

# **Effect of online services on tax compliance behaviour by enterprises in Western region**

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## **Abstract:**

Tax plays a vital role in Kenyan economy as it finances the public expenditure of the country. Due to increased public spending, there is need to increase the revenue base. One of the sources of revenue for the Government is taxation. This calls for increase in compliance by tax payers as this increase in revenue may not be possible if the taxpayers are not compliant. One of the reforms which have been put in place by Kenya Revenue Authority to enhance tax collection is the online services. The study was about the taxpayer compliance behaviour in relation to the online services. The objectives of the study were: to determine the behaviour of taxpayers on compliance; to find out the level of utilization of online services by enterprises in Western Region; to find out the effect of the online services on tax compliance by enterprises in Western Region and lastly find out how the Authority can improve tax compliance through online services. The study adopted descriptive study design targeting a population of 150 enterprises accessing online services and registered with Kenya Revenue Authority and operating in Western Region from which a sample of 45 respondents was sampled using stratified random sampling. Primary data collected by use of questionnaires and then analyzed using descriptive statistics and presented in graphs and tables to ultimate users. The taxpayers' online services had made tax registration hard to implement in their business settings and further, most of the taxpayers were not aware tax registration process offered by the online services and could not access their tax statement online which could enhance their tax compliance. The level of use of the taxpayers' online services was established to be by the study to have a significant effect on tax compliance of the taxpayers by improved book keeping in electronic form.

From the study data, it was established that the implementation of the taxpayers' online services faced various challenges from the taxpayers which had a significant effects on their tax compliance. Even though accessibility of the internet services was not a significant challenge to most taxpayers, it is still a major challenge to some taxpayers who cannot access internet due to their location or cost related to the accessibility. It was established that taxpayers were influenced in their decision to use taxpayers' online services by their peers. The tax laws also posed as a challenge to most taxpayers hence their tax compliance was highly affected as a result. The study tested four factors (taxpayers' education, taxpayers' recognition and rewards, tax officers training and tax rates adjustments) whether they could overcome the challenges to the tax compliance among the taxpayers in the Western region and found that these factors if well implemented can help curb the challenges. The study made the following suggestions for further research: study was limited to the Western region of KRA. Future studies on the same topic could be extended to other parts of Kenya, investigate on non-online taxpayers service effects on the compliance of taxpayers, research on other challenges hindering the adoption of the taxpayers' online service among the business enterprises apart from the four identified factor. And to study on other strategies which can be employed by KRA to overcome challenges of compliance from taxpayers in Kenya.