

The Influence Of Personal Values On Tax Evasion At Kenya Revenue Authority (KRA) In Nairobi, Kenya

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Abstract

The purpose: The aim of the study is to examine the influence of personal value on Tax evasion at Kenya Revenue Authority (KRA), in Nairobi, Kenya and guide academicians, policy makers and implementers in Kenya as it helps raise awareness on the harmful effects of tax evasion and avoidance alike, urging policy makers to take actions to combat tax evasion.

Methodology: The study used a descriptive research design technique. The primary data collection tool was a questionnaire, while additional context was obtained from existing literature, including scholarly books, academic journals, official government documents, and reliable web-based content. Descriptive statistics analysis was adopted, and results were presented in figures and tables.

Findings: Personal values, including personal integrity, self-discipline, personal responsibility as well as justice and fairness, were found to play a crucial role in influencing tax evasion behaviour at KRA. Employees who upheld strong ethical standards were not only less likely to engage in fraudulent activities but also more inclined to report unethical conduct.

Recommendation: To mitigate tax evasion effectively through internal whistleblowing, KRA should strengthen its ethical climate by implementing robust anti-corruption policies and ensuring their consistent enforcement. By promoting transparency and recognizing acts of integrity, the organization can foster a safe and supportive environment where employees feel confident and protected when reporting instances of tax evasion as well as having required professional skills.

Keywords: Personal values, Influence, Tax Evasion.

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I. Introduction

Over time, issues related to tax non-compliance and financial misconduct have continued to pose significant problems for governments around the world. Tax evasion encompasses intentional efforts by persons or entities to circumvent their responsibilities under the law by not fulfilling their required tax duties (Owusu et al., 2019). Such actions typically involve unlawful methods aimed at reducing the amount of tax due, including underreporting income, inflating allowable expenses, or falsifying financial records (Alm et al., 2019). The financial repercussions of tax evasion can be substantial, resulting in significant revenue losses for affected countries. In recent years, this issue has become increasingly widespread and entrenched across many regions, with regulatory bodies struggling to curb its continued growth (Ali, 2018).

Research on tax evasion has historically focused on select nations across Asia, Africa, and Western regions, such as Indonesia, Malaysia, Ghana, and several European and North American countries (Alm & Martinez-Vazquez, 2003; Torgler, 2007). Indonesian studies, for instance, highlight dual determinants of non-compliance: individual factors (e.g., ethical standards, awareness, and attitudes toward taxation) and structural conditions (e.g., public trust in government, perceived fairness of tax systems, and the efficiency of oversight institutions). Whistleblower protection within the European Union lacked uniformity, with legislative approaches varying widely among Member States. While some nations, such as the United Kingdom, had already enacted robust and comprehensive frameworks, others like Italy were only beginning to broaden their legal protections (European Parliament, 2014). The overarching objective of the EU regulation was to harmonize legal standards concerning insider trading, unlawful disclosure of inside information, and market manipulation. Additionally, the regulation introduced preventive mechanisms aimed at preserving the integrity of financial markets and enhancing investor confidence across the European Union (European Parliament, 2014).

The United States, with its deep-rooted history of whistleblower protection dating back to the 19th century, has established one of the most extensive and well-structured legal systems for both safeguarding and incentivizing whistleblowers. Key legislative instruments include the Whistleblower Protection Act of 1989 (amended in 2012), the Sarbanes-Oxley Act of 2002, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Each statute addresses specific sectors: the Whistleblower Protection Act is designed to

shield federal employees from retaliation; the Sarbanes-Oxley Act provides protections within publicly traded companies and their affiliates; and the Dodd-Frank Act enhances safeguards and rewards for whistleblowers within the financial services industry (Freshfields Bruckhaus Deringer, 2017). Despite Singapore's formidable reputation for corporate governance as reflected in its sixth-place position on the 2017 Corruption Perceptions Index by Transparency International (2017b) the country still does not have a fully developed legal structure specifically designed to protect whistleblowers (Ungki & Aravindan, 2018). Although discussions were underway to revise the Prevention of Corruption Act, the government showed hesitation in adopting broad whistleblower protection legislation. This reluctance stemmed from concerns about the possible repercussions on employment dynamics, defamation laws, and the financial burden on businesses (McLaren, Kendall, & Rook, 2019).

South Africa's principal legal framework for whistleblower protection the Protected Disclosures Act of 2000 underwent substantial amendments in 2017 to align its provisions with contemporary labour and governance dynamics (Government of South Africa, 2017). The updated legislation broadens its scope to cover not only public and private sector employees, but also independent contractors, consultants, agents, and individuals engaged through temporary employment services (commonly referred to as labour brokers). Furthermore, the Act overrides the limitations typically imposed by non-disclosure agreements, ensuring that such contractual clauses cannot be used to silence whistleblowers. In the Kenyan context, it is estimated that the country has been losing approximately KES 40 billion annually to illicit financial flows since 2011, as government entities, domestic businesses, and multinational corporations engage in various fraudulent practices to evade tax obligations. Despite the significance of this issue, there remains a notable gap in existing literature, particularly in relation to studies that adopt a comprehensive approach to examining tax evasion. This study aims to fill the existing gap in literature by exploring the link between employees' willingness to report unethical practices internally and incidents of tax evasion within the Kenya Revenue Authority, with a specific emphasis on its Nairobi-based operations.

Problem Statement

Tax evasion remains a persistent and complex challenge for tax authorities worldwide and has been present for decades. The issue is particularly acute in developing countries, where instances of tax evasion tend to be more widespread compared to developed economies. This problem is often exacerbated in nations with fragile or inefficient tax collection systems. Over the past few decades, numerous high-profile leaks and investigations have uncovered substantial cases of corruption, tax evasion, and tax avoidance carried out not only by fraudsters and organized crime networks but also by wealthy individuals and multinational corporations operating at both local and international levels. In Kenya, for example, it is estimated that the country has been losing around KES 40 billion annually through illicit financial flows since 2011, as public institutions, domestic businesses, and foreign firms engage in schemes designed to evade taxes. More broadly, many developing countries struggle to mobilize sufficient tax revenues due to systemic challenges. These include inefficiencies within tax administration, widespread evasion, limited taxpayer education, and a general lack of civic commitment to tax compliance (Faghemi et al., 2010). The consequences of tax evasion are severe, resulting in significant losses to national GDP and posing ongoing concerns for tax authorities charged with safeguarding public finances (Aumeerun et al., 2016).

In an effort to combat the entrenched culture of tax evasion, Kenya introduced the Whistleblower Protection Bill of 2021, aimed at strengthening legal frameworks to promote whistleblowing and improve reporting mechanisms. The bill, currently under parliamentary consideration, seeks to consolidate existing provisions and cultivate a stronger culture of accountability and disclosure within both public and private sectors. Although Kenya has enacted several anti-corruption laws, including the Anti-Corruption and Economic Crimes Act (2003), the Public Officer Ethics Act (2003), and the Bribery Act (2016), these legislative measures have yet to significantly encourage whistleblowing or foster a reporting culture capable of deterring unethical practices. The Government, through its semi-autonomous revenue authority designed to operate with reduced susceptibility to political interference has implemented several measures aimed at combating tax evasion. These include the enactment of relevant legislation and the tightening of administrative and financial procedures to enhance detection and enforcement efforts. Despite these interventions, the authority has yet to fully eliminate the persistence of this corrupt practice. Individuals engaged in tax evasion continually adapt by developing sophisticated and evolving techniques to circumvent regulations, necessitating ongoing and thorough investigative efforts. This dynamic creates a recurring cycle in which new evasion strategies emerge, prompting the government to frequently revise tax laws and implement additional measures, such as the iTax platform and the iWhistle system, to counter the threat. Despite growing interest in tax compliance, there is still a noticeable deficiency in literature that thoroughly explores how internal whistleblowing intentions impact tax evasion. This study seeks to address the existing research gap by investigating the correlation between whistleblowing and tax compliance within Kenya's institutional framework, with a targeted analysis of the Kenya Revenue Authority's (KRA) enforcement strategies and internal reporting mechanisms in Nairobi. By shifting the focus from

predominantly studied regions to Kenya's unique socioeconomic and administrative context, the research aims to provide localized insights that could inform policy adjustments and strengthen anti-evasion measures.

Empirical Review

Research on tax evasion has historically focused on select nations across Asia, Africa, and Western regions, such as Indonesia, Malaysia, Ghana, and several European and North American countries (Alm & Martinez-Vazquez, 2003; Torgler, 2007). Indonesian studies, for instance, highlight dual determinants of non-compliance: individual factors (e.g., ethical standards, awareness, and attitudes toward taxation) and structural conditions (e.g., public trust in government, perceived fairness of tax systems, and the efficiency of oversight institutions). Whistleblower protection within the European Union lacked uniformity, with legislative approaches varying widely among Member States. While some nations, such as the United Kingdom, had already enacted robust and comprehensive frameworks, others like Italy were only beginning to broaden their legal protections (European Parliament, 2014). The overarching objective of the EU regulation was to harmonize legal standards concerning insider trading, unlawful disclosure of inside information, and market manipulation. Additionally, the regulation introduced preventive mechanisms aimed at preserving the integrity of financial markets and enhancing investor confidence across the European Union (European Parliament, 2014).

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Theoretical Framework

Prosocial Behaviour Theory

The Theory of Prosocial Behavior, introduced by Eisenberg (1986), is grounded in the concept of kindness, compassion, and helping behaviours, which are often regarded as core attributes of human nature. In the context of tax compliance, prosocial behavior implies that individuals who derive satisfaction from improving the well-being of others are more inclined to fulfil obligations such as paying taxes (Erard & Feinstein, 1994; Dunn et al., 2014). The Prosocial Behaviours Theory, therefore, offers a relevant lens for this study, as it explains behaviours aimed at benefiting others, often motivated by empathy, concern, and a desire to protect the well-being of others. This theory is crucial for this study as it underpins key variables such as the impact of personal values on individuals' willingness to comply with tax obligations.

Theory of Planned Behaviour

The Theory of Planned Behavior (TPB), introduced by Icek Ajzen (1991), provides a psychological framework for understanding and predicting human behavior by emphasizing three core elements: attitude toward

behavior, subjective norms, and perceived behavioural control. Together, these components shape an individual's intention to perform a behavior, which in turn influences actual behavior. A distinct feature of this theory is its inclusion of perceived behavioural control, which accounts for how individuals assess their ability to perform a behavior, including considerations of risk and uncertainty. This makes the theory particularly useful in explaining why people choose to comply or not comply with tax obligations. The Theory of Planned Behaviour (TPB), as proposed by Ajzen (1985; 1991), forms the central theoretical underpinning of this study. The theory posits that human behaviour is largely influenced by behavioural intentions, which are themselves determined by three principal factors: an individual's attitude toward the behaviour, the influence of subjective norms, and their perceived behavioural control. Applied to this research, tax evasion intention refers to the extent to which a taxpayer is motivated or inclined to take deliberate steps to avoid fulfilling their tax obligations. The Theory of Planned Behaviour (TPB) is a widely accepted framework for understanding behaviours related to tax avoidance, evasion, and compliance. Its applicability to tax research has been affirmed by numerous studies (Bobek et al., 2007; Owusu et al., 2019; Taing & Chang, 2020). In this study, the TPB provides a theoretical lens through which the relationship between personal values and tax-related decision-making can be explored, particularly in relation to compliance behaviour.

II. Methodology

For this study, a descriptive research design technique was selected to examine the relationship between personal values and their influence on internal whistleblowing against tax evasion at the KRA in Nairobi, Kenya. This approach was instrumental in capturing detailed information about the subject matter, effectively addressing the research questions by providing insights into the 'what,' 'when,' 'where,' and 'how' aspects of the study. The study was conducted at the Kenya Revenue Authority (KRA) offices located in Nairobi, Kenya. The focus was on a specific group namely, 285 internal staff members of the KRA who are actively engaged in intelligence-gathering operations. These individuals were based at the KRA Headquarters and represented the core target population for the research (Kenya Revenue Authority, 2024).

The study sample was selected from the identified target population. The study applied a 30% sampling rate to the target population of 285 KRA employees, yielding a total sample of 86 participants. A combination of purposive and simple random sampling techniques was utilized. Purposive sampling enabled the selection of respondents from a specific unit within the organization, based on their relevance to the research objectives. Simple random sampling was applied to ensure that each individual within the targeted unit had an equal chance of being selected, ultimately reaching the intended sample size of 86 participants. The study systematically gathered and measured information on the variables of interest, enabling the researcher to address the stated research questions and assess the corresponding outcomes. Once collected, the quantitative responses were systematically coded and entered into the Statistical Package for the Social Sciences (SPSS) for analysis. Descriptive statistics, particularly frequencies, were employed to summarize the data, and the outcomes were illustrated through tables and graphical representations. In parallel, qualitative responses from open-ended questions were subjected to content analysis.

III. Findings And Discussion

Based on the analysis of data collected and the study findings, the influence of personal value on internal whistleblowing against Tax evasion at Kenya Revenue Authority(KRA), in Nairobi, Kenya are presented below:

Demographic Data Response Rate

A total of 86 questionnaires were distributed to employees of the Kenya Revenue Authority (KRA) who are engaged in intelligence gathering functions. Of these, 79 questionnaires were returned, resulting in a response rate of 91.86%. After data cleaning, 76 questionnaires were deemed valid and suitable for analysis, translating to an effective response rate of 88.37%. According to Mugenda & Mugenda (2003), a response rate of 70% or higher is generally considered adequate for most social science research studies. This threshold ensures that the sample is representative enough to draw meaningful conclusions about the population being studied. 15 employees accepted to participate in face-to-face interviews in order to add another layer of richness to the data collection process and helped justify the overall response rate and adequacy of the study. This high participation rate enhances the statistical robustness of the study and contributes to the credibility and reliability of the findings.

Gender

Among the respondents, 57.9% were male, while 42.1% were female. The gender distribution in the study implies a gender imbalance within the Kenya Revenue Authority, particularly in the departments surveyed. This imbalance could affect the study's findings and highlights the need for greater diversity and inclusion efforts

within the organization. Addressing this issue will not only improve the representativeness of future research but also enhance the KRA's ability to combat tax evasion through a more balanced and inclusive workforce.

Age

Majority of respondents (38.2%) were aged between 30-39 years, followed by those in the 40-49 age bracket (27.6%). The age distribution of respondents highlights a dominance of middle-aged employees (30-39), with significant contributions from younger employees (18-29) and declining representation among older employees (50-59 and 60 and above).

Level of Education

From the study, all respondents possessed at least a bachelor's degree, which constituted the minimum education level in the sample. The majority (55.3%) held bachelor's degrees, followed by those with master's degrees (36.8%), while a smaller proportion (7.9%) had attained doctoral qualifications (PhDs). This distribution provides valuable context for understanding the professional background of KRA employees and its implications for whistleblowing and tax evasion.

Tenure in KRA

The study denoted that the tenure distribution of respondents reveals that mid-career employees (6-10 years) form the largest group (30.3%), followed by newer employees (0-5 years, 19.7%). This distribution highlights the importance of engaging both mid-career and new employees in initiatives to promote whistleblowing and reduce tax evasion. The declining representation of senior employees (16+ years) suggests potential gaps in leveraging their expertise.

Tax Evasion at KRA

Tax compliance has traditionally been viewed through an economic lens, where taxes are often perceived as a burden rather than a necessary contribution to public welfare. Individuals tend to focus on the immediate financial cost of taxation rather than considering the broader governmental expenditure funded by tax revenue. Research indicates that when taxpayers believe their contributions are used effectively and equitably, they are more likely to comply voluntarily with tax regulations (Frey & Torgler, 2007). Conversely, perceptions of government inefficiency or corruption can lead to increased tax evasion and resistance to taxation policies. Studies have shown that individuals who perceive a stronger sense of civic duty and social responsibility are less likely to engage in tax evasion, even when the financial incentives to do so exist (Alm, 2019). According to Gërxhani, (2004), factors, such as trust in public institutions, perceived fairness in taxation, and enforcement mechanisms, play a crucial role in shaping taxpayer behavior. Empirical studies suggest that tax compliance is influenced by more than just the utility derived from public goods; social norms, enforcement strategies, and the perceived legitimacy of tax policies also significantly impact tax evasion tendencies (Alm, 2019). Ultimately, while economic models aim to distill tax compliance behavior into quantifiable elements, empirical findings often reflect a more intricate interplay between policy design, enforcement, and taxpayer psychology. To effectively combat tax evasion, KRA and similar organizations must invest in strengthening their internal whistleblowing frameworks and reinforcing a culture of transparency and accountability.

Personal Values Influencing Tax Evasion at KRA

The study found that personal values such as Integrity, Discipline, Responsibility, Justice, and Fairness had a significant effect on tax evasion. Employees with strong ethical values are less likely to engage in tax evasion and more likely to report unethical behaviour. The study assessed the level of agreement or disagreement with statements about personal values at KRA, Nairobi, Kenya using Likert scale. Table 1 presents the mean and standard deviation for various statements related to how personal values influence tax evasion at KRA, Nairobi Kenya.

Table 1: Personal Values

Statements		Mean	Std. Dev.
PV1	Personal Integrity affects tax evasion	4.32	0.78
PV2	Self-Discipline affects tax evasion	4.30	0.82
PV3	Personal Responsibility affects tax evasion	4.25	0.83
PV4	Justice & fairness affects tax evasion	4.28	0.80
PV	Aggregate score for Personal Value	4.287	0.80

Source: Researcher, (2025)

Personal Integrity

According to Edwards, (2024), Personal integrity is unshakable alignment of one's actions with one's values, shown through reliable, accountable, and transparent behaviour thereby serving as the bedrock of trust. Although KRA has automated many of its processes through iTax system, an (EACC Report, 2023) still indicated arrest of some staffs involved a clear scheme to illegally erase tax liabilities for some taxpayers, amounting to billion Kenya shillings. The vice necessitate the need of a high personal integrity to resist the temptations and stop bypassing digital front ends in place. According to Table 1, respondents generally agreed that personal integrity (Mean 4.32, SD 0.78) had a direct influence on tax evasion. The study further noted that personal integrity had a significant effect on tax evasion. Employees with strong ethical values and transparent behaviour are less likely to engage in tax evasion and more likely to report unethical behaviour. The findings indicated that employees' personal integrity, are critical determinants in their willingness to report tax evasion. Participants who demonstrated strong ethical values and transparent behaviour were more likely to view tax compliance as an ethical duty, motivating them to report fraudulent activities. This aligns with Rothwell and Baldwin (2022), who highlight the pivotal role that personal integrity play in shaping tax compliance behaviour.

Self-Discipline

(Baumeister & Tierney, 2011) Defines self-discipline as the ability to control one's impulses emotions to achieve long term goals even at the expense of short-term gratification. When exercising self-discipline, employees tend to prioritize the abstract long-term benefits of national development over short-term benefits of retaining undeclared income. A study by Mkamba & Chen (2023) on behavioural economics in tax compliance found that present bias (the tendency to overvalue immediate rewards) is a major driver of evasion and self-discipline is the primary antidote. In addition, EACC's 2023 annual report highlighted cases where self-discipline led KRA staff officers to engage in corrupt transactions to illegally adjust tax liabilities underscoring the ethical lapses are often failure of impulse control. From to Table 1, respondents generally agreed that self-discipline (Mean 4.30, SD 0.82) had a positive effect on tax evasion. From the study, the results indicated that employee's self-discipline is a driving factor that influence tax compliance behaviour. The research further demonstrated that staff who find alignment between their self-discipline and professional roles tend to uphold higher self-discipline and show stronger commitment to transparency This is consistent with Johnson et al. (2023), who emphasize that cultivating a work environment where organizational and personal ethics converge fosters greater self discipline and encourages reporting of tax evasion behaviours.

Personal Responsibility

Personal Responsibility is the acknowledgement and acceptance of one's duty to comply with tax laws as a responsible member of the society, *OECD*, (2023). (Mwikali & Muthinja, (2023) in their study applied the theory of planned behaviour to assess tax evasion showing that attitude, subjective norms and perceived behavioural control are linked to personal responsibility thereby impacting tax compliance decisions. From the findings in table 1, majority of the respondents agreed that personal responsibility influenced tax evasion behaviour with a mean of 4.25 and SD of 0.83. From the results, participants who demonstrated strong ethical values were more likely to view tax evasion reporting as a personal responsibility, thus motivating them to report fraudulent activities. This aligns with Rothwell and Baldwin (2022), who highlight the pivotal role that personal responsibility of staff play in shaping tax compliance behaviour.

Justice and Fairness

Justice and Fairness implies the way KRA staff relate and treat taxpayers as obliged in their code of conduct while offering clientele services. The study by Kipchumba & Mbugua (2023) noted a strong positive correlation between perception of procedural and interactional justice and taxpayers' intention to comply with payment of taxes. Furthermore, the research also concluded that improving the customer experience with KRA staff is a powerful strategy to minimize tax evasion as it builds trust and the moral obligation to comply. Table 1 denote that participants agreed that Justice and Fairness accorded to taxpayers impacted tax evasion behaviour with a mean of 4.28 and SD of 0.80. From the findings, employees who applied justice and fairness while providing the services motivated taxpayers to be compliant. The results corrects with Kipchumba and Mbugua (2023), who argue improving the customer experience with KRA staff is a powerful strategy to minimize tax evasion.

Influence of Personal Values on Tax Evasion

Table 2: Correlation Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.85	0.72	0.70	0.45

Source: Researcher, (2025)

A correlation analysis was conducted to examine the relationship between personal values and tax evasion at KRA Nairobi, Kenya. From Table 2, the 'R' value of 0.85 indicated a strong and positive correlation. This suggested a change in personal values is closely associated with corresponding changes in tax evasion behaviour,

IV. Conclusion And Recommendation

Conclusion

The study concludes that personal values serves as a vital tool in reducing tax evasion within the KRA. The personal values had a positive effect on tax evasion, highlighting that the values contributed to higher tax compliance rate thus, the influence of tax evasion at KRA Nairobi Kenya included personal integrity, self-discipline, personal responsibility as well as justice and fairness. It demonstrated those Personal values, significantly shape employees' propensity to report fraudulent practices. Employees who demonstrated a strong adherence to ethical principles, including integrity and fairness, were less inclined to engage in or tolerate fraudulent practices. Regression results showed that personal values had the most pronounced impact, showing the need for organizations to embed ethical considerations in their recruitment, training, and operational frameworks. The findings emphasize the importance of fostering a robust ethical culture and implementing supportive structures that empower employees to speak up without fear of retaliation. To effectively combat tax evasion, KRA and similar organizations must invest in strengthening their tax compliance frameworks and reinforcing a culture of transparency in addition to accountability.

Recommendation

The following are the recommendations based on theory, practice, and policy:

Theory

The major recommendation is to device a comprehensive conceptual framework to integrate various personal values and their influence on tax compliance at KRA in Nairobi, Kenya. This approach helps raise awareness on the harmful effects of tax evasion and avoidance alike, urging policy makers to take actions to combat the menace

Practice

A practical recommendation is to establish an informative lesson for stakeholders involved in enhancing personal values. By promoting transparency and recognizing acts of integrity, self-discipline, ethical adherence, the organization can foster a safe and supportive environment where employees feel confident and protected when reporting instances of tax evasion practices.

Policy

Strengthening employees' responsibility, cultivating an ethical culture, and reinforcing leadership support are critical strategies for minimizing tax evasion. These insights offer valuable guidance to both policymakers and organizational leaders seeking to enhance tax compliance through workable systems.

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