FACTORS AFFECTING TAX COMPLIANCE AMONG RESIDENTIAL PROPERTY OWNERS IN KENYA: A SURVEY OF REAL ESTATE FIRMS IN NAIROBI COUNTY

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FACTORS AFFECTING TAX COMPLIANCE AMONG RESIDENTIAL PROPERTY OWNERS IN KENYA: A SURVEY OF REAL ESTATE FIRMS IN NAIROBI COUNTY

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ABSTRACT

Tax compliance has been a major concern for governments across the world because of its significance as the main source of government revenue. Kenya like any other continue to grapple with problem of tax compliance despite the fact of the numerous tax reforms and policies that have been implemented by both government and the Kenya Revenue Authority. Though quite a number of scholars have studied the subject a lot still remain desired for more investigation. Therefore, this study examined factors that affect tax compliance among residential property owners in Langata Sub-County. The study was on four objectives that sought to determine their effect on tax compliance. The objectives included; to evaluate the effect of taxpayer knowledge, compliance cost, tax rates and taxpayer perception on tax compliance among residential property owners in Langata Sub-County. The study adopted Economic based theory, Fiscal Exchange and theory of reasoned approach to explain the relationship between the independent and dependent variables. To achieve the aim and objectives of this research and to test the relationship among the variables, this study used a descriptive survey research design. The target population were all residential property owners in Lang'ata Sub-County, Nairobi. In order to ensure reliability of the research tool, a pilot study was carried out. Data collected were subjected to scrutiny and analyzed in order to draw inferences and make recommendations. Findings revealed that the independent variables had a statistically positive significant effect on residential income tax compliance; except tax rate and taxpayer perception. The study further recommended for policy formulation, training and more awareness creation to enhance taxpayer compliance. More studies can also be done economic influence on tax compliance.

Key Terms: *Taxpayer Knowledge, Compliance Cost, Tax Rates, Taxpayer Perception, Tax Compliance*

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INTRODUCTION

Tax compliance is a significant issue that every tax revenue authority in any jurisdiction around the world should get concerned about. Higher tax compliance significantly translates to more revenue collected by the government and this means more funds can be reserved to develop both the economic and social infrastructure to support the welfare of the society at large (Hassan, Nawawi & Pilleh 2016). However, Cerqueti and Coppier (2015) argue that tax non-compliance practices such as tax evasion and tax avoidance will gradually and consequently affect the country's revenue generation hence leading dependence on foreign borrowing to support its programmes. Tax non-compliance is a severe concern for income tax administration in developing countries that hampers tax revenue performance.

According to Castro and Rizzo (2014), the problem of tax compliance can be dated back as the inception of tax itself. Countries all over the world depend on taxes in order to support their operational budgets and fund their public expenditures (Alaaraj, Mohamed & Bustamam, 2018). As a result, the factors that influence taxpayer compliance are of interest to government policymakers, as well as practitioners, researchers, and the general public. Because of the increased responsibilities of governments and the global economic slump, governments are attempting to prevent tax evasion and enhance taxpayer compliance (Jimenez & Iyer, 2016). Gitonga and Memba (2018) also point that attitudes, penalties, income, education, knowledge, corruption, high marginal tax rates, lack of availability of information and accounting systems, a large informal sector, weak regulatory systems, and ambiguity in the tax laws are all major factors that contribute to low tax compliance in developing countries like Kenya. Tax evasion is a highly common problem that costs governments and, by extension, its citizens billions of dollars every year. For instance, tax evasion is thought to cost the federal government in the United States (U.S.) around $300 billion a year (http://www.irs.gov). The old economic models of tax compliance, which mainly concentrate on the adoption of enforcement measures and detecting variables, cannot, however, account for the present levels of compliance. Data gathered in the United States provides evidence that public sentiment and attitude toward tax evasion and avoidance are deteriorating.

In spite of the many tax reforms implemented by governments throughout the years to raise tax revenue, historical statistical evidence has shown that income taxes' contribution to the government's total revenue has stayed constant as revealed by (Alabede et al., 2011). For instance, in Malaysia, the government came up with self-assessment system (SAS) in order to raise up tax compliance levels of its citizens. This was implemented in 2004 for individual taxpayers, though three years earlier; it had been used for corporate taxpayers. This system required individuals or businesses with income that is taxable under Malaysian tax regulations to mandatorily disclose the information truthfully, calculate the tax requirement accurately, and file the tax return form along with the tax payment on time or before the deadline. Among the notable important features of SAS was that taxpayer, whether individuals and corporations, were to be responsible for evaluating and assessing their tax obligations. But this system had a myriad of challenges as it required eligible tax payers to have adequate tax knowledge in order to discharge their tax liability responsibly, precisely and timely (Norzilah, 2016).

Hery and Jasman (2019) reiterates that the government of Indonesia also introduced a number of tax reforms to cushion the country from tax non-compliance and to expand the tax bracket. These reforms were meant to raise the level of tax income to the government. The government changed from Official Assessment System (OAS) which was formerly in use to Self-Assessment System (SAS). The system change was brought as a result of an increasing number of taxpayers who were not proportional to the number of tax authorities.

Although it appears to be more practical in practice, the use of a Self-Assessment System has a number of ramifications. Noncompliance is a type of behavior that occurs when someone does not follow the rules or legislation in place (Saad, 2013). The emergence of this issue is inextricably linked to the component of the Self-Assessment System that shifts tax obligations from tax authorities to taxpayers, allowing them to calculate, pay, and report their own tax owed based on tax returns legislation. The system burdens the taxpayers since they are required to understand the numerous tax provisions in order to fulfill their tax obligations to the government (Hery & Jasman, 2019).

There has not been an exception in Kenya, where the Kenya Revenue Authority (KRA) which is the governing body concerned with revenue collection outlined that tax compliance levels have considerably been low. KRA cited in their January 2021 report (Corporate Tax Audits and Compliance Checks for the period 01/01/2021 to 31/12/2021) that with a total of 664,580 registered companies, only 1,955 companies were tax compliant and with 0.31% completed audits. This points a concern that tax compliance is a major issue that has degenerated to low tax income revenue collections in Kenya leading to unwarranted foreign borrowing to fund its public expenditure.

Statement of the Problem

Tax noncompliance is a substantive universal phenomenon that transcends cultural and political boundaries and takes place in all societies and economic systems. Tax non-compliance has posed great concerns for all government and tax authorities, and it continues to be an important issue that must be addressed both globally and locally (Gitaru, 2017). Scholars point that tax compliance still remains a critical area of focus for governments, despite the many efforts that have been put in place to coerce taxpayers to honor their tax obligations. Gichuru and Wahome (2022) point that although Kenya's real estate industry has experienced great expansion over the years, the amount of revenue the KRA has been collecting has not kept pace with its growth. As a result, in an effort to raise tax collections, the KRA initiated an aggressive tax compliance campaign in July 2012. In 2015, KRA made an effort to get 20,000 landlords to pay taxes in an effort to raise at least 3 billion Kenyan Shillings, failed to reach the National Treasury-set revenue collection goals for the fiscal years 2017–2018 and 2018–2019. KRA fell short of the budgeted ordinary revenue, according to a comparison of national government budget estimates with actual outturns for the fiscal years 2017–2018 and 2018–2019 (KRA, 2020). According to Yadirsal (2014) and Palil (2010), more than half of the developing countries classify residential (rental income tax) as one of the most challenging taxes to collect. According to Berhane and Yesuf (2013), all tax authorities face challenges while levying tax on landlords, the challenges stem from the taxpayers and on the official side of the tax system in place and tax authorities. The use of sanctions such as fines, penalties, audits and cessation of non-compliant businesses have not proved to improve revenue collection to the budgeted levels or raise the tax revenue levels (Abdul & Wanga 2018), (Ondoro & Ngunjiri 2021). Regardless of time and place, the main issue faced by all tax authorities is that it has never been easy to persuade all taxpayers to comply with the regulations of a tax system (Nzioki & Peter, 2014).

The degree of the effect of attitudes and attitudinal shift on behavior tax compliance is not understood well and studies in this topic have not clearly and extensively been addressed mostly in Nairobi city. For instance, a study done by Abdul and Wanga (2018) focused on tax costs and tax compliance behavior in Kenya. Ondoro (2021) looked at tax compliance in comparison to Kenyan tax system and focused majorly on establishing the perceptions of property owners on the newly introduced property taxation measures introduced by the government to extend its tax bracket. Similarly, Ngunjiri (2021) carried a study on factors influencing compliance with tax laws among small and medium sized enterprises in Kenya. The study looked at various factors such as tax understanding, penalties, fines and compliance costs. Consequently, Acheampong, Debrah andYeboah (2016) carried an assessment study on tax compliance levels among small enterprises in Ghana. The study looked at the policy implications on tax reforms and revenue mobilization.

It is therefore notable from the above studies that there is a need to assess the level of tax consciousness, review factors causing non-compliance and capture the expectations of the taxpaying public with a view to formulating strategies aimed at enhancing tax collection in this sector. This study therefore was undertaken with the aim of analyzing factors affecting tax compliance among residential property owners in Langata Sub-County.

Research Objectives

The general objective of the study was to analyze the factors affecting tax compliance among residential property owners in Langata Sub County. The study was guided by the following specific objective;

- To evaluate the effect of taxpayer knowledge on tax compliance among residential property owners in Langata sub-county

LITERATURE REVIEW

Economic Based Theory

The idea of economic-based theory was first put forth in Becker's works from 1968, and it has developed through time as many academics have challenged the conclusions of the forerunner by examining various variables. Becker claimed that he regarded economic theory in terms of how it related to criminality. This implies that people are only motivated by their own interests. According to economic or deterrence theory, there are elements, such as the cost-benefit relationship of the same, that prohibit people from obtaining complete compliance levels. The writings of Allingham and Sandmo (1972), which asserted that taxpayers often strive to maximize their gains, refuted the claims made by Becker (Bello and Danjuma, 2014).

Yitzhaki (1974) asserts that the amount of compliance is influenced by the taxpayer's attitude and behavior toward risk, namely whether they are risk-averse or risk-takers, and that risk aversion decreases as income levels rise. This theory will help in examining the influence of compliance cost on tax compliance among residential property owners and also links to the current study in that despite there being the knowledge of penalties and fines and the taxpayer's attitude towards risk, the compliance level of the small traders has not improved. This is because most of the persons in this group are not in the tax bracket. The knowledge of how the fines and penalties affect their compliance level would actually be important in understanding their compliance level.

Conceptual Framework

Conceptual framework defines the relevant variables for the study and maps out how they relate to each other. It is a pictorial expression of the variables of a study showing the way they interact with one another (Kothari, 2004).

Taxpayer Knowledge
- Education on tax
- Tax awareness
- Tax program reviews
- Tax information access

→

Tax compliance
- Timeliness in filing returns
- Efficient computational procedures
- Prompt submission of taxes
- Ease of access to tax systems and platforms

Independent variable | **Dependent variable**

Figure 1: Conceptual Framework
Source: Author 2022

Taxpayer Knowledge

According to Newman et al. (2015) SMEs in industrialized countries do not abide by the tax regulations and the author recommended that basic learning trainings were necessary. Tax ignorance may result in noncompliance, according to Mckerchar and Hansford (2015), while Nyamwanza et al. (2014) noted that tax ignorance is not the only cause of noncompliance. Tax awareness is the knowledge that is necessary for a person to be able to perform their numerous obligations, whereas education is the process of imparting knowledge to a person with the goal of achieving a beneficial outcome. Tax literacy entails having knowledge of, respect for, and compliance with all applicable tax rules and regulations (Mulian and Shewan 2011). Raising awareness through outreach, education, and other facilitation methods can either boost tax compliance or have no effect at all. Tax awareness is a related concept in that it improves how taxpayers perceive and apply the tax rules by education and facilitation of tax knowledge and awareness for the mutual benefit of the government and the general public (Adhiambo, 2019).

Government attention is focused on the low level of tax compliance since taxpayer non-compliance might result in intentional tax avoidance or willful refusal to pay tax obligations. The state receives less money from taxes as a result of this behavior. Tax knowledge should be possessed by taxpayers. Knowledge, according to Utami et al. (2012), is information that a person is aware of or has access to. The most important skill that taxpayers should possess is tax knowledge since, without it, it is challenging for taxpayers to fulfill their tax obligations, such as paying taxes and reporting taxes (Melando & Waluyo, 2013). According to Indrawan (2014), understanding tax laws and regulations might influence taxpayer awareness of paying taxes in addition to perceptions of the effectiveness of the taxation system. The Directorate General of Taxes makes an effort to educate the public, particularly taxpayers, about all aspects of taxation, including tax laws and procedures, using the best available techniques (Saragih, 2013). Information regarding a taxpayer's rights and obligations is shared through counseling and advertising to raise knowledge of taxes. By promoting taxation in various ways, efforts are made to promote taxpayer knowledge and compliance. (Sugeng, 2012).

Muliari and Setiawan (2011) reported similar findings, concluding that there is a correlation between taxpayer awareness and compliance with personal taxpayer reporting. However, the study by Zahra (2017) reveals contradictory findings, demonstrating that taxpayer awareness has no impact on compliance. Lestari (2018), who came to the conclusion that taxpayer awareness has no impact on compliance, also supports it. Numerous studies look at the variables that affect taxpayer awareness. Numerous studies have examined the impact of information, quality, socialization, and tax penalties on taxpayer behavior, with varying degrees of success. According to several studies, taxpayer awareness increases compliance (Manuputty & Sirait, 2016 Widawati, 2017; Suryani et al., 2018). Zahra (2017), citing many research findings, asserts that information does not alter compliance. The awareness that the tax authorities frequently engage in and knowledge of acceptable taxes do not always affect how well taxpayers comply with the taxation. It is furthered by the fact that tax ratios are still at a low level, demonstrating that people are not aware of the importance of paying taxes (Sucipto, 2016).

Tax compliance

History has demonstrated that people dislike paying taxes, so they undertake a variety of things to lower their tax obligations, such interpreting the law to their advantage. Taxpayers' main complaint about not voluntarily adhering to tax regulations is that governments are not held responsible for the taxes they collect (Onuba, 2012). Low levels of tax payer education have largely been blamed for the low levels of tax compliance in underdeveloped countries. Mwangi (2014) opined that a significant portion of non-compliance was caused by the lack of easily accessible information regarding tax matters. Another instance of non-compliance, the taxpayers' failure to accurately compute the taxes due was a result of the information gap. The SMEs believe that more information would substantially encourage them to be compliant if it were made available to them in the form of tax seminars and books. Slemrod and Venkatesh (2002) backed by empirical evidence argue that the economic burden of tax compliance reduces as the business unit expands its operations and it rises when the taxpayer adopts an international outlook. In order to meet its financial obligations, the National Treasury insists in its budget report that actions should be taken to improve domestic tax collection. In the Treasury Report (2018), Tax non-compliance is achieved by tax avoidance, which is essentially a legal approach to avoid paying taxes, and tax planning, but tax evasion is illegal. This is prohibited by the penal code and is done either through smuggling or under declaration. According to Omondi (2019) tax non-compliance is the act of taxpayers breaking tax laws and regulations, whether willfully or unintentionally

Tax evasion occurs everywhere, even in the most developed economies. Seriously impairs thee collection of taxes (Rile, 2011). Taxpayers believe that much of their tax money is wasted and that the social obligations that are expected of the government are not met. Taxpayers are greatly discouraged from doing so by the government's negative reputation as a result of its failure to carry out its duties (Gitaru, 2017). Abila and Asiweh (2012) reveal that weak administration of tax system may affect taxpayers' motivation of declaring and remitting their taxes to the authorities.

Empirical Review

In Malaysia, Khalefah and Hanefah, (2020) assessed the relationship between taxpayer behavior and the cost of tax compliance in their study. According to the results, there are two categories of compliance costs. While the second is external, the first is internal. The external is more valuable than the internal. The results also demonstrated that the majority of the studies that were analyzed looked at the problem of tax compliance among businesses, both SMEs and large businesses. Additionally, studies in wealthy and emerging economies performed far better than studies in poor nations.

Yimam (2021) carried a study in Ethiopia to assess the determinants of tax compliance behavior in the case of category 'a' taxpayers in selected sub city in Addis Ababa City Administration Revenue Office'. Results reveled that complexity of tax system, probability of detection, tax rates, penalty, tax evasion, peer influence group and tax knowledge are factor that significantly affect determinates tax compliance behavior. However, gender& age and perception of the role of government have no significant impact on tax compliance behavior.

Otindo (2019) also performed a study on tax compliance behavior in Kenya. The study was informed by the increasing concerns that tax agencies have to contend with in relation to taxpayer noncompliance in remitting taxes to the government. The aim of the study was to establish the factors that affected compliance behavior of taxpayers by categorizing the various factors and understanding their effect on revenue performance in Kenya. Among the factors that the study looked at were compliance patterns, attitude and effect of corruption.

Omondi (2019) investigated factors affecting tax compliance among the small scale traders in Nakuru town. The study primarily examined the effect of tax awareness and education, effect of cost of compliance, effect of perception on opportunity for tax evasion, and effect of online technology on tax compliance among the small scale traders within Nakuru town. The theoretical underlying the study the economic deterrent and psychological theories of tax compliance. Results showed that perception of the opportunity for tax evasion was shown to have an insignificant effect on the level of tax compliance, while technology, had a significant effect on the level of tax compliance. Tax awareness and education also had a positive and significant impact on tax compliance, the cost of compliance and the perception of the opportunity for tax evasion.

Finally, Aondo (2018) carried a study on the effectiveness of taxpayer education on tax compliance for SMEs in Kenya, targeting selected businesses in Nakuru town. The underlying reason for the study was that there were reasons behind KRA’s low revenue collection which never exceeded the commission's target. The study identified that tax gap that exists in every fiscal year is to blame for SMEs' failure to pay their taxes despite the fact that all registered SMEs participated in taxpayer education programs offered by KRA. The study examined the effectiveness of PAYE, tax rates, tax compliance cost, tax penalties and fines and found that taxpayer education on tax compliance and all other predictors had a positive but statistically insignificant relationship and concluded that tax rates, PAYE, tax penalties and fines contribute greatly to tax compliance and finally tax compliance cost have the most significant influence on tax compliance.

METHODOLOGY

To achieve the aim and objectives of this research and to test the relationship among the variables, this study used a descriptive survey research design. Descriptive research design provides a systematic description that is factual and accurate as possible (Cooper and Schindler 2011). Survey design also permits cases to be observed independently and allow for in-depth coverage of the area of study (Kothari 2004). The population for this study comprised all registered residential property owners in Lang’ata sub-county, Nairobi. According to Kenya Gazette notice of April 2020, the Estate Agent Registration Board (EARB) there are 1856 registered residential property owners in Langata sub-county. Soure: EARB (2020)

The basis of sample composition and selection was a proof of registration as a residential property owner with the EARB. Sample size for the study was determined by Yamane’s formula (1967). A sample size of 94 registered property owners was selected to take part in the study and were selected through simple random sampling and purposive sampling techniques.

Table 1: Sample Size Distribution

Ward	Total population	Sample size	Percentage %
Karen	436	22	23.4
Nairobi West	542	35	37.2
Mugumoini	388	16	17.0
South C	281	14	14.9
Nyayo Highrise	209	7	7.5
Total	**1856**	**94**	**100**

Source: Author (2022)

A well-constructed questionnaire was used to collect the data. Questionnaires were preferred because they collect information that is not directly observable and are less costly in addition to using less time as instruments of data collection (Mugenda and Mugenda, 2003). A pilot study was carried out to ascertain the reliability and validity of the questionnaire and the results used to correct the ambiguities that would permit inconsistencies in responses before the actual study was performed.

Data collected were subjected to scrutiny to check for completeness before analysis begun. Both quantitative and qualitative approaches were used for data analysis. Qualitative data from the questionnaire were coded and analysed. Statistical Package for Social Sciences (SPSS) was used to run the descriptive analysis to produce frequency distribution and percentages. The results obtained from the field were also subjected to regression analysis to establish degree of the relationship between the variables. According to Kombo (2006) regressions analysis is used to analyse data and indicate the degree of relationship between variables under study.

FINDINGS AND DISCUSSION

Response rate

The researcher distributed a total of 94 questionnaires to the respondents and received 70 questionnaires duly filled and completed. This represented 74.5% response rate and the unreturned questionnaires accounted for 25.5%.

Taxpayer Knowledge

Tax knowledge of the respondents influences their tax compliance on residential rental income. This section sought to evaluate several statements on tax awareness to determine its effect on residential rental income. The respondents were asked level of agreement with the following statements relating to the Taxpayer knowledge and to rate their opinion on a 5 point likert scale, where 1-strongly agree, 2-agree, 3-neutral, 4- disagree and 5-strongly disagree. The results were presented in Table 2 below;

Table 2: Statements relating to the Taxpayer knowledge

Statement	N	Mean	STD
Property owners have adequate information on tax rate, basis of taxation and compliance requirement under residential rental income tax regime	70	1.71	0.783
Lack of proper records on expenses incurred greatly contributed to non-compliance e by property owners in the previous regime	70	2.00	0.722
Effective tax awareness program can change the attitude and perception of property owner towards tax compliance	70	1.89	0.526
Knowledge about tax laws plays a major role in determining property owners' tax compliance	70	1.70	0.709
The tax authority has created a lot of public awareness on residential rental income tax	70	1.66	0.759
Majority of tax payers are not familiar with the iTax system	70	1.89	0.733

From Table 2 above, findings showed that all the respondents agreed that tax payer knowledge on tax greatly influenced their tax compliance levels as reflected by positive values of mean values and standard deviation of various issues that concern taxpayer knowledge on tax and how they affect tax compliance. Though it was evident that taxpayer knowledge had a moderate influence on tax compliance as indicated by the mean values.

The property owners were found to have adequate information on tax rate, basis of taxation and compliance requirements under residential rental income tax regime as opined by majority of the respondents with a mean of 1.71 and a standard deviation of 0.783.

Lack of proper records on expenses incurred greatly contributed to non- compliance by property owners in the previous regime as indicated by a mean of 2.000 and a standard deviation of 0.722

On whether effective tax awareness program can change the attitude and perception of property owner towards tax compliance, findings revealed that most respondents agreed that indeed awareness program by tax authority changes taxpayer attitude and perception on taxation as indicated by a mean of 1.89 and standard deviation of 0.526

Most respondents also opined that knowledge on tax laws played a major role in determining property owners' tax compliance as indicated by a mean of 1.70 and standard deviation of 0.709. this reflects that tax laws were important elements that should be clearly spelt out to enable taxpayers understand the importance of tax compliance.

On whether tax authority has created a lot of public awareness on residential rental income tax, the results revealed that majority of the respondents opined that more awareness had been not been done concerning tax compliance and especially property tax remission.

Majority of tax payers were found to be not familiar with the iTax system and this impacted negatively on their tax compliance as indicated by a mean of 1.69 and standard deviation of 0.759. Therefore, the researcher observed a need for more awareness creation to make taxpayers understand the nature and how to use iTax system to file their tax returns.

Tax compliance

The general objective of this study sought to analyze the factors affecting tax compliance among residential property owners in Langata sub county. The respondents were asked to rate their opinions based on a five point Likert scale. The results have been presented in Table 3 below;

Table 3: Tax Compliance

Statement	N	Mean	S.D
I file all residential rent income tax in time	70	4.181	.7361
I declare my rental income prudently	70	2.934	.8023
KRA has conducive tax returns systems	70	4.071	1.063
I file returns within the set deadlines	70	3.854	.9864
I enjoy paying taxes	70	4.468	.6573

The findings in Table 3 revealed that respondents agreed they always file all residential rental income tax on time and, as required by law, had a mean score of 4.181and standard deviation of 0.7361. Additionally, the respondents agreed that they declare prudently monthly residential income with a mean score of 2.934 and standard deviation of 0.8023. Regard KRA has provided a conducive environment for tax filing, had a mean score of 4.071 with a standard of 1.063. While, on whether residential property owners file tax returns every month, moderate number of respondents agreed to the fact citing prompt tax filing as indicated with a mean score of 3.854 and standard deviation of 0.9864. Lastly, respondents agreed that they do not enjoy paying taxes but just meeting their tax obligation as a government policy, to be always tax compliant as shown by a mean score of 4.468 and standard deviation of 0.6573. Income tax compliance had an overall mean of 3.88. Findings also show the disagreement concerning declaration correct monthly residential income (Mean scores of 2.934 indicating that taxpayer disagreed) and moderately on as a residential income earner on filing tax returns every month had a mean score of 3.854. This is summarized in Table 3 above.

Inferential Statistics

Pearson correlation coefficient

Pearson product correlation coefficient (r) was employed, which is a quantitative measure of association, strength, and direction between two variables. According to the Pearson's correlation data in Table 4, taxpayer knowledge was significantly and positively correlated with tax compliance (r=0.416 and p=0.003). Thus, taxpayer knowledge exhibited, had a stronger relationship with tax compliance of up to 41.6 percent. The findings also revealed that Compliance costs was favorably and significantly related to tax compliance (r=-0.471, p=0.017). The results further indicated that compliance costs had a 47.1% positive connection with tax compliance of residential property owners. Moreover, tax rate was significantly and positively correlated with tax compliance (r=0.383, and p=0.004. the findings revealed that tax rate had a 38.3% positive connection with tax compliance. Finally, results suggest that residential property owners' tax compliance is negatively and significantly associated with a level of taxpayer perception about rental taxes (r= -.171 and p=0.019). Therefore, the level of taxpayer perception had a -17.1% negative relationship with residential property owners' tax compliance.

Table 4: Pearson Product Correlations coefficient

		Tax Compliance	Taxpayer Knowledge	Compliance Costs	Tax Rate	Taxpayer Perception
	Pearson Correlation	1	.416	.471	.383	-.171
TC	Sig. (2-tailed)		.073	.157	.494	.559
	N	70	70	70	70	70
	Pearson Correlation	.416	1	-.006	.298*	.226
TK	Sig. (2-tailed)	.003		.961	.012	.059
	N	70	70	70	70	70
	Pearson Correlation	.471	-.006	1	.160	.131
CC	Sig. (2-tailed)	.017	.961		.185	.278
	N	70	70	70	70	70
	Pearson Correlation	.383	.298*	.160	1	.096
TR	Sig. (2-tailed)	.004	.012	.185		.430
	N	70	70	70	70	70
	Pearson Correlation	-.171	.226	.131	.096	1
TP	Sig. (2-tailed)	.019	.059	.278	.430	
	N	70	70	70	70	70

*. Correlation is significant at the 0.05 level (2-tailed).

Regressions Analysis

Regression analysis produced a range of values for the tests performed in the study. R, R2, F ratio, t-values, and p-values were among them. The R-value represents the strength of the association between the research variables, whereas R2 represents the amount to which fluctuations in the indicators may be explained. The F-values show the overall statistical significance of the model, whereas the t-values represent the statistical significance of the individual variables. Beta (β) values indicate whether the independent variable has a positive or negative effect on the dependent variable. As a result, the p-value shows the level of significance. The study examined the confidence level at 95% and the F ratio, a significant level (p = 0.05), after which a judgment was made to affirm or reject the hypothesis. Results that produced p values p> 0.05 led to the rejection of the hypotheses.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.513[a]	.498	.443	.002

a. Predictors: (Constant), TP, TR, CC, TK

Findings in table 5 indicated that taxpayer knowledge, compliant costs, tax rates, and taxpayer perception had a positive relationship with tax compliance up to 51.3% (R = 0.513). additionally, the findings show that the independent variable, taxpayer knowledge, compliance costs, tax rate and taxpayer perception, caused a variation of 49.8% (R2=0.498 and adjusted R2= 0.443) in the residential property owners' tax compliance. This implies the remaining 50.2% percent is explained by other variables which were not considered in this model.

Analysis of Variance (ANOVA)

Table 6 contains ANOVA results, reveal a significant association between the independent variables (taxpayer knowledge, compliance costs, tax rates, and taxpayer perception) and the dependent variable, tax compliance. The results reveal an F

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statistics value of 1.770 with a significance level of 0.006, which is less than the standard probability of 0.05 significant levels. The findings proved that the model is statistically significant. The inference is that each independent variable has a substantial impact on changes in the dependent variable.

Table 6: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.105	4	1.776	1.770	.006[b]
	Residual	65.238	65	1.004		
	Total	72.343	69			

a. Dependent Variable: TC (Tax Compliance)

b. Predictors: (Constant), TK, CC, TR, TP (TK-Taxpayer Knowledge, CC- Compliance Costs, TR-Tax Rate, and TP-Taxpayer Perception)

Beta Coefficients

Regression was carried out to determine the combined influence of taxpayer knowledge, compliance costs, tax rates and taxpayer perception on tax compliance. The findings are shown in table 7 below;

Table 7: Beta Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.665	.451		3.695	.000
	TK	.278	.138	.254	2.009	.009
	CC	.271	.168	.194	1.609	.013
	TR	-.009	.130	-.009	-.071	.043
	TP	-.183	.146	-.153	-1.256	.033

a. Dependent Variable: TC

Equation: Regression Model

$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_{3+} + \beta_4 x_{4+} \varepsilon$

Therefore,

Y= 1.665 + .254X1 +.194X2 - .009X3 - .154X4

The results in Table 7 above show that a constant term (β0) of 1.665 and a significant p-value of 0.000, $p<0.05$. The regression equation shows that the independent variables and the dependent variable were statistically significant. A single change in taxpayer knowledge improves tax compliance by (β1) 0.254 at a significant p-value of 0.009 $p<0.05$. A unit change in in compliance costs elevates tax compliance by (β2) 0.194 at a significant p-value of 0.013 $p<0.05$. Consequently, a unit change in tax rate increases tax compliance by (β3) -0.009 at a significant p-value of 0.043 $p<0.05$ and finally a unit change in taxpayer perception increases tax compliance by (β4) -0.153 at a significant p-value of 0.033 $p<0.05$. The implication of these findings is that these variables will be among the main factors affecting tax compliance levels of residential property owners in Langata sub-county.

CONCLUSION AND RECOMMENDATION

Tax compliance is very important to the government since the government solely depends on tax remission to support its budgetary requirements. The regression equation showed that the independent variables and the dependent variable were statistically significant. This implied that taxpayer knowledge, compliance costs, tax rate and taxpayer perception on taxation, all influence tax compliance of residential property owners in Langata sub-county. Any change in any of the above variables would considerably affect tax compliance and the need for tax authority to embrace and streamline these factors to enhance tax compliance.

The goal of collecting taxes is to improve the economic growth and development of the nation. Countries over the world depend on taxes to meet their expenditure requirements. The country's citizens must pay taxes, and other individuals derive economic benefits from their activities.

Drawing from the theory of economic deterrence, that taxpayers perceive economic consequences of non-compliance outweighing the gains made from evasion would be compliant. This deterrence leads to better compliance. The findings still revealed that taxpayer knowledge on tax was instrumental in enhancing tax compliance. Therefore, the study recommends that Kenya Revenue Authority should offer more information through public forums, media and social platforms to enlighten the people on taxation and to increase the reach among the taxpayers. The deepened reach would increase compliance by deterring noncompliance.

Drawing from the theory of economic based view that the cost implications can influence tax payer compliance, the study findings revealed that taxpayers would be deterred by the cost of filing taxes manually versus doing it virtually. Therefore, the study recommends that the government of Kenya, in collaboration with the revenue authority, should streamline and review the structures to improve tax compliance, which translates to more revenue.

On tax rates, the study recommends that the government should enact laws that provide the basis for tax reforms to lower the tax burden on her population.

The study's findings revealed that taxpayer perception and level of awareness were both statistically significant and positively correlated. Therefore, the study recommends that awareness should be a continuous process running through 73 the tax systems. This will increase compliance levels among rental income earners and go a long way in reducing perceptions that contribute to non-compliance.

Suggestions for further studies

The study, suggested that to enhance the body of knowledge in the challenging area of taxation, these other factors could be studied. There is need to examine the impact of taxation policies, the role of KRA, impact of social and economic factors that influence tax compliance in particular among other residential property owners and other category of tax payers in general.

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