

Analysis of Income Tax Compliance Levels among Workers in the Informal Sector in Nakuru Central Business District, Kenya

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Abstract: Tax compliance in the informal economy is a matter of serious concern in many developing countries, and one of the biggest challenges of Taxation in Kenya. Kenya has one of the largest informal sectors in Africa employing approximately 77.9 per cent of the working population. The sector is estimated to have the potential to contribute 67.2 Billion Shillings of taxes per year, however, the highest achieved collection has been 136 Million in financial year 2008/09 which continue to dwindle year after year. Attempts by the government to introduce the presumptive turn over tax have also been futile. Owing to the size of the sector and its continued growth, its therefore important for the government to understand ways of bringing the informal sector into the tax net. Research on the challenges of taxing the informal economy in Kenya remains blurred therefore it was the focus of this study to subject tax compliance to empirical analysis in informal sector in the Kenyan context and the factors contributing to the low compliance levels among the informal sector enterprises in Nakuru Town. The study sought to analyze the tax compliance in the informal economy in Nakuru Town, and analyse how use of i-tax platform has influenced compliance. The study was conducted in Nakuru Town CBD among the informal sector workers using the descriptive survey research design. The target population was 153,286 informal sector workers, from which a study sample of 99 was selected using simple random sampling technique. The results were then presented by means of tables and charts for ease of understanding. The study revealed that the use of i-tax has significantly improved income tax compliance among informal sector workers in Nakuru CBD $\beta = 0.514$, $p < 0.05$. The study therefore recommended that the KRA should engage in intensive training to enhance the knowledge on taxation among informal sector workers and the use of oline tax platforms to ease compliance among workers in the informal sector.

I. Introduction

1.1 Introduction

In Kenya, filling tax returns in the past has been done manually where tax payers were required to fill in manual forms and submit them to the KRA. However in 2014, the government launched the online tax filing system referred to as the i-tax that aimed at encouraging use of the internet to file taxes so as to boost tax compliance and revenue collection. The system allows taxpayers to authenticate information such as Personal Identification Number (PIN) or Tax Compliance Certificate (TCC) hence distinguishing fake information from what is genuine (KRA, 2015). The aim of the online tax filing system is to minimize the number of tax evaders which is consistent to the economic deterrence theory in taxation which states that compliance would be enhanced when the probability of tax evaders being caught increases.

1.2 Statement of the Problem

Low tax compliance is a matter of serious concern in many developing countries. This is because it limits the capacity of government to raise revenue for developmental purposes. Government's revenue collection enables for the implementation of development plans for the enhancement of the living standard of the people. This is because when people pay taxes more revenue accrues to the government. However one of the biggest challenges of Taxation in Kenya has been to bring on board the informal sector to the tax net. Kenya has one of the largest informal sectors in Africa employing approximately 77.9 per cent of the working population in the Country operating in the major towns and cities. The sector is estimated to have the potential to contribute 67.2 Billion Shillings of taxes per year. However, the highest achieved collection has been 136 Million in financial year 2008/09 which continue to dwindle year after year. Attempts by the government to introduce the presumptive turn over tax have also been futile. Instead the government has resulted in taxing them indirectly by increasing the tax on goods that informal sector workers regularly consume. Owing to the size of the sector and its continued growth, its therefore important for the government to understand ways of bringing the informal sector into the tax net. Research on the challenges of taxing the informal economy remains blurred therefore it the focus of this study to subject tax compliance to empirical analysis in informal sector in the Kenyan context and the factors contributing to the low compliance levels among the informal sector enterprises in Nakuru Town by focussing on the use of I-Tax platform.

1.3 Study Objective

To determine the effect of i-tax on tax compliance among workers in the informal sector in Nakuru Central Business District

1.4 Research Hypothesis

There is no significant association between the use of i-tax and tax compliance among workers in the informal sector in Nakuru Central Business District.

1.5 Scope of the Study

The aim of the study was to determine to the level of tax compliance among the informal sector workers in Nakuru. The study only delimits itself to the impact of i-tax income level awareness economic or social activity on the tax compliance among the informal sector workers in Nakuru CBD. The study was carried in between June 2016 and April 2017 with an estimated budget of Ksh 125,000.00

1.6 Literature Review

One of the challenges experienced in taxing the informal economy has been the nature of the enterprises and the industry they operate in. Ouma et al, (2007) indicates that the informal sector generally operates in the most modest of circumstances usually on a small scale basis without caution to environmental or tax regulations and making use of simple skills. The sector comprises economic activities not regulated by laws such as environmental, labor or taxation, but is subject to the regulations of the local authorities for orderly business operation. This therefore requires specific taxation platform that is capable of reaching operators. According to Harold (2011), computer-generated returns, transmitted electronically, generally are easier to process than paper returns; since the information on the forms doesn't have to be keyed in, number by number, by IRS staff into the Service's computers hence there is less chance of errors. Electronic transmittal is instantaneous, bypassing the frustrating vagaries of the postal system and the client receives confirmation within a day or two that the return not only was received by the IRS, but was received accurately

Studies on the impact of online Tax filing system and its impact on Tax compliance have mixed views. Seelmann, Lerche, Kiefer and Lucante (2011) did a study to assess the benefits of a computerized integrated system for taxation in Tanzania. The study concluded that computerization of tax and revenue authorities was key in enhancing compliance and that the government could achieve the goal of revenue collection. Besides, the electronic tax system improves accountability and transparency of the revenue authorities while reforming and modernizing the tax system. The study was however not contextualized on the informal economy.

In another study by Sagas, Nelimalyani and Kimaiyo (2015), they did an assessment of the impact of Electronic Tax Register (ETR) on revenue collection by Kenya Revenue Authority in western region, Kenya. Their study findings indicated that 75% of the respondents were of the opinion that ETR machines have helped to curb cases of tax evasion 86% of the respondents were of the opinion that ETRs have helped increase revenue collection due to their efficient nature. This implies that electronic tax filing was key in enhancing tax compliance. However, this study was not focused on the informal economy where the actors do not use the ETRs in the first place. A study conducted in Nigeria by Ayodeji (2014) looked at the Impact of electronic tax systems on Tax Administration in Nigeria. The aim of the study was seeking to determine alternative ways that could be used to enhance tax revenue collection by the government. The findings revealed that adoption of electronic tax systems technologies would enhance and drive Tax administration and played an important role in the increase of internally generated revenue. However, how the electronic systems would be applied in the informal economy was not addressed in the study. A survey research by Gekonge & Atambo (2016) sought to examine the effects of electronic tax system on the revenue collection efficiency of Kenya revenue authority in UasinGishu County. The study however focused on views on taxpayers who were already in the tax net and not in the informal economy, the current one will be focused on the informal economy.

II. Research Methodology

2.1 Research Design

This research utilized the descriptive survey aimed to get data by qualitative and quantitative technique.

2.2 Study Population

The target population for this study comprised of employees and operators of informal enterprises in Nakuru Central Business District who are 18 years and above. Located about 165 km to the north west of Nairobi, Nakuru which has been a major agricultural centre has gradually shifted to industrial and tourism economy. Besides, the town has been found to have one of the largest informal economy. According to the Nakuru County Government, there were 153,286 person involved in the operations of small scale informal enterprises in the Town. The sampling frame was drawn from the list of small scale enterprises operating in Nakuru CBD from County Government of Nakuru Licensing Office.

2.3 Sample Size and Sampling Technique

In view of the researcher’s inability to reach out to the entire population, and in order to gain the advantage of an in-depth study and effective coverage, a sample was drawn using random sampling. Yamani (1964) formula is used in determining the population size. According to Yamani, (1964):

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

Where n = is the sample size

N = is the population

e = is the error limit (0.1 on the basis of 90% confidence level)

Therefore,

$$n = \frac{153,286}{(1 + 153,286(0.1^2))}$$

Thus n = 99

2.4 Research Instruments

The main data instrument used was a structured questionnaire having simple, clear questions issued to the respondents. The questionnaire was designed to seek information the tax compliance of informal sector workers in Nakuru. The questionnaire elicited information on compliance level, and the influence of: use of i-tax.

2.5 Data Processing and Analysis

Analysis of data involved inspecting, cleaning, transforming and modelling data. Data collected was subjected to descriptive method of analysis in terms of means and percentages. The results were then presented by means of tables and charts for ease of understanding. In addition, person correlation analysis was used to test the study hypothesis

III. Findings and Discussions

3.1 Demographic Characteristics

The demographic characteristics of workers in the informal sector who participated in the study are discussed below. Key demographic variables of interest to the study included: the gender and age of participants, the age of business, nature of business activity and the level of employment.

3.2 Gender of Workers in the informal Sector

The gender of workers was determined as either male or female, the boy girl gender was not considered.

Table 1: Gender Profile of Workers in the informal sector

| Gender | Frequency | Percent |
|--------------|-----------|--------------|
| Male | 49 | 55.7 |
| Female | 39 | 44.3 |
| Total | 88 | 100.0 |

The findings in Table 4.1 shows that 55.7% of the workers in the informal sector in Nakuru CBD while 44.3% were female. This shows that the industry comprised of workers from both gender although men were slightly more. The extent of gender inequality between women and men in access to rewards, resources, positions, rights, and privileges varies to a great extent from society to society, but universally men have greater access to the social privileges than women. This situation too is reflected in the informal sector enterprises in Nakuru CBD although the differences are lower.

3.2 Age of Informal Sector Workers

The age of informal sector workers was determined as shown on the findings in Table 2

Table 2: Age of Informal Sector Workers

| Age | Frequency | Percent |
|--------------------|-----------|--------------|
| 15 - 24 years | 5 | 5.7 |
| 25 -34 years | 21 | 23.9 |
| 35-44 years | 26 | 29.5 |
| 45 - 54 years | 15 | 17.0 |
| 55 years and above | 21 | 23.9 |
| Total | 88 | 100.0 |

The findings in Table 2 show that informal sector workers were drawn from across all ages. The youth below age of 35 years constituted 29.6% where 5.7% were aged between 15 – 24 years while 23.9% were aged between 25 – 34 years. The findings also revealed that 29.5% were aged between 34 – 44 years while 17.0%

were aged 45 – 54 years. It was also worth noting that a number of workers and business operators (23.9%) were aged above 55 years. This implies that the industry accommodated all staff from youth to the persons who had attained retirement age.

3.3 Designation of Workers in the Informal Sector in Nakuru Town

The study took cognizant of the diversity in the informal sector and sought to determine the designation of workers as owner manager, Manager/supervisor or ordinary staff. The findings are presented in Table 3.

Table 3: Designation of Workers in the Informal Sector in Nakuru Town

| | Frequency | Percent |
|---------------|-----------|--------------|
| Owner manager | 26 | 29.5 |
| Manager | 42 | 47.7 |
| Staff | 20 | 22.7 |
| Total | 88 | 100.0 |

According to the findings in Table 4.3, 29.5% of the workers in the informal sector in Nakuru CBD doubled as owners and managers of their enterprises while 47.7% were managers or supervisors; the staff constituted 22.7% of the total population. This implies that majority of the informal sector enterprises in Nakuru Town were run and operated by the same person who in some cases was the owner of the enterprise.

3.4 Duration of Operation of Businesses

The duration of business operations was determined in the number of years identified by the staff who took part in the study. The finding on the duration of enterprises shows that the industry varied from start-ups which were only one year old to enterprises that have been in existence for 33 years. The mean age of enterprises was 7.4 year. This shows that compliance with income tax in the sector was critical since some enterprises were old enough to have paid no taxes at all yet they were enjoying government services and infrastructure.

3.5 Number of Employees per Business

The number of people employed in the informal sector enterprises was also determined as shown on the findings in Table 4.

Table 4: Number of Employees

| Number of Employees | Frequency | Percent |
|---------------------|-----------|--------------|
| 1 – 5 | 54 | 61.4 |
| 6 - 10 | 26 | 29.5 |
| 11-50 | 8 | 9.1 |
| Total | 88 | 100.0 |

The findings revealed that majority of the enterprises (61.4%) employed between 1 – 5 employees while 29.5% employed between 6 – 10 employees; 9.1% employed between 11 – 50 employees. Judging by the level of employment, it implies that majority of the enterprises (61.4%) were micro while (29.5%) were small, medium sized enterprises were 9.1%.

3.6 Use of i-Tax and Compliance to Income Tax

The main objective for the study was to determine effect of i-tax on tax compliance among workers in the informal sector in Nakuru Central Business District. In achieving this objective, the researcher sought to determine the level to which informal sector workers were involved in i-Tax platform as shown on the following findings.

3.7 Individuals Registration in i-Tax Platform

To begin with, the study sought to establish whether workers in the informal sector were registered in i-Tax platform. According to the findings, 57.95% of the workers in the informal sector were registered in i-Tax platform as individual tax payers while 42.05% were not. On whether businesses were registered in the i-Tax platform, the study found out that 73.86% of the of the informal sector enterprises had the basic registration on the i-Tax Platform as compared to 26.1% which were not. The high level of registration could be attributed to the fact that for enterprises to acquire trade licenses from the county Government of Nakuru, they must have KRA Pin or the Pin of the director or owner. It was further revealed that, 93.2% of informal sector enterprises in Nakuru Town registered with the KRA in the year 2015 while 6.8% registered in the year 2014.

3.8 i-Tax and Tax Compliance among Informal Enterprise Workers

To determine how i-Tax has influenced compliance to income tax among informal sector workers, they were subjected to statements of facts in order to obtain their opinions which were quantified on a five point Likert scale. The findings are shown in Table 5.

Table 5: i-Tax and Tax Compliance among Informal Enterprise Workers

| | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree | Mean | SD |
|---|----------------|--------------|--------------|--------------|-------------------|------|------|
| Registration with i-Tax is easy | 4 (4.5) | 36 (40.9) | 19 (21.6) | 19 (21.6) | 10 (11.4) | 3.06 | 1.13 |
| i-tax has made the filling of Tax returns easy for small businesses | 15 (17.0) | 24 (27.3) | 18 (20.5) | 28 (31.8) | 3 (3.4) | 3.23 | 1.17 |
| The time take in filling tax returns in i-Tax is very short | 14 (15.9) | 27 (30.7) | 20 (22.7) | 25 (28.4) | 2 (2.3) | 3.30 | 1.12 |
| The use of i-Tax has increased the number of people complying with Tax requirements | 25 (28.4) | 47 (53.4) | 16 (18.2) | 0 (0.0) | 0 (0.0) | 4.10 | 0.68 |
| i-tax enables easy payment of Taxes through online invoice applications | 18 (20.5) | 43 (48.9) | 27 (30.7) | 0 (0.0) | 0 (0.0) | 3.90 | 0.71 |
| i-tax has made it possible for small businesses to understand their tax liabilities | 21 (23.9) | 47 (53.4) | 16 (18.2) | 4 (4.5) | 0 (0.0) | 3.97 | 0.78 |

According to the findings in Table 5, 40.9% of the workers agreed and another 4.5% strongly agreed that tax payer registration with the i-Tax platform was easy. Of the contrary opinion however were 21.6% who disagreed and 11.4% who strongly disagreed, 20.5% were not sure. This finding was in line with KRA (2015) that the online platform allows taxpayers to authenticate information such as Personal Identification Number or Tax Compliance Certificate real time hence distinguishing fake information from what is genuine.

Concerning whether i-Tax platform has made it easy to file taxes 17.0% strongly agreed, and 27.3% agreed. On the contrary, 31.6% disagreed and 3.4% strongly disagreed; 20.5% were not sure. This implies that there were more workers in agreement that i-Tax made it easy to file taxes compared to those who were against it. Therefore i-Tax made it easy for workers in the informal sector to file their taxes. This agrees with Harold (2011) that computer-generated returns, transmitted electronically, generally are easier to process than paper returns; since the information on the forms doesn't have to be keyed in, number by number. Regarding the amount of time taken to file taxes, 15.9% of the workers strongly agreed while 30.7% agreed that the time take in filling tax returns in i-Tax was very short against 28.4% who disagreed and 2.3% who strongly disagreed.

However 22.7% were not sure of whether the time taken was less or more may be because of lack of experience with i-Tax. This also shows the number of workers in favor of i-Tax reducing time for filling taxes was more than those with contrary opinion. On the role of i-Tax in enhancing tax compliance, majority 53.4% of workers in the informal sector agreed while 28.4% strongly agreed that use of i-Tax has increased the number of people complying with Tax requirements, 18.2% were not sure. This shows that majority of the workers concur that use of i-Tax has enhanced Tax compliance in the informal sector. This concurs with Seelmann, Lerche, Kiefer and Lucante, (2011) study which concluded that computerization of tax and revenue authorities was key in enhancing compliance.

The payment or remittance of Taxes was also made easy in i-Tax platform according to 48.9% of the staff who agreed and 20.5% who strongly agreed that i-Tax enables easy payment of Taxes through online invoice applications. However 30.7% were not sure. Regarding the understanding of Tax Liabilities, 53.4% of the workers in the informal sector agreed while 23.9% strongly agreed that i-Tax has made it possible for small businesses to understand their tax liabilities. This shows a high level of agreement of 77.1% against 4.5% who had a contrary opinion. This finding implies that workers were in agreement that use of i-Tax made it easy to understand tax liabilities by Tax payers in the informal sector.

Rating the statements based on the mean scores reveals that the ability of i-Tax to increase the number of people complying with tax requirements was rated highest at (Mean = 4.10, SD = 0.68) followed by the statement that i-tax has made it possible for small businesses to understand their tax liabilities (Mean = 3.97, SD = 0.78). The third highest rated factor was that i-tax enables easy payment of Taxes through online invoice applications (Mean = 3.90, SD = 0.71). The shortening of time take in filling tax returns was rated fourth at (Mean = 3.30, SD = 1.12) while i-tax has made the filling of Tax returns easy for small businesses was rated fifth at (Mean = 3.23, SD = 1.17). The least scored statement was that registration with i-Tax has been made easy (Mean = 3.06, SD = 1.13).

3.9 Income Tax Act on Tax Compliance

Income tax act in Kenya dictates individual and corporate tax obligations and the requirements for compliance. Therefore in this study it was treated as an intervening variable. The findings in Table 6 show the findings on income tax act.

Table 6: Income Tax Act on Tax Compliance

| | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree | Mean | SD |
|---|-----------------------|--------------|----------------|-----------------|--------------------------|-------------|-----------|
| I am aware of the income tax Act of Kenya | 2 (2.3) | 20 (22.7) | 34 (38.6) | 25 (28.4) | 7 (8.0) | 2.83 | 0.95 |
| I ensure to pay my income taxes to avoid committing tax offenses | 0 (0.0) | 13 (14.8) | 27 (30.7) | 38 (43.2) | 10 (11.4) | 2.49 | 0.88 |
| The KRA is strict in implementing income Tax Act among small scale operators | 6 (6.8) | 20 (22.7) | 21 (23.9) | 30 (34.1) | 11 (12.5) | 2.77 | 1.14 |
| The penalties in the law are hefty for those who do not pay their taxes accordingly | 5 (5.7) | 19 (21.6) | 28 (31.8) | 20 (22.7) | 16 (18.2) | 2.74 | 1.16 |
| The provisions of income Tax are easy to abide with | 0 (0.0) | 3 (3.4) | 24 (27.3) | 39 (44.3) | 22 (25.0) | 2.09 | 0.81 |

According to the findings in Table 6 there were mixed opinion on the awareness of the income tax act, 22.7% of the workers agreed while 2.3% strongly agreed that they were aware of the income tax act in Kenya. Contrary to that, 28.4% disagreed and 8.0% strongly disagreed that they were aware of the provisions of the income tax Act in Kenya. Besides, 38.6% were neither in agreement nor disagreement meaning that somehow they were aware but not fully aware of the law. This shows that there were more workers in the informal sector who were not aware on the tax laws affecting them, a fact which could affect their tax compliance.

Workers were also asked whether they paid taxes to avoid committing tax offenses; majority of them were in disagreement where 43.2% disagreed while 11.4% strongly disagreed. Only 14.8% agreed whereas 30.7% neither agreed nor disagreed. This finding indicates that the primary motivator to pay taxes among workers in the informal sector was not to comply with the law. On whether KRA was strict in implementing the income tax act, 34.1% disagreed while 12.5% strongly disagreed. However 22.7% had a contrary opinion since they agreed while 6.8% strongly agreed. This shows that the KRA was not strict in implementing the income tax act among the informal sector workers, a factor that could derail the tax compliance in the sector. Regarding the penalties charged for noncompliance with income tax act, there were mixed opinions since 21.6% agreed and 5.7% strongly agreed that the penalties prescribed in the law were hefty for those who did not pay their taxes accordingly. On the contrary, 22.7% disagreed while 18.2% strongly disagreed. However, 31.8% neither agreed nor disagreed.

Finally, workers were asked to indicate whether the provisions of the income tax were easy to abide with and the findings revealed that majority of the informal sector workers were in disagreement that the provisions were easy to comply with. 44.3% disagreed while 25.0% strongly disagreed. Only 3.4% agreed while the remaining 27.3% were not sure. The factors related to income tax act were also ranked based on the mean rating.

The results revealed that the level of awareness on income tax Act of Kenya was rated slightly above average at (Mean = 2.83, SD = 0.95). Second was the strictness of the KRA in implementing income Tax Act among small scale operators at (Mean = 2.77, SD = 1.14). Workers rated third the opinion that penalties in the law are hefty for those who do not pay their taxes accordingly (Mean = 2.74, SD = 1.16). Workers rated fourth their commitment to paying income taxes on time to avoid committing tax offenses (Mean = 2.49, SD = 0.88) while the least ranked statement was that the provisions of income Tax being easy to abide with (Mean = 2.09, SD = 0.81).

3.10 Tax Compliance in the Informal Sector in Nakuru CBD

The dependent variable for the study was tax compliance which was assessed by determining the level to which informal sector workers abounded by the provisions of income tax act through proper registration, declaration, filling and remittance of taxes. This was assessed on a five point scale using declarative statements as shown on Table 7.

Table 7: Tax Compliance in the Informal Sector in Nakuru CBD

| | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree | Mean | SD |
|--|----------------|--------------|--------------|--------------|-------------------|------|------|
| I am registered with KRA as an income tax payer | 8 (9.1) | 50 (56.8) | 30 (34.1) | 0 (0.0) | 0 (0.0) | 3.75 | 0.61 |
| My business is registered with KRA as an independent tax payer | 10 (11.4) | 46 (52.3) | 28 (31.8) | 4 (4.5) | 0 (0.0) | 3.70 | 0.74 |
| Employees in this business are registered as tax payers with KRA | 5 (5.7) | 34 (38.6) | 39 (44.3) | 10 (11.4) | 0 (0.0) | 3.39 | 0.76 |
| We ensure that we file tax returns on time | 0 (0.0) | 12 (13.6) | 23 (26.1) | 30 (34.1) | 23 (26.1) | 2.27 | 1.00 |
| We ensure accurate disclosure of all income to KRA for purposes of tax calculation | 0 (0.0) | 12 (13.6) | 25 (28.4) | 38 (43.2) | 13 (14.8) | 2.41 | 0.91 |
| All taxes due are paid on time in the business | 4 (4.5) | 14 (15.9) | 34 (38.6) | 33 (37.5) | 3 (3.4) | 2.81 | 0.91 |
| Sometimes we are charged fines and penalties by the KRA | 1 (1.1) | 21 (23.9) | 42 (47.7) | 24 (27.3) | 0 (0.0) | 2.99 | 0.75 |

With regard to taxpayer registration, 56.8% of the informal sector workers agreed while 9.1% strongly agreed that they were duly registered as taxpayers. 34.1% were however not sure whether they were registered or not. Concerning the registration of businesses as taxpayers, 52.3% agreed while 11.4% strongly agreed that their businesses were registered as tax payers. However, 31.8% were not sure. Only 4.5% strongly indicated that their businesses were not registered as taxpayers. Regarding the registration of employees as tax payers, 38.6% agreed while 5.7% strongly agreed that employees were registered as tax payers, however 44.3% neither agreed nor disagreed. 11.4% were not registered since they disagreed. On whether workers ensured that taxes were filled on time, 34.1% disagreed while 26.1% strongly disagreed that taxes were paid on time. On the contrary 13.6% agreed while 26.1% were not decided. This shows lower levels of compliance in filling taxes on time. The other parameter used to describe tax compliance was accurate disclosure of taxes. The findings revealed that majority of the workers did not declare their taxes accurately since 43.2% disagreed while 14.8% strongly disagreed. Only 13.6% agreed therefore confidently indicated accurate disclosure of taxes.

On timely remittance of Taxes to the KRA, 37.5% disagreed while 3.4% strongly disagreed that they remitted taxes on time. On the other hand, 15.9% agreed while 4.5% strongly agreed. The remaining 38.6% neither agreed nor disagreed. This implies that barely one quarter of the informal sector workers remitted their taxes to the taxman on time. Finally, the study sought to know whether workers were charged with penalties for failure to comply with the provisions of the income tax act. The findings revealed that 47.7% were not sure whether they were charged fines and penalties or not meaning that they were not aware of their tax status at the time of the study. This was an indicator on poor monitoring of tax status. The remaining 23.9% agreed while 1.1% strongly agreed. On the other hand 27.3% disagreed meaning that their tax records were up to date and not subject to taxes. Ranking the compliance parameters based on the mean rating: the highest rated form of compliance was individual taxpayer registration at Mean = 3.75, SD = 0.61 followed by business registration at Mean = 3.70, SD = 0.74. Employees registration with KRA was ranked third at Mean = 3.39, SD = 0.76. The statement that sometimes workers were charged fines and penalties by the KRA was ranked fourth at Mean = 2.99, SD = 0.75. Others compliance parameters included timely payment of taxes, accurate disclosure of taxes and filling taxes which were rated below average.

3.11 Relationship between i-Tax and Tax Compliance

In assessing how i-tax affected the tax compliance among informal sector workers, Pearson correlation was done as shown on the statistics in Table 8.

Table 8: Relationship between i-Tax and Tax Compliance

| | | Tax compliance |
|----------------|---------------------|----------------|
| I tax platform | Pearson Correlation | 0.473** |
| | Sig. (2-tailed) | 0.000 |
| | N | 88 |

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

The test results on Table 8 indicate that $p < 0.05$ therefore there was a significant positive correlation between the use of i-tax and tax compliance among informal sector workers ($r = 0.473, p < 0.05$). This finding was consistent to that of Gekonge & Atambo (2016) in Uasin Gishu which revealed that when compared with the old manual system, the electronic system was better and convenient to use. Similarly, Ayodeji (2014) found out that in Nigeria adoption of electronic tax systems technologies enhanced Tax administration and played an important role in the increase of internally generated revenue.

3.12 Hypothesis Testing

The hypothesis stated that:

H₀₁: There is no significant association between the use of i-tax and tax compliance among workers in the informal sector in Nakuru Central Business District. ($H_{01} : \rho > 0.05$)

This hypothesis was tested by determining the relationship between the use of i-Tax and Tax compliance using Multiple Regression Analysis in Table 8. The tests were done at a significance level $p = 0.05$. The test results on Table 8 indicate that there was a statistically significant positive relationship between the use of i-tax and tax compliance among informal sector workers ($\beta = 0.514$, $p < 0.05$). Therefore the study rejected **H₀₁**: There is no significant association between the use of i-tax and tax compliance among workers in the informal sector in Nakuru Central Business District.

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