENCE MEASURES

On a five point Likert scale from 1 (Strongly Disagree) to 5 (Strongly Agree): indicate the extent to which each of the following affect your tax compliance levels.

Deterrence Measures Statements	1	2	3	4	5
I believe that the penalties for tax evasion are severe enough to deter individuals and businesses from non-compliance					
I think that the frequency of tax audits is high enough to discourage tax evasion attempts					
I am aware of the effectiveness of enforcement agencies in detecting and penalizing tax evasion					
I believe that the legal consequences for tax evasion, such as fines and imprisonment, act as a significant deterrent					
I trust that tax authorities are vigilant in detecting and penalizing tax fraud and evasion					
I feel confident that individuals and businesses engaging in tax evasion will be caught and penalized					
I believe that the chances of being audited by tax authorities are high for those who engage in tax evasion					
I am aware of the transparency in the process of imposing fines and penalties for tax non-compliance					
I think that tax authorities' efforts to educate the public about the consequences of tax evasion are effective					
I believe that the legal measures in place provide a strong deterrent against tax evasion					

SECTION H. TAX RATES

On a five point Likert scale from 1 (Strongly Disagree) to 5 (Strongly Agree): indicate the extent to which each of the following affect your tax compliance levels?

Tax Rates Statements	1	2	3	4	5
I believe that the current tax rates for businesses in our industry are reasonable and fair					
I think that the tax rates in our region are competitive compared to other areas, encouraging business growth					
I am satisfied with the balance between the tax rates and the services provided by the government					
I believe that tax rates are structured in a way that supports economic development and job creation					
I think that tax rates are designed with consideration for the financial challenges faced by businesses in our industry					
I am aware of tax incentives provided by the government that help reduce the overall tax burden for businesses					
I believe that changes in tax rates are communicated clearly, allowing businesses to plan their finances accordingly					
I think that the government reviews and adjusts tax rates based on economic conditions, ensuring fairness for businesses					
I am satisfied with the government's efforts to strike a balance between tax rates and the needs of businesses and citizens					

SECTION I. TAX COMPLIANCE

On a five point Likert scale from 1 (Strongly disagree) to 5 (Strongly Agree): indicate the extent to which each of the following affects your tax compliance levels?

Tax Compliance Statements	1	2	3	4	5
I always ensure that my business accurately reports all income to tax authorities					
I make an effort to understand and comply with all tax regulations relevant to my business					
I promptly file tax returns and pay taxes on time to avoid penalties					
I keep detailed records of financial transactions to facilitate accurate tax reporting					
I actively seek professional advice to ensure my business complies with tax laws and regulations					
I cooperate fully with tax audits and provide all necessary information to tax authorities					
I refrain from engaging in tax evasion activities as I believe it is morally wrong					
I encourage my employees to adhere to tax regulations and provide necessary support to ensure compliance					
I view tax compliance as a responsibility towards society and a contribution to the country's development					

Thank you for participating

**A3: LIST OF INDEPENDENT OIL MARKETING FIRMS IN NAIROBI
CITYCOUNTY KENYA**

Sr	Licence No	Company Name
1	ERC/PET/1010	Canefields company ltd
2	ERC/PET/1011	Dola Petroleum ltd
3	ERC/PET/1012	Banoda Oil Ltd
4	ERC/PET/1013	Tosha Petroleum Ltd
5	ERC/PET/1014	Hashi Energy Ltd
6	ERC/PET/1015	Apex Petroleum Ltd
7	ERC/PET/1017	Royal Energy (K) Ltd
8	ERC/PET/1020	Trojan International Ltd
9	ERC/PET/1021	Al-Amana Investments Ltd
10	ERC/PET/1022	Global Petroleum Ltd
11	ERC/PET/1023	Essar Petroleum(East Africa) Ltd
12	ERC/PET/1024	Emkay International Ltd
13	ERC/PET/1025	Kencor Petroleum Ltd
14	ERC/PET/1026	Egol Enterprises Ltd
15	ERC/PET/1027	Jade Petroleum Ltd
16	ERC/PET/1028	Fast Energy Ltd
17	ERC/PET/1033	Dimka Power systems
18	ERC/PET/1034	Intoil Ltd
19	ERC/PET/1037	Lexo oil Ltd
20	ERC/PET/1040	Alfoss Energy Ltd
21	ERC/PET/1041	Lensco Enterprises
22	ERC/PET/1042	Towba Petroleum Ltd
23	ERC/PET/1043	Oil point Kenya Ltd
24	ERC/PET/1044	Tecaflex Ltd
25	ERC/PET/1045	One petroleum Ltd
26	ERC/PET/1046	Jaguar Petroleum Ltd
27	ERC/PET/1048	Oceanian Ventures Ltd
28	ERC/PET/1050	Petro Kenya oil co ltd

29	ERC/PET/1051	Eagle Energy Ltd
30	ERC/PET/1052	Oryx Energies Ltd
31	ERC/PET/1054	Hashi Energy Ltd
32	ERC/PET/1058	Mogas Kenya Ltd
33	ERC/PET/1060	Generation Petroleum Ltd
34	ERC/PET/1061	k.k Kerosene Distributors Ltd
35	ERC/PET/1062	Reliable Fuels Enterprises
36	ERC/PET/1063	Petrocity Enterprises Ltd
37	ERC/PET/1064	Dynergy Enterprises
38	ERC/PET/01065	Beta petroleum Ltd
39	ERC/PET/01066	Oil City Ltd
40	ERC/PET/01068	Simkel Traders Ltd
41	ERC/PET/01069	Tss Pop In station Ltd
42	ERC/PET/01070	Texas Energy Ltd
43	ERC/PET/01071	Radiant International Ltd
44	ERC/PET/01072	Millenium Star
45	ERC/PET/01073	Stabex Energy
46	ERC/PET/01074	Fuel and Gas Ltd
47	ERC/PET/01075	Axon Energy Ltd
48	ERC/PET/01076	Indus Energy Ltd
49	ERC/PET/01077	Accord Petroleum Ltd
50	ERC/PET/01078	Kosmoil Petroleum (EA)ltd
51	ERC/PET/01079	Leek Investments ltd
52	ERC/PET/01080	Midax Petroleum Ltd

(Source: EPRA, 2020)

A4: GRADUATE SCHOOL APPROVAL



KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 810901 Ext. 4150

Website: www.ku.ac.ke

Internal Memo

FROM: Executive Dean, Graduate School

DATE: 17th April, 2023

TO: Muchina Michael Kahoi
C/o Accounting and Finance Dept.

REF: D53/CTY/PT/22383/2012

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL

This is to inform you that Graduate School Board at its meeting of 5th April, 2023 approved your Research Project Proposal for the M.B.A Degree Entitled, "Tax Attributes and Compliance among Independent Oil Companies in Nairobi City County, Kenya."

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking and progress report forms per semester. The forms are available at the University's Website under Graduate School webpage downloads.

Also, please ensure that you publish article(s) from your project before submitting it to Graduate School for examination as per the Commission for University Education and Kenyatta University guidelines.

Thank you.

A handwritten signature in blue ink, appearing to read 'Annbell Mwaniki'.

ANNBELL MWANIKI
FOR: EXECUTIVE DEAN, GRADUATE SCHOOL

c.c. Chairman, Accounting and Finance.

Supervisors:

1. Dr. Joseph Theuri
C/o Department of Accounting and Finance
Kenyatta University

AM/xx

A5: RESEARCH PERMIT

 <p>REPUBLIC OF KENYA National Commission for Science, Technology and Innovation</p>		<p>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION</p> <p>RESEARCH LICENSE</p> <p>Date of Issue: 29/April/2023</p>
<p>Ref No: 748841</p>		
<p>RESEARCH LICENSE</p>		
<p>This is to Certify that Mr. MICHAEL KAHOI MUCHINA of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: TAX ATTRIBUTES AND COMPLIANCE AMONG INDEPENDENT OIL COMPANIES IN NAIROBI CITY COUNTY, KENYA, for the period ending : 29/April/2024.</p>		
<p>License No: NACOSTI/P/23/25528</p>		
<p>Applicant Identification Number</p>		
<p>Director General</p>		
<p>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION</p>		
<p>Verification QR Code</p>		
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