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# The Effect of Value Added Tax Act 2013 on tours value chain in Kenya's tourism industry

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David W. Mwangi  
*Strathmore Business School (SBS)*  
*Strathmore University*

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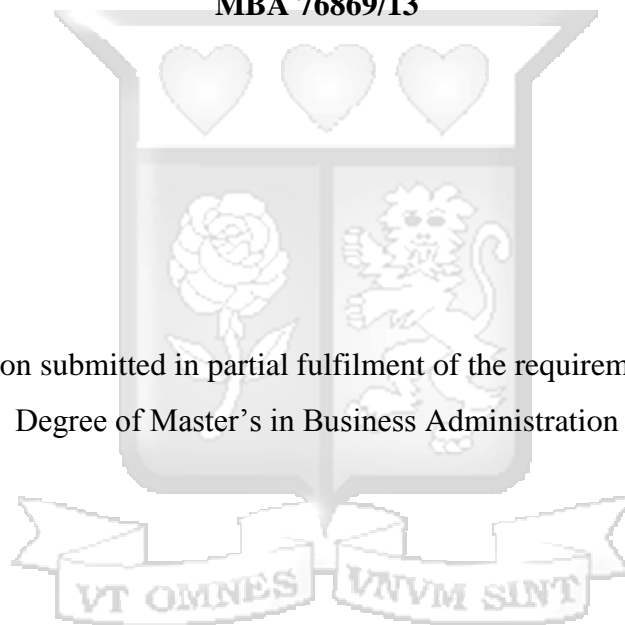
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**THE EFFECT OF VALUE ADDED TAX ACT 2013 ON TOURS VALUE  
CHAIN IN KENYA’S TOURISM INDUSTRY**

**DAVID W. MWANGI**

**MBA 76869/13**

A research dissertation submitted in partial fulfilment of the requirements for the award of  
Degree of Master’s in Business Administration



**STRATHMORE BUSINESS SCHOOL**

**NAIROBI, KENYA**

**APRIL, 2018**

## DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

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Signed.....Date.....

**David W. Mwangi**  
**MBA/76869/13**

### Approval

The dissertation of David W. Mwangi was reviewed and approved for examination by the following:

**Professor Robert Mudida, PhD**  
**Director – Strathmore Institute for Public Policy and Governance (SIPPG)**

Signed.....Date.....

## DEDICATION

This examination is dedicated to my loving family, my wife Jayne and children Michelle, Mark and Myles for their support, prayers and encouragement in the midst of the entire of the examination and the continued supplications towards the viable realization of this course. May the Almighty favor every one of you



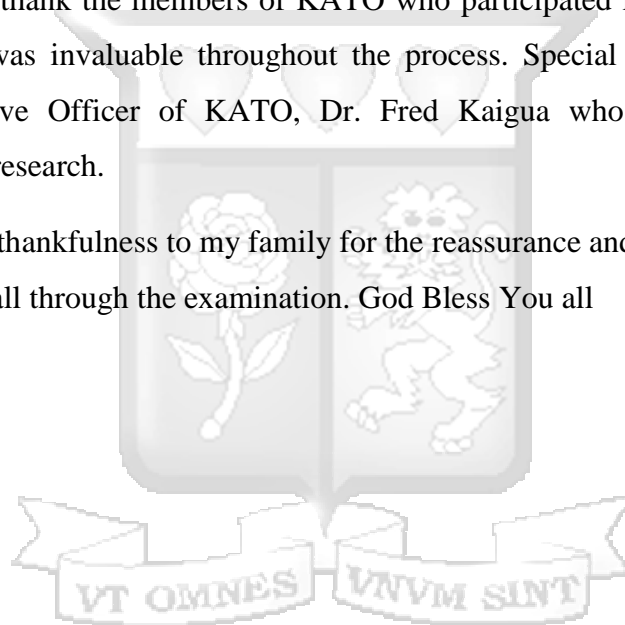
## ACKNOWLEDGEMENT

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Besides, I wish to accord my Supervisor, Professor Robert Mudida, outstanding confirmation, for outfitting me with information and aptitudes on magnificent comprehension, support and course all through the examination through report scrutinizing and changes making.

I wish also to thank the members of KATO who participated in this dissertation and whose input was invaluable throughout the process. Special thanks also go to the Chief Executive Officer of KATO, Dr. Fred Kaigua who welcomed and fully embraced the research.

Extraordinary thankfulness to my family for the reassurance and great encouragement they gave me all through the examination. God Bless You all



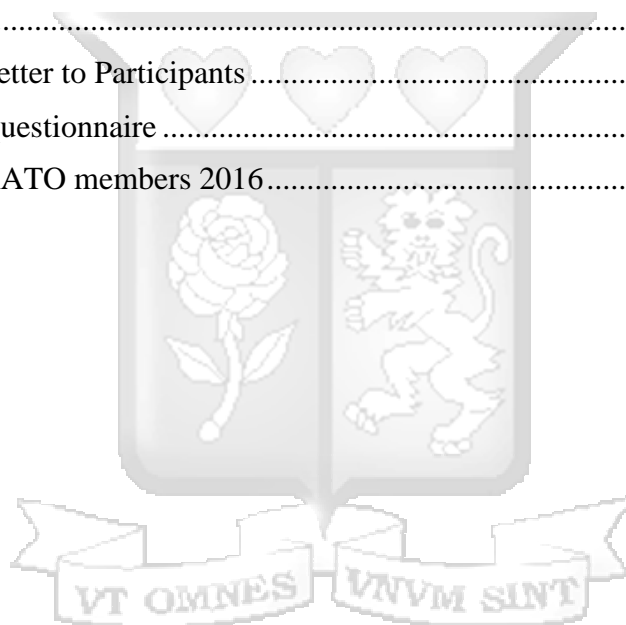
## **ABSTRACT**

Tourism sector in Kenya holds a strategic importance in the country's economy providing significant socio economic benefits. Tourism sector is sensitive to taxes, however it cannot be exempt from them since tax is a significant source of revenue for national budget. VAT most strongly affects the tourist competitiveness of the country. The purpose of the study was to assess the effect of Value Added Tax Act, 2013 on tour value chain in Kenya's tourism industry. The study was based on two theories; Ability to Pay Theory and Benefit Theory; with a view to address the following three questions: - what is the effect of introducing VAT in transportation of tourists on tour value chain in Kenya's tourism industry?; what is the effect of introducing VAT to tour products on tour value chain in Kenya's tourism industry?; and what is the effect of imposing VAT on locally assembled vehicles on tour value chain in Kenya's tourism industry?. Applying descriptive research design, the study targeted the 303 members of Kenya Association of Tour Operators. Both primary and secondary data was used for the study. A questionnaire was used to gather primary data while secondary data was gathered from audited financial records of KATO members, government records and other records from the KTB. Primary data was analysed using factor analysis and presented by use of frequency distribution tables, mean scores and standard deviations. The study found a positive association between tour value chain and tourism products. The results also reported a prima-facie evidence of a positive association between tour value chain and price of cabs services. It was found that locally refurbished and improved tour vans had the strongest relationship with tour value chain in Kenya's tourism sector. The findings of this study may be used as a basis of enhancing tax policy in addition to filling the gap about what is currently known about VAT revenue function in Kenya.

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## ABREVIATIONS AND ACRONYMS



<b>CDE</b>	Cumulative Distribution Function
<b>CGE</b>	Computable General Equilibrium
<b>DPE</b>	Dynamic Partial Equilibrium
<b>EAC</b>	East Africa Community
<b>EU</b>	European Union
<b>FIAS</b>	Facility for Investment Climate Advisory Services
<b>HMT</b>	Her Majesty's Treasury
<b>KATO</b>	Kenya Association of Tour Operators
<b>KTB</b>	Kenya Tourism Board
<b>MIAM</b>	Moi International Airport Mombasa
<b>MICE</b>	Meetings, Incentives, Conferences and Events
<b>OECD</b>	Organisation for Economic Co-operation and Development countries
<b>PPP</b>	Purchasing Power Parity
<b>TOMS/TAMS</b>	Tour Operators Margin Scheme or the Travel Agents Margin Scheme
<b>UK</b>	United Kingdom
<b>UNWTO</b>	United Nations World Tourism Organization
<b>VAT</b>	Value Added Tax
<b>VCA</b>	Value Chain Approach
<b>WEF</b>	World Economic Forum
<b>WTTC</b>	World Travel and Tourism Council

# **Chapter 1: Introduction to the Study**

## **1.1 Introduction**

The study examined the effect of VAT act, 2013 on tour value chain in Kenya's tourism industry. The background exhibits the tourism business from a worldwide point of view to nearby setting keeping in mind the end goal to put Kenya's VAT ACT, 2013 on visit benefits in context with the world. The issue articulation exhibits the inspiration of undertaking the present point while unmistakably expressing the issue thereof. This section likewise introduces the particular destinations of the examination, degree and essentialness of the investigation.

## **1.2 Background of the study**

A value-added tax (VAT) is a utilization tax collected on items at each point of offer where tax has been included, beginning from crude materials all the way to conclusive retail purchase by a buyer (Roller, 2011). An imperative factor in choice of the tourist destination, apart from common magnificence and plenitude of rooms is the cost of overnight stay and nourishment (Markota, 2012). As indicated by Markota (2014), tourists have a tendency to pick a nation with more advantageous costs. Markota contends that the rate of value added tax influences the costs and in this manner likewise the aggressiveness of every nation. For instance, VAT increment in UK showed a negative effect on inbound tourism as the assessment prevent remote sightseers from going to the UK (Mijatovi, 2014). As indicated by Mijatovi (2014), while the new UK VAT rate might not have been high by EU measures, different nations were fortifying their aggressiveness by bringing down duty rates with an end goal to draw in sightseers. France, for instance, brought down its VAT rate to 5.5% on

lodgings and eateries from a 19.6% assessment, and Germany from 19% to 7% (Tripadvisor, 2014).

As indicated by TripAdvisor review surveying more than 3200 individuals crosswise over Europe, uncovered that 24% of respondents felt that the VAT increment would make UK occasions exorbitant, while 26% were undecided in the matter of whether the new duty will influence their choice to visit UK. Additionally as indicated by the TripAdvisor overview, 24% of Britons asserted that the VAT rise could make residential occasions excessively costly. The study reasoned that with UK family spending plans pressed by the expansion in VAT and high fuel costs, alongside joblessness and swelling rise, local tourism will be gravely hit.

Fredrick (2013) found that, organizations covering a scope of various value focuses in the market will be better set to manage the VAT ascend, and in addition those in the lower end of the market. Dombrovsk and Hodzi (2014) affirmed that VAT increment is probably not going to prevent individuals from voyaging, yet as the typical cost for basic items rises it will probably observe a move in customer decisions. Also, as indicated by Atkinson (2015), UK nationals won't quit voyaging, yet as their discretionary cashflow will be equivalent or less, individuals will either go for shoddy flight goals on self-providing food convenience or comprehensive occasions.

The treatment of VAT for tourism administrators can fluctuate from being moderately easy to being significantly more unpredictable than administrators might have the capacity to plausibly deal with (Laney, 2013). Laney place that this many-sided quality may drive a few administrators to roll out improvements to the manner by which they work together. Tourism industry isn't an industry that can be bundled together effortlessly from a VAT point of view (Nothdurft, 2014). As per Nothdurft, there are numerous unmistakable capacities that are inexactly sorted as a major aspect

of the tourism business, including aircrafts, travel specialists, visit administrators, settlement and other nearby specialist co-ops. Each of these are influenced somehow by the utilization of VAT.

As indicated by Central Bureau of Statistics of Republic of Croatia (2012), travel organizations handled excursions for 2,083,956 outside voyagers in 2011. They observed that 14,696,256 overnight stays were achieved. The report demonstrated that vacationers remained for seven evenings overall. The number of remote visitors that came to Croatia through movement offices in 2011 was at the same level as 2010 while the number of overnight stays went down by 2.2% compared to 2010. As per the report this is somewhat because of the expansion of diminished VAT rate from 0% to 10%, to all settlement administrations rendered to outside or household visitors, straightforwardly or through movement offices. Higher costs that went with the increase of VAT rate drove a few vacationers to focused nations which brought down VAT rates and furthermore brought down costs for similar administrations.

Germany Tourism Report (2013) demonstrated that tour operators organised excursions for 2,013,661 remote vacationers in Germany and acknowledged 14,063,780 overnight stays. Tourists spent seven days by and large in Germany. The report showed that the number of remote sightseers that came to Germany through travel and tour agents in 2012 was 1.3% lower than in 2011 while the number of overnight stays was 1.9% lower than in 2011. Further, the report demonstrated that landings and overnight stays through travel agencies still had a falling pattern. Taking a closer look at the patterns above, it is safe to say that tourism is exceptionally sensitive to costs, and furthermore to charges that influence the increase of costs. VAT has the most grounded effect on tourism and costs. High rates of that tax irritate the aggressiveness of a specific express that applies the duties (Mfugale, 2013).

As per Kenya association of tour operators (KATO, 2014), Kenya got 1.16 million tourists in the 2012/13 fiscal year, a 8.8% decrease from the earlier year and the second successive year that landings and income had dropped. As indicated by KATO, the industry may need to assimilate the VAT, which is at times higher than the margins that they make, which would mean misfortunes for the business. The Value Added Tax Act 2013 forced a 16% increase on costs offered by tour operators and hoteliers (Kenya Revenue Authority, 2014). An overview led by KATO (2014) demonstrated that Kenya was the most costly travel destination among its EAC peers in light of the VAT changes, and the tour operators were compelled to either bear the weight or increase the costs of the tour products.

A report by Kenya Tourists Board (2014) demonstrated that aggregate arrivals for January to September 2017 via air and ocean closed at 723,176 contrasted with 657,438 for 2016, outlining a drop of 10.0%. As per the report, landings through JKIA increased by 11.1% to record 655,569 contrasted with 589,958 for 2016. Moi International Airport Mombasa (MIAM), got 66,701 guests, contrasted with 65,600 in 2016, which was 1.7% increase. 906 voyage dispatch landings were recorded until September 2017, contrasted with 1,880 in 2016 a drop of 52%. Regarding arrivals, KTB (2015) noticed that USA was the main source contributing 12.4% followed by the UK with 10.9%. India came in third with arrivals of 6.3%, closely followed by China with 6.2%. Uganda shut down the best five with arrivals of 5.9% of the aggregate entries in 2017.

Figure 1.1: Kenya's Tourist Arrivals Between 2008 -2016

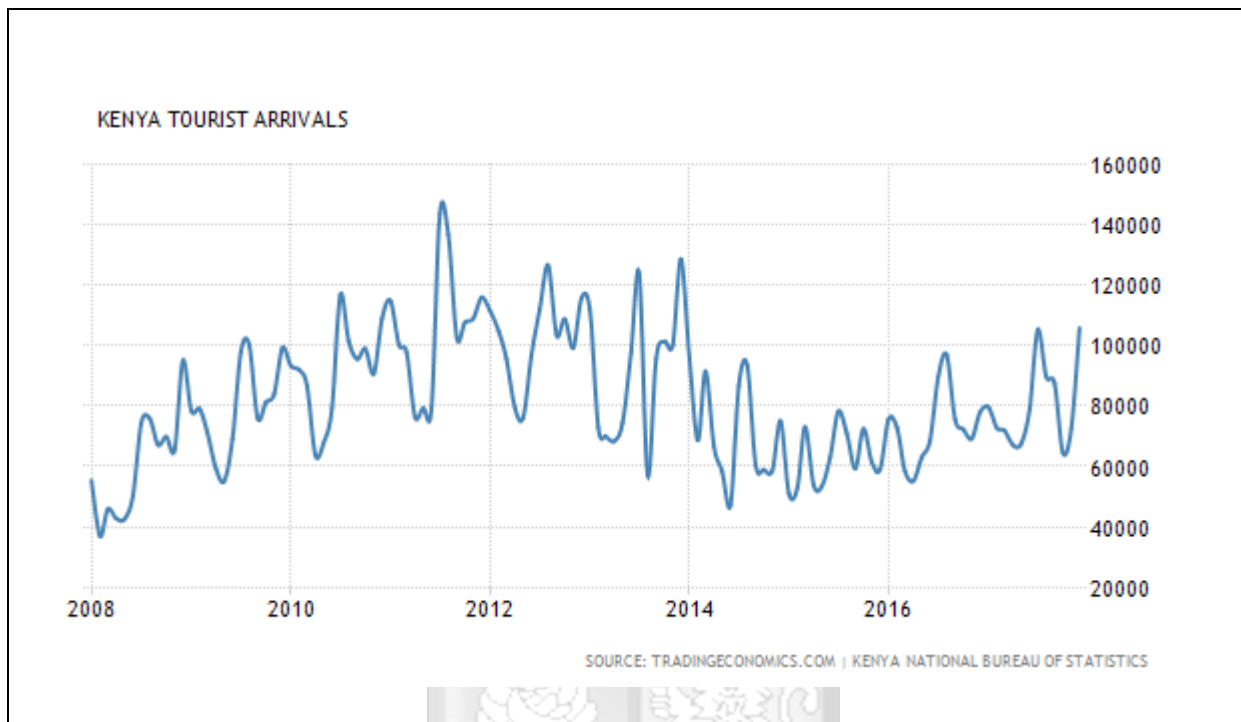


Figure 1.1 shows that Tourist Arrivals in Kenya increased to 105862 in December from 72573 in November of 2017. Tourist Arrivals in Kenya averaged 81987.29 from 2006 until 2017, reaching an all-time high of 143556 in July of 2011 and a record low of 36970 in February of 2008.

It is against this background therefore the present study sought to assess the effect of Value Added Tax Act 2013 on tour value chain in Kenya's tourism industry.

### **1.3 Statement of the Research Problem**

The travel and tourism sector in Kenya holds strategic importance in the country's economy providing significant socio economic benefits. This study comes at a critical time when the Kenyan government has introduced taxes on tour operators and tour agents; while imposing new tax on the locally refurbished and improved tour vans. This topic is timely and significant to the tourism industry because it is widely agreed that the tourism industry including Kenya is a sensitive sector to taxes. VAT most strongly affects the tourist competitiveness of a country. It is particularly prudent to examine the influence of VAT ACT 2013 on Kenya's tourism considering the fact that Kenya has one of the biggest and most diverse tourism industries in East Africa, with offerings in a range of niches including the meetings, incentives, conferences and events (MICE) segment and safari ecotourism. Investment in Kenya's hospitality sector has increased over the years, driven majorly by investor appetite to tap into the demand for accommodation brought about by tourism, leisure and business travel. There are a considerable number of studies that have been carried out to establish the impact of value added tax on performance of economy in the developing countries including Kenya. However, most studies only focused on meetings, incentives, conventions, and events (MICE). Specifically, a lot of attention earlier on focused on the expected impact of the VAT on food prices (Kinyanjui & McCormick, 2014; Hunaiti, Mansour, & Al-Nawafleh, 2012; Shemi, 2012; Wanjau et al., 2012; Mutua et al., 2013; & Ochola, 2013). It is against this background therefore, this study sought to assess the effect of Value Added Tax Act 2013 on tour value chain in Kenya's tourism industry.

## **1.4 Research Objectives**

### **Main Objective**

The study sought to assess the effect of Value Added Tax Act 2013 on tour value chain in Kenya's tourism industry.

### **Specific Objectives**

- i. To determine the effect of introducing VAT in transportation of tourists on the Kenya's tourism industry.
- ii. To establish the effect of introducing VAT to the sales of tour operators in Kenya's tourism industry.
- iii. To establish the effect of imposing VAT on refurbished and improved tour vans in Kenya's tourism industry.

## **1.5 Research Questions**

- i. What is the effect of introducing VAT in transportation of tourists on Kenya's tourism industry?
- ii. What is the effect of introducing VAT to the sales of tour operators in Kenya's tourism industry?
- iii. What is the effect of imposing VAT on refurbished and improved tour vans in Kenya's tourism industry?

## **1.6 Scope of the study**

The study target population was the members of Kenya Association of Tour Operators. The study applied exploratory research design and used both descriptive and inferential statistics to determine the association between the VAT ACT 2013



indicators and tour value chain in Kenya's tourism industry. Participants were drawn purposively to fill questionnaires. This implies that only those willing to participate in the study were engaged during data collection.

### **1.7 Significance of the study**

Tourism is very sensitive to prices, and also to taxes that affect the formation of prices. Value added tax has the strongest impact on tourism and prices. High rates of that tax disturb the competitiveness of a certain state that applies the taxes. Solutions should be sought in VAT system in forms of benefits, exemptions and lower tax rates for a wider range of products and services in line with international best practices so that possibility for reduction of prices is created. Lower prices would result in higher demand, production, consumption and filling of budget. Such manner of filling of budget through already realized taxes from extended range of business would not be an obstacle to tourism. Well thought decisions in the VAT system are essential for survival of tourist and tourism sector on a turbulent market. The following groups will benefit from the findings of this study: -

**1.7.1 Theoretical significance:** to the Ability to Pay Theory, the study will add value in the sense that taxes should be exempted on certain items to sustain tourism industry which is a vital economic driver. To the Benefit Theory, the study will emphasize on the need for the government to use the collected levy to build key infrastructure to enhance growth of the industry.

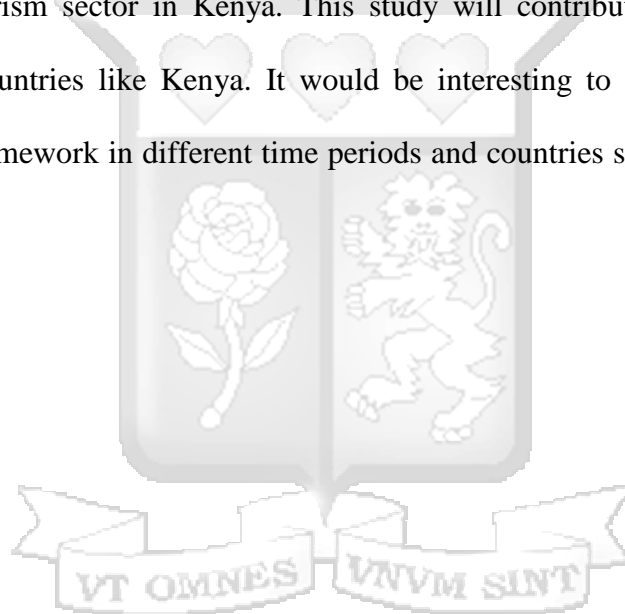
**1.7.2 Policy makers:** the study provides an informed basis for taking action on tax policy in addition to filling the gap about what is currently known about VAT revenue function in Kenya. The study is timely given the current change of the constitution, change of government structures, privatization of state enterprises, rationalization of

the budget, eradication of poverty, reform tax structure and continues with the structural adjustment process.

**1.7.3 Government:** Findings of this study will contain an empirical groundwork on the recently introduced VAT policy on the Kenya Tourism sector upon which government can adopt to formulate prudent tax measures.

**1.7.4 Tour operators and travel agents:** the findings will assist tour operators in the tourism industry to leverage on the available resources to remain competitive.

**1.7.5 Future researchers:** The present study provides a static picture of VAT ACT, 2013 and tourism sector in Kenya. This study will contribute to future studies in developing countries like Kenya. It would be interesting to examine the proposed conceptual framework in different time periods and countries so as to further validate the findings.



## **Chapter 2: Literature review**

### **2.1 Introduction**

This chapter discussed the effect of introducing VAT on tour value chain in Kenya's tourism industry. Chapter two critically discussed theoretical review which covered: - Ability to Pay Theory given by Kendrick (1939); Benefit Theory; and The Cost of Service Theory. The empirical review discussed the following key variables: - transportation of tourists, tour operators and capital expenditure for hotel construction. The chapter also covered the conceptual framework, and operationalization.

### **2.2 Theoretical Literature Review**

#### **2.2.1 Ability to Pay Theory**

According to this theory, taxes should be based upon the amount of money people earn (Kendrick, 1939). It appears very reasonable and just that taxes should be levied on the basis of the taxable capacity of an individual. For instance, Colm (2013) averred that if the taxable capacity of a person A is greater than the person B, the former should be asked to pay more taxes than the latter. It seems that if the taxes are levied on this principle as stated above, then justice can be achieved. However, economists are not unanimous as to what should be the exact measure of a person's ability or faculty to pay. According to Musgrave (2011), one of the viewpoints advanced in this theory is the Income as the Basics: Musgrave was of the opinion that income should be the basis of measuring a man's ability to pay. According to Musgrave, it appears very just and fair that if the income of a person is greater than that of another, the former should be asked to pay more towards the support of the government than the latter. That is why in the modern tax system of the countries of the world, income has been accepted as the best test for measuring the ability to pay

tax by a person. This theory is therefore relevant to this study because according to Jimenez (2011) tourism is perishable, competes in a global marketplace, and is subject to consumer trends and hence the theory of ability to pay should come into play when policy is being enacted to impose taxation in the sector. The theory is especially linked to the second specific objective which looks at the effect of introducing VAT to the sales of tour operators.

### **2.2.2 The Benefit Theory**

It was developed by Hobbes (1679); Locke (1704); and Grotius (1645). According to this theory, the state should levy taxes on individuals according to the benefit conferred on them. The more benefits a person derives from the activities of the state, the more he should pay to the government. According to Bird (2014), this principle has been subjected to severe criticism on the following grounds:

Firstly, if the state maintains a certain connection between the benefits conferred and the benefits derived. It will be against the basic principle of the tax. A tax, as we know, is compulsory contribution made to the public authorities to meet the expenses of the government and the provisions of general benefit. There is no direct quid pro quo in the case of a tax.

Secondly, most of the expenditure incurred by the state is for the general benefit of its citizens, it is not possible to estimate the benefit enjoyed by a particular individual every year.

Thirdly, if we apply this principle in practice, then the poor will have to pay the heaviest taxes, because they benefit more from the services of the state. If we get more from the poor by way of taxes, it is against the principle of justice? This theory links to the first and the third specific objectives which addresses the effect of introducing VAT in transportation of tourists and the effect of imposing VAT on

locally assembled tour vans in the sense that the levy collected for transportation cost and vans should be used to build new and good roads in order to ease movement.

## **2.3 Empirical Review**

This section critically reviewed and discussed what past studies have researched on the impact of VAT on tour value chain and put Kenya's VAT Act 2013 in perspective with the world. The section was organised under the following subsections: - Value Added Tax and transportation of tourists; Value Added Tax and Tour Operators products/package (i.e. Inbound tour operators, Outbound Tour operators, Domestic Tour operators); and Value Added Tax and Capital Expenditure for Hotel Construction.

As presented in Facility for Investment Climate Advisory Services (FIAS) in Moving toward Competitiveness: A Value Chain Approach, value chain analysis identifies each of the raw inputs that combined form a product or service (Markov, 2014). Previous World Bank studies have used value chain analysis to define sector-specific issues from which public policy can be developed and implemented. VCA is used as an empirical tool to highlight constraints that hamper industry growth and deter competitiveness. Earlier value chain studies have guided the design and implementation of growth and competitiveness strategies, small and medium-size enterprise projects, and technical assistance projects (Kyengo, 2013).

### **2.3.1 Value Added Tax and Transportation of Tourists**

Forsyth (2013) undertook an assessment of the impact of reduced VAT rates on British tourism and the wider economy, using Dynamic Partial Equilibrium and Computable General Equilibrium models. The study focused on members of the British Hospitality Association, with 95% reporting that some or all of a VAT change

would be passed on. Forsyth concluded that about 60% of a VAT reduction will feed through to lower prices, though the process would take approximately four years.

In a survey World Economic Forum (2015), over 95 per cent of over 200 respondents said that if a five per cent VAT rate was achieved some or all of it would be passed on. 82 per cent said they would invest more in their product/facilities, 67 per cent would employ more people, 57 per cent would invest more in training and just under half (48 per cent) would increase staff wages.

A study conducted by Blake (2014) in the United Kingdom found that the price elasticity for international tourism in the UK was -1.2813; in other words a 10% decrease in the price of tourism increases tourism demand by 12.8%. Across The Organisation for Economic Co-operation and Development countries (OECD), a similar analysis by Mark (2014) found that the elasticity of tourism was -1.2, very close to the UK figure. Again although, the authors indicate that the adjustment is not immediate and their simulations find that it would take 2 years for 80% of the impact of the price change to be realised. Travel and Tourism is a major employment generating sector which has the potential to generate direct as well as indirect employment for individuals with varied skill sets (Mattei, 2014).

A study done by Mahon (2013) in India established that the Indian Travel and Tourism sector generated 25 million direct jobs in 2012, which accounted for 4.9 per cent of total employment in the country. According to the study, the numbers expressed constitute direct employment in the travel and tourism sector by hotels, travel agents, airlines, passenger transportation services and other restaurant and leisure employment. The study revealed that the total employment generation in 2012 including direct & indirect employment was approximately 40 million. In addition,

the sector is forecasted to support approximately 49 million jobs, including indirect employment which would account to 8% of the total employment in India.

This implies that for every job directly supported by the tourism sector, an additional 0.6 job is supported in the economy when the indirect and induced effects of tourism are considered. Ahmed (2014) averred that tourism industry is an extremely important sector for creation of job opportunities/source of employment for the skilled as well as semi-skilled workforce. The World Economic Forum in its 2013 study of tourism competitiveness rated Malaysia tourism competitiveness at a low of 65 amongst 140 countries. In the competitiveness criteria specified, Malaysia ranked 21st in the criteria for tourism natural resources. However Malaysia was ranked 67th in the ease of business environment and recorded a low rank of 110 globally in the criteria for regulatory framework for tourism and travel.

According to the report, this suggests that although there is great scope of tourism sector growth in Malaysia, there may be a need to relook at the prevailing policies applicable to the tourism sector to make it more competitive compared to competing nations especially in Asia. Another study conducted by Ihalanayake (2013) analysed the economic effects of VAT on tourism in Australia. The results suggest that the tourism sector does indeed expand as a result of tax abolition, while the other sectors contract. Ihalanayake argued that, increase in the VAT leads to an increase in commodity prices which leads to a reduction in GDP.

Price competitiveness is a frequent issue in the tourism competitiveness literature. Economic theory suggests that if tourism demand is relatively price elastic, a reduction in the tax rate on tourism-related goods and services (such as transport, hotels and restaurants) will lead to an increase in tourism demand, and vice versa for an increase in tax rates (Gauke, 2013). However, Weir (2014) argued that this relies

on the cost or cost-saving of the change in tax rate being passed through to the consumer, affecting the price that they face.

According to Rao (2014), in light of the importance of tourism demand for many governments, there have been a number of studies commissioned that have explored the potential impact of changes in tourism taxation. Some of those also considered the question of pass-through in isolation, as a first step of their analysis. Dwyer (2012) examined the price competitiveness of travel and tourism in 19 destination countries using efficiency and productivity as measures of the competitiveness among destination countries. By taking into account Purchasing Power Parity (PPP) and using Australia as a base country, the study compared prices of a bundle of tourist goods and services in a range of competing destinations, through the development of indices of international price competitiveness. The study provides a method for quantitative assessment of how one destination compares in its tourism price competitiveness to another in supplying particular patterns of tourist purchases.

A study conducted by Nzioki (2014) found that tourism businesses in Kenya ranked tax rates as the top factor constraining growth and competitiveness when queried during the 2013 Investment Climate Assessment. The study noted that while Kenya has reduced its corporate tax rate in recent years by making it comparable to its neighbours in East Africa, more than 57 percent of survey respondents identified taxes as a major problem. The findings of the study showed that although tax rates have fallen, Kenyan firms still pay half (50.9 percent) of their profits as tax. The study also found that Value-added tax (VAT) rates in Kenya appear to be competitive with neighbouring countries. As reported by the Foreign Investment Advisory Service (FIAS, 2013), while Kenya's VAT rate is 16 percent overall, for restaurant and accommodation entities, the rate drops to 14 percent.



A study done by Kariithe (2012) found that Kenya's tourism product has grown up through offering memorable products in its three major product lines: safari, coastal, and business and conference travel. Cultural heritage tourism activities cut across each of these product lines and, in particular, offer potential to develop further as the next distinct product line. Kenya's tourism demand has followed a pattern of peaks and valleys. However, In 2013, after a very strong year in 2012, demand for Kenya's tourism products dropped significantly. The Kenya Tourism Board (2015) reports that the 40.25 percent drop in visitor arrivals from 2012 led to a 20 percent drop in revenues.

Okello (2014) argues that payment of public sector charges decreases precious cash flow for investments in maintenance and replacements and undermines opportunities for private sector reinvestment in tourism. Although these fees include direct and indirect taxes, entry fees, and user charges for public entities (for example, airports and parks), such amounts detrimentally affect Kenya's attractiveness in the eyes of the potential traveller.

### **2.3.2 Value Added Tax and Tourism Sales**

Domestic tours involve residents of the given country traveling only within their own country (Hysi, 2015). Tours offered could be national parks tours and the income potential for tour directors is substantial. The U.S. for example is the second most popular destination in terms of people visits, and the most lucrative market in terms of income (Kociu, 2015).

A study done by Wilcox (2014) found that competition within tourism sector eventually compels operators to lower prices. The study analysed six case studies where a VAT rate reduction had occurred. The report concluded that there was little

doubt that permanently lowering the VAT rate on tourism products sooner or later will lead to a reduction in the price of the products/package more or less corresponding to the monetary equivalent of the lower VAT rate.

Forsyth and Dwyer (2002) placed tourism taxes in two categories, namely, general taxes and special or differential tourism taxes. General tourism taxes are those imposed generally on the supply of tourism products, income arising from tourism businesses, and compensation to employees of tourism businesses. Tour Operators Margin Scheme or the Travel Agents Margin Scheme (TOMS/TAMS) for VAT is a compulsory VAT accounting simplification measure for any supplier who buys in and resells certain (designated) travel products/package, as a principal or undisclosed agent, without material alteration (Zagreb, 2014). It applies on sales to consumers only and not wholesale B2B sales (Morgan, 2014).

Designated travel services are accommodation, passenger transport, trips or excursions, hire of a means of transport and the use of airport lounges or tour guides (Wason, 2015). TOMS/TAMS is the most notable tax feature specific to tour operators and travel agents across the EU (Morrison, 2013). According to Morgan, the TOMS/TAMS is a simplifying mechanism for businesses in the tourism sector and does not affect the tax cost borne by the consumer in respect of the underlying supply of tourism goods and services. This is because no input tax credit is available to the tour operator product or travel agent in respect of the travel services that are bought in and resupplied to their customers under the TOMS/TAMS (Moore (2013). Therefore, unless the operator or the agent offsets this cost in their overall price, the VAT cost on the underlying supply is carried through to the price paid by the traveller.

According to Moore (2013), the TOMS/TAMS effectively allows the countries in which the underlying travel services take place to collect the VAT due on these

services, while the countries in which the tour operators and travel agents are established collect the VAT on the margins made by those businesses. This effectively allocates VAT revenues between the destination and departure countries. Aside from the scheme, however, tour operators and travel agents are subject to the same tax regime as other businesses in the economies of most EU countries (Onder, 2015).

A study conducted in France by Hysi and Kociu (2015) showed some correlation between VAT and employment. The study noted that a reduction in the VAT rate on restaurant services from 19.6% to 5.5% in July 2009 was followed by the creation of around 50,000 jobs in the restaurant sector between 2009 and 2011. While this is not conclusive of a causal relationship and there could be a number of factors driving the increase in employment aside from the fall in VAT rates, Hysi and Kociu noted that this increase in employment came at a time when in general, employment rates were falling across the rest of the economy. Hysi and Kociu cite a 30,000 job cut in the construction sector. However, a report by the French Court of Auditors (2014) noted that the impact of the reduction in VAT on employment was lower than expected and cost the State an average of EUR 2.6 billion a year.

A cross sectional research done by Nevin (2013) observed that while the private sector in Kenya is responding effectively to the market trend, the product is beginning to strain the ecosystem. Nevin stated that even at this premium price level, tourist arrivals continue to grow, suggesting that Kenya is making progress. At the same time, however, given the current state of the policy and regulatory environment governing conservation and wildlife tourism, the sustainability and capacity of the ecosystem to absorb and possibly increase the tourism load may continue to be strained (Wanjau, 2012).

The overall aim of the national tourism policy is to ensure that tourism retains its position as leading export, and that it becomes a major vehicle for job creation, poverty reduction and wealth creation for Kenyans in the future, and whose practices are closely harmonized with key national policies and laws pertaining to wildlife conservation, land ownership and physical planning (Ministry of tourism, 2016).

Inbound tours involve non-residents travelling in another country. They are commonly used on international trips, particularly where language issues are part of the mix (Glenday, 2015). According to Glenday, companies make the local arrangements for airport pickup and delivery, arrange for activities, hire local guides, attend to all the details of the stay, and help in emergencies. A Receptive Tour Operator could be a ground transportation company, or a Destination Management Company (DMC) (Nzuki, 2014).

According to the World Tourism Organization, the total number of tourists in the world increased from 25 million persons in 1950 to 160 million persons in 1970, 429 million persons in 1990, 689 million persons in 2001, and 919 million persons in 2011. International tourism continued growing in 2012 although at a slower rate. Arrivals were expected to increase, reaching the historic one billion mark by the end of the year 2012 (United Nations World Tourism Organization, 2014). The arrivals surpassed the projection to 1.035 billion tourists. This number of international tourists, increased by 5 percent to 1.087 billion in 2013. The UNWTO expects international tourist arrivals to continue increasing up to 4.5 percent in 2014. The statistics reveal that the ever increasing number of tourists shows the importance of the tourism industry in the world economy.

A random sampling study done by Kanyi (2014) in India found that, if a service provider subcontracts the task of providing the services to some other service provider

in the tourism value chain, then the same service is taxed thrice as tax is levied to subcontractors also. The study argued that, in case a service provider is based in a foreign country, and offers to provide services in locations apart from that country, then these services come under the purview of service tax.

A study conducted in Tanzania by Marina (2013) found that, if a tour operator provides services like tour packages for foreign tourists wanting to travel in non-Tanzanian locations, then service tax is levied on for services not provided in Tanzania. According to Marina, this has resulted to be a dis-incentive for foreign tourists to not book tour packages from agents based in Tanzania. This is a loss of foreign exchange earnings to the country and a major business impact for the tour operators, travel agents and other service providers (MacKinlay, 2014).

Tour operators, tourist transport operators, travel agents and other stakeholders work through the tourism value chain where multiple partners and sub agents combine their products and services to present it in a combined form of a tour package (Jimenez, 2012). However each component like hotels, restaurants, airlines, and cab services among others of the tour package has separate incidence of service tax (Halpern, 2013). While offering a combined package service tax is again levied on value of combined package. According to Halpern, this leads to double taxation which increases the cost of the services provided to the tourists compared to other competing countries. In addition, even though 75% abatement is provided on service tax in case of tour package, taxation of the gross service amount leads to double taxation and increases the burden for the tourists.

The main unique tax consideration for tour operators and travel agents is the VAT margin scheme: the Tour Operators'/Travel Agents' Margin Scheme (TOMS/TAMS) (Cashin, 2015). According to Cashin, the scheme applies to those whose business

activities bring them within the scope of the scheme, and not necessarily to all tour operators and agents. Jones (2013) noted that the operation of the TOMS/TAMS does not affect the tax treatment of the underlying travel services.

In effect, the tax costs on the underlying travel services should be incurred as a cost to the final consumers with the same effect as if the final consumers had sourced the underlying tour services directly from the suppliers (Glenday, 2015). Glenday argued that the only deviation from this is that the VAT rate on the margin itself as opposed to the underlying services is subject to VAT in the country in which the travel agent or tour operator is established.

Kenya has for many years been well renowned in world tourism and was originally the most developed and premier destination in Sub-Saharan Africa. In recent years, the prime position has been overtaken due to competition from new contenders, in the beach as well as the lucrative Wildlife Safari Market (Ministry of tourism, 2016).

Outbound tour operators take residents from one country to travel in another country (Cashin, 2015). These tours take travellers all over the world and to every continent. As Porter, (2012) argued, competitiveness is affected not only by the tax regime applicable in their country of residence, but also by the tax regime of the destination countries where the goods and services are supplied to their customers. For example, an increase in UK income tax rates may have a direct impact on a London based firm, but an increase in Spanish income tax rates may also to the extent if this is passed through to prices impact the competitiveness of the Spanish holiday products that London firm offers to their customers (Dombrovski, 2014). Although to some extent this relation occurs in other industries where international goods or services are inputs, for tour operators this phenomenon is particularly relevant (Turizmin, 2013).

Tourism is an important sector of any economy and contributes substantially in the country's foreign exchange earnings (Osborne, 2012). According to Osborne, visitor exports or the flow of inbound tourists is a key component of the direct contribution to travel and tourism Sector. A report by World Economic Forum (WEF, 2015) on travel & tourism competitiveness provides a measure of the overall competitiveness of the tourism sectors of 136 economies. According to the report, tourism competitiveness Index is comprised of multiple measures, some of which are more relevant to taxation and the business environment than others. Among the 90 individual indicators of competitiveness, four relate to price competitiveness.

Europe, with six economies in the top 10 (i.e. Spain, France, Germany, the United Kingdom, Italy and Switzerland) consistently dominates the WEF rankings, which are published bi-annually. However, Jarvis (2014) posits that it is worth noting that the contributing factors to this success are Europe's world-class tourism service infrastructure, excellent health, hygiene conditions and visa simplification in the Schengen area and the high degree of international openness as well as its perceived safety, despite slightly declining security perceptions in Western and Southern Europe.

On the other hand, European economies tend to perform very poorly on measures of price competitiveness (Roberts, 2015). According to Roberts, VAT is important for non-price factors because it provides the revenue necessary to spend on other factors that contribute to tourism competitiveness, such as infrastructure, cultural, safety, openness, technology, social development and the environment. Ragui (2015) averred that, in many cases the VAT on travel and tourism sector are relatively higher than those on other sectors. For example, according to Mulupi (2013), the World Travel and Tourism Council (WTTC) researched the proportion of taxation paid by the travel

and tourism sector in the USA compared to other sectors, and found that the US travel industry is taxed at a higher rate than other sectors. Direct Travel & Tourism taxes in the US represented 3.2% of all taxes collected in 2012 whilst the sector's GDP contribution was just 2.7% - a significant premium over its GDP share.

### **2.3.3 Value Added Tax and Locally refurbished Tourist Vans**

Decisions on the level of tax rates should be the result of implemented research of their impact on travel and the budget (Zagreb, 2014). In that way taxing presents public policy that mostly directly or indirectly influences the travel services and the whole tourism sector, because due to the relative elasticity taxes changed prices modify the behaviour of potential guests. The study of Deloitte and Touche (2014) showed that higher tax burden reduces tourism revenues, while the increase or decrease of tax rate significantly influences the decisions of the tourists regarding the destination of a voyage. In other words, because of mobility, information and sensitivities to prices, tourists very often select the destination having in mind the prices required by providers of travel services (Markota, 2014). Due to all mentioned, tourism industry in any country has an aim to achieve more favourable position in comparison to its competition, and one of the way to achieve it is to provide encouraging taxing of tourist services (Jimenez, 2014).

A study conducted by Ritchie and Crouch (2013) found that what makes a tourism destination truly competitive is its ability to increase tourism expenditure, to increasingly attract visitors while providing them with satisfying, memorable experiences, and to do so in a profitable way, while enhancing the wellbeing of destination residents and preserving the natural capital of the destination for future generations.



Tourism is considered to be a luxury good and consumers are usually sensitive to the change in their income and that's why, during financial and economic crisis in 2008 and 2009 number of tourism nights spent in collective tourist accommodations in the EU countries fell by 0.6% and 2.8% accordingly (Deloitte, 2012). However in 2010 the number of tourism nights increased by 0.8% and that percentage accelerated to 5% in 2011 and the developing continues. VAT rates have a huge impact not only on the hospitality sector, but also on the whole tourism industry of Europe, which is directly and indirectly providing for more than 10% of the EU GDP and about 12% of the EU labor force. One of the targets in the EU 2020 Strategy is to enhance the competitiveness of the European tourism sector (Deloitte, 2012).

According to Jaggar (2015), some businesses may find themselves in an advantageous position where input VAT exceeds output VAT due to the application of reduced rates on their outputs. For travel agents and tour operators in the European union (EU) that are subject to the Travel Agents' Margin Scheme, VAT is currently due at the standard rate on the margins relating to EU travel services and input tax on the underlying travel supplies cannot be recovered (Culiuc, 2012). Therefore it is unlikely that such agents and operators will be in similar net refund positions arising as a result of reduced rates on travel services (Eagles, 2014). However, according to Eagles, this will depend on the level of VAT on overhead costs, for which these businesses can receive credits for input tax subject to the normal VAT rules, and whether this exceeds the VAT due on the TAMS margins and other outputs. Many EU margin schemes apply reduced rates on VAT for accommodation providers, although this does not necessarily translate into commensurate price differentials (Fisher, 2013). Copenhagen Economics (2013) found that pass-through in the tour operators sector varies a lot across countries and across the different tourist products/services.

For example, Brown (2013) found that pass-through for travel services in Portugal were only 25% while pass-through for travel services in Finland was 100%. Brown suggests that this is largely the result of context-specific factors, in particular the potential for businesses and the market to expand capacity in the short- and medium-term. The report suggests that lower VAT rates on locally assembled vehicles may expand both domestic demands in the tourism sector as well as induce more incoming tourists, though there is no evidence presented in regards to changes in demand (Porezi, 2014).

Roller (2014) did a study to assess the impact of a potential increase in the VAT rate on Greek locally assembled vehicles in 2013. The study found that a significant portion of the VAT change would be passed through to travel services prices gradually, peaking in 2015, two years after the change. Roller also concluded that demand would suffer significantly with spending on travel services to fall between €290 and €480 million in the first year.

According Markov (2014), travel service taxes receive a lot of media attention, and the introduction or increase of such taxes often generates a flurry of news articles, blog posts and opinion pieces. However, Wason (2015) found that academic literature on the impact of vehicle taxes in Kenya is limited.

In Germany, a reduced VAT rate on locally assembled vehicles was introduced in 2010, reducing the rate from the standard rate of 19% to 7%. Analysis by Deloitte (2013) showed that performance by Accor, the largest hotel group in the EU, in the first 6 months following the change improved by 11.6% for upscale and midscale hotels in Germany and by 10.5% for economy hotels. This compares to an increase of 4.8% and 5.5% for upscale/midscale and economy hotels in the UK.

A survey conducted by Wason and Nevin (2013) on VAT cut which represented approximately 20% of hotels in Germany, findings showed that 89% of respondents noted that they had commenced (or planned for) new investments, 32% had taken on (or planned to take on) more staff, and 32% had reduced their prices, all in the first year following the change in policy.

Markota (2014) found that, in Croatia, an increase in the VAT rate on accommodation from 0% to 10% in 2006 contributed to a 2.2% reduction in the number of overnight stays between 2005 and 2006. Academic research also provides empirical evidence which shows an econometric relationship between tourism expansion and GDP growth (Cortes, 2013). Jimenez (2014) for example show that for Spain and Italy tourism is a significant contributor towards long run growth. However, the paper does not explore the channels through which growth might occur.

Other academics have used macroeconomic models to estimate the net impact of changes in the VAT rate on growth and employment (Zagreb, 2014). According to Zagreb, in the UK, for example, the Cut Tourism VAT campaign and the treasury have commissioned several studies to assess the impact of reduced VAT rates on British tourism and the wider economy using Dynamic Partial Equilibrium (DPE) and Computable General Equilibrium (CGE) models.

Analysis by Deloitte (2012), for example, used a DPE model to estimate the economic impact of reducing VAT on visitor accommodation and tour travels from 20% to 5%; the analysis found a creation of 78,000 jobs as a result. According to the study, 64,000 in accommodation and 14,000 in tour travels. Similarly, in 2012, analysis conducted by the Cut Tourism VAT campaign for Her Majesty's Treasury (HM) using a CGE model suggested that reducing VAT on accommodation and visitor attractions from

20% to 5% could generate over £19bn over 9 years in discounted terms (Porezi, 2014).

## **2.4 Literature Synthesis and Research Gaps**

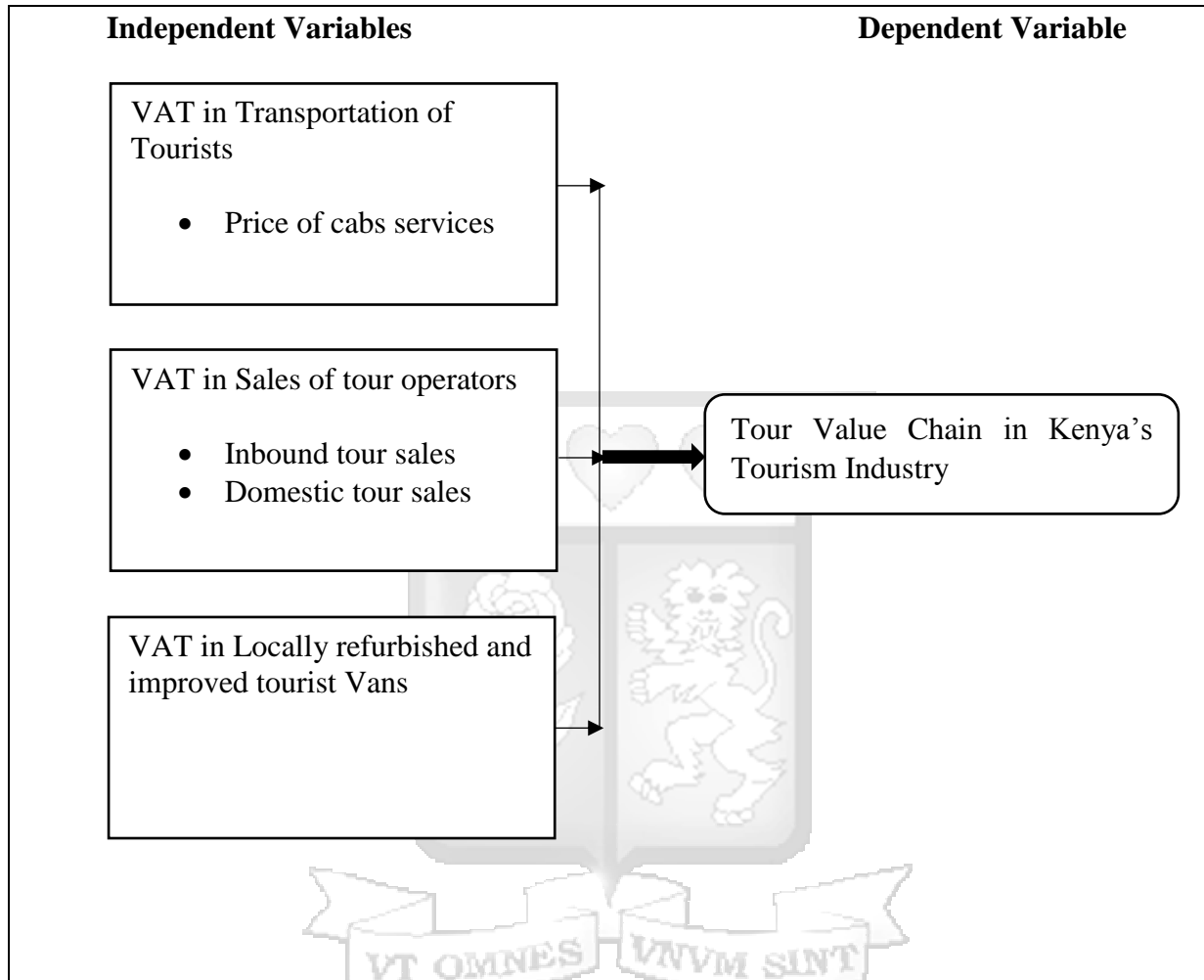
The existing literature has demonstrated that tourism is an important sector of any economy and contributes substantially in the country's foreign exchange earnings. The literature has revealed that the treatment of VAT for tourism operators can vary from being relatively simple to being a lot more complex than operators may be able to feasibly handle. Sullivan (2012) states that this complexity may drive some operators to make changes to the way in which they do business. It is clear from the literature that, tourism operators will generally find that, assuming they breach the threshold for being required to register for VAT, they will need to charge VAT on their fees. This will be despite the fact that a significant percentage of their client base will be tourists from offshore, and also that many of the tours may in fact be booked while the tourist is physically situated outside the country (Tripadvisor, 2014).

From a job creation point of view, there is a theoretical but not an empirical argument for extending reduced VAT rates to sectors employing many low skill workers in order to boost low skill demand, for example; hotels, restaurants and locally supplied services (Ritchie, 2013). However, literature reviewed argue that there may be a case for a limited, supplementary role via carefully targeted reductions in the context of grander labour market reform. The theoretical argument is that reduced VAT rates, by boosting demand for such services, stimulate demand for low skill workers, and push up their wages such that employment becomes a more attractive option than unemployment. From an Internal Market point of view, reduced VAT rates may have some limited implications, in particular through tourism. Services provided by

restaurants and hotels are mainly directed at domestic consumption, but may also affect distribution of tourism between States.

A lot of attention by earlier studies focused on the expected impact of the VAT on food prices (Kinyanjui & McCormick, 2014; Hunaiti, Mansour and Al-Nawafleh, 2012; Shemi, 2012; Wanjau et al., 2012; Mutua et al., 2013; & Ochola, 2013). A study conducted by Kinyanjui (2014) examined the effect of VAT on the performance of service industry in Kenya with specific reference to Hilton Hotels in Kenya. The study focused on lodging and event planning. The study did not consider other fields within the tourism industry. Additionally, the study was a case study which makes it difficult to generalize the findings. Kabuba (2012) conducted a study to determine the trends of tourist arrivals since the effect of VAT Act 2013. The study did not take into consideration the effect of VAT in tour operators. A study conducted by Batista and Souza (2016) aimed to determine the effect of VAT on tourism related investments in Kenya. However, the study only focused on meetings, incentives, conventions, and events (MICE). The study did not address the aspect of transportation of tourists. This leaves a gap in the literature focusing on the impact of VAT on tour value chain in Kenya's tourism industry (Buigut, 2015; and Kinyanjui, 2014).

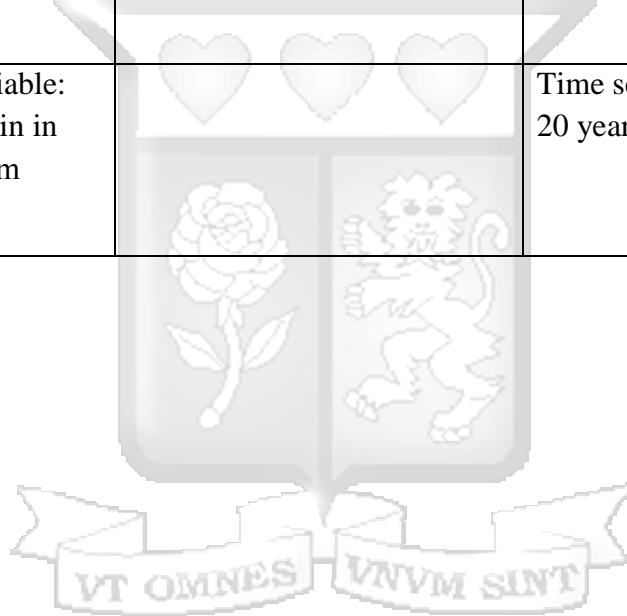
## 2.5 Conceptual Framework



**Figure 2.1:** Conceptual Framework

**Table 2.1: Operationalization**

<b>Variable</b>	<b>Indicators</b>	<b>Measurement</b>
Transportation of tourists	Price of cabs	Time series data for a period of 20 years
Sales of tour operators	Inbound tour sales Domestic tour sales	Descriptive analysis - measures of central tendency
Locally refurbished and improved tourist vans		Descriptive analysis - measures of central tendency
Dependent variable: Tour value chain in Kenya's tourism industry		Time series data for a period of 20 years



## **Chapter 3: Research Methodology**

### **3.1 Introduction**

The chapter presents the methods used to carry out this particular study with the goal of answering the key specific objectives of the study. The sections comprised; research design, sampling techniques used, data collection methods, data analysis and ethical considerations.

### **3.2 Research Design**

The study used descriptive research design incorporating perceptions of respondents from tour operator firms with regards to the objectives. The study sought to determine the association between the VAT ACT 2013 and tour value chain in Kenya's tourism industry.

### **3.3 Population and sampling**

Target population for the study was the members of Kenya Association of Tour Operators. KATO has 303 members (KATO, 2017) [APPENDIX III]. The study applied stratified method to divide the target population in the following sub groups: - large, medium and small sized. Less than 50 employees was considered a small-sized business; Between 50 and 249 employees was considered a medium-sized business; while greater than or equal to 250 employees was considered large sized company regardless of revenue. Number of employees was important for this study in order to avoid biasness of either choosing all large sized companies or choosing all small sized companies for the sample.

The author used purposive sampling procedure to select 50 member companies from the 303 members and randomly drew 3 participants from each company to fill questionnaires making a sample size of 150 respondents as shown in figure 3.1 below.



**Figure 3.1: sample size**

<i>Company</i>	<i>Staff Population</i>	<i>Sample size</i>
1. Elite Travel Services Ltd	22	3
2. Enchanting Africa Ltd	21	3
3. Essenia Safari Experts Ltd	18	3
4. Exclusive African Treasures	20	3
5. Expedition Kenya Safaris	52	3
6. Explore Safaris by Tufayn Ltd	20	3
7. Explorer Kenya Tours & Travel	23	3
8. Eyes on Africa Adventure Safaris Ltd	10	3
9. Fairways Solutions Tours & Travel Ltd	24	3
10. Farid Kings Tours & Safaris	18	3
11. Favour Tours & Safaris	16	3
12. Fidex Car Hire Ltd	51	3
13. Flight & Safaris International Ltd	24	3
14. Flying Dove Tours & Travel Ltd	20	3
15. Four by Four Safaris Ltd	21	3
16. Frate Tours Ltd	28	3
17. Game Viewers Adventures Limited	34	3
18. Gametrackers (K) Ltd	45	3
19. Gamewatchers Safaris Ltd	20	3
20. GAT Safaris	23	3
21. Glory Car Hire Tours & Safaris Ltd.	32	3
22. Go Africa Safaris and Travel	67	3
23. Go Africa Travel Ltd.	28	3
24. Gofan Safaris	111	3
25. Golden Holidays & Travel Company	22	3
26. Good Hope Travel & Tours Ltd	23	3
27. Grand Edition Tours	17	3
28. Hallmark Travel Planners	23	3
29. Helinas Safaris Ltd	33	3

30. Hirola Tours & Safaris	21	3
31. Holiday Bazaar Ltd	10	3
32. Holidee in Africa Consulting Ltd	15	3
33. Ideal Tours & Travel	23	3
34. Impact Adventure Travel	21	3
35. Imperial Air Services	65	3
36. Incentive Travel Ltd	20	3
37. Inclusive Holidays Africa	21	3
38. IntoAfrica Eco-Travel Ltd	25	3
39. Intra Safaris Ltd-Msa	22	3
40. Jambo Travel House Limited	24	3
41. JMAR Safaris Ltd	21	3
42. Jowamu Tours & Safaris	55	3
43. Jungle Beach Safaris Ltd	21	3
44. Karisia Limited	22	3
45. Kenan Travel & Tours	23	3
46. Kenia Tours & Safaris	21	3
47. Kenor Safaris Ltd	50	3
48. Kent Tours & Travel Ltd	20	3
49. Kenya Beach Travel Ltd-Msa	22	3
50. Kenya Expresso Tours & Safaris	21	3
TOTAL	1409	150

This implied that only respondents willing to participate in the study were engaged during data collection. Nevin (2013) used stratified sampling procedure to examine subgroups within a population. Markov (2014) applied stratified sampling procedure to observe relationships between two subgroups. In addition, Brown (2013) used the method to examine the rare extremes of a population.

The sample size was considered adequate for this particular study. The current study was only addressing three key variables (transportation of tourists, Tour products, and

locally refurbished and improved tourist vehicles). This is supported by Russel (2001) who observed that a study should be of an adequate size relative to the objectives of the study. It must be big enough that an effect of such magnitude as to be of scientific significance will also be statistically significant.

### **3.4 Data collection methods**

Both primary and secondary data was used for the study. This study used questionnaire as the key instrument for primary data collection. The use of questionnaire was preferred as it ensured confidentiality was upheld, saved on time, and was easy to administer (Bell 2013). The questionnaire was ideal because the researcher was able to collect information from a larger sample. It also gave a greater feeling of anonymity hence encouraged open responses to sensitive questions and was free from bias and so accurate and valid data was guaranteed.

The questionnaire used closed ended questions and open ended questions to elicit specific responses for quantitative analysis. The questionnaire was organized into themes. The first theme of the questionnaire dealt with demographic statistics such as name of the KATO member, Age of the company among others. The other sections included questions from the three objectives. As a strategy aimed at getting credible data from the field, the author trained enumerators who interviewed staff and also for purposes of questionnaire administration.

Secondary data was gathered from audited financial records of KATO members, government records and other records from the KTB.

#### **3.4.1 Pilot study**

To ensure consistency of the instrument, a pilot study was conducted using a random sample of 10 participants from East African Eagle Kenya Ltd, Maridadi safaris ltd, and Sawa Sawa Afrcia Ltd. which are not in the sample. Ten participants chosen for

the pilot study was consistent with Kathuri and Pals, (2013) suggestion that it is the smallest number that yields meaningful results in data analysis in a survey research. The pretest was subjected to the spilt-half analysis technique according to Cronbach's formula;

$\alpha = \frac{N \cdot r}{1 + (N-1) \cdot r}$  Where N = number of items and r is the average inter-item correlation among the items. The results from the pilot study showed that 8 out of 10 of the participants engaged filled all the questions successfully. This means that the questionnaire was relevant and the questions were clear and simple.

### **3.4.2 Validity of Research Instruments**

The researcher applied face validity by asking participants to give their thoughts on the usefulness of the test. 8 out 10 participants were of the view that the questionnaire will lead to credible and relevant data. When asked whether the categories of respondents targeted will provide relevant information, 9 out of 10 agreed.

To establish content and construct validity the researcher sought expert opinion concerning the research instrument from the supervisor at Strathmore Business School (SBS). The supervisor was not satisfied with the questions and instructed the researcher to re-organize the questions in line with the specific objectives.

### 3.4.3 Reliability of Research Instruments

To determine the errors (clarity of the questions and relevance of the questions) that could affect reliability of the questionnaire, the pilot results were subjected to the spilt-half analysis technique according to Cronbach's formula;

$$\alpha = (N*r/1 + (N-1)*r)$$

Where N = number of items and r is the average inter-item correlation among the items.

The study used Cronbach alpha as the reliability coefficient of at least 0.7 which is accepted (Santos & Reynaldo 2013). A reliability coefficient of 0.9 was obtained from the pretest indicating that the questions used were non ambiguous, and relevant to the respondents. According to Sekeran (2013) a pilot test is necessary for testing the reliability of data collection instruments. Marcus (2012) emphasized that pilot study is done in order to assess the suitability of questionnaire items and interview schedule, the wording of the questions and the consistency in the responses.

For purposes of validity and reliability of the secondary data, the researcher considered the following factors:-

- i. Whether the site or publication is reputable, i.e. .government, education or textbook.
- ii. Whether the data was gathered using an appropriate method and measuring devices.
- iii. Whether the data is current (check date).

- iv. Whether the information relates to the problem or hypothesis being investigated.
- v. The author of the article's credentials (i.e. the author is qualified).

### 3.5 Data Analysis Method

Both descriptive and inferential statistics was used to determine the extent each independent variable affect tourism value chain in Kenya. Primary data was analyzed using factor analysis and presented by use of frequency distribution tables, mean scores and standard deviations. Probit model of analysis was applied to analyze binomial response from the data findings. These analyses were used to address the three specific objectives of the study. With the help of (SPSS) the findings were presented using frequency distribution tables, bar charts and pie charts. The data was then summarized according to the study's specific objectives.

The following is the probit function used for binomial response from the data findings:

$$F(Y) = Y = X\beta + \varepsilon$$

Where-:  $F(Y) = \Phi^{-1}(Y)$  - this is known as probit link

$\Phi$  -Cumulative Distribution Function (CDF)

$\varepsilon$  -  $N(0, 1)$  known as latent variable-i.e variables that are not directly observed.

$Y$  -an indicator for whether this latent variable ( $\varepsilon$ ) is positive

$X$ -vector of regressors

$\beta$ - Measure of the volatility-typically estimated by maximum likelihood.

$Y$ - Denotes the dependent variable which is tour value chain while  $X$ - denotes the observable variables (transportation of tourists; tour products; and locally assembled tourist vans).

$N$ - is our sample size.

### 3.6 Ethical issues

Data was collected from the sampled respondents after obtaining their consent. The anonymity of the respondents was upheld at all times unless with their express permission. In addition, all the information from the respondents was held in confidence and not shared for any other purpose other than for academic goal by the researcher. An official letter was obtained from Strathmore Business School (SBS) and an introductory letter from the researcher provided in the course of the data collection.



## Chapter Four: Presentation of Research Findings

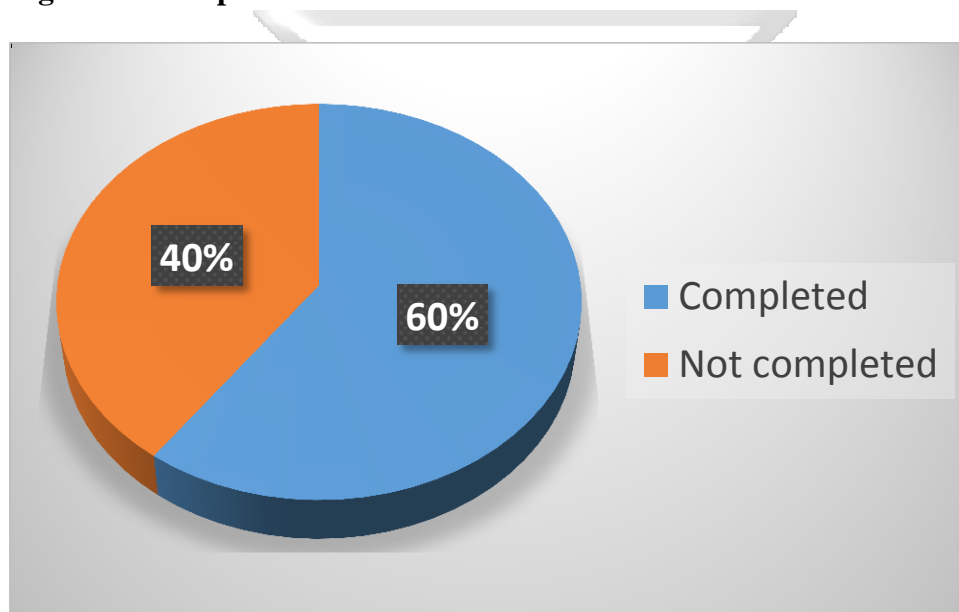
### 4.1 Introduction

This chapter shows the disclosures of the examination which was aimed to assess the effect of Value Added Tax Act 2013 on tour value chain in Kenya's tourism industry.

Demographic characteristics are first analyzed took after by the results as guided by the particular targets of the examination.

### 4.2 Response Rate

**Figure 4.1: Response Rate**



The study targeted 150 participants whereby 150 questionnaires were administered across the 50 sampled KATO members (tour companies). 90 participants responded to the questionnaires and completed the questions successfully making the response rate 60% (90 out of 150) which was considered adequate for the study.



### 4.3 Sample Characteristics

Figure 4.2 analyzed sexual orientation, age and level of education of the respondents.

**Figure 4.2: Frequency Distribution of Respondents' Gender**

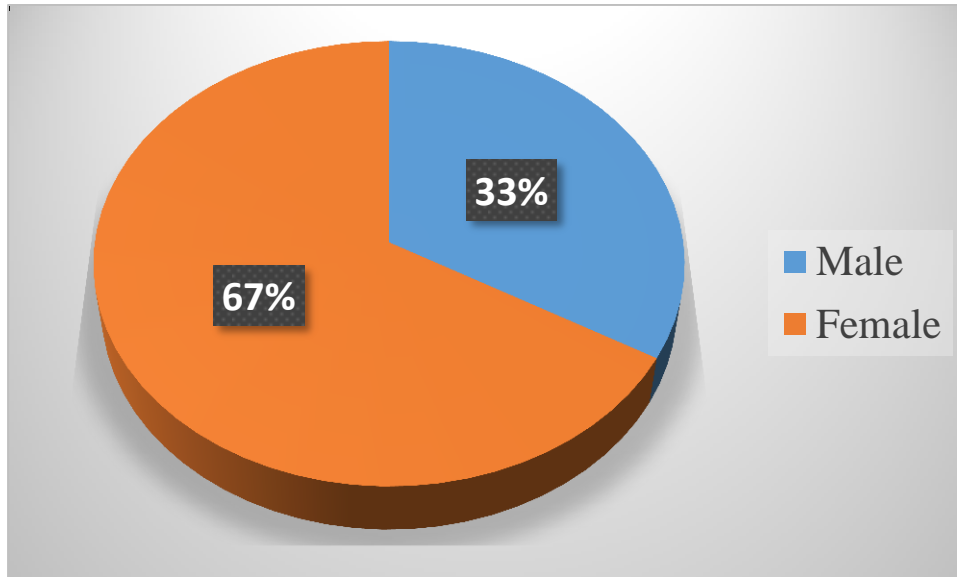


Figure 4.2 reveals that most of the respondents met (67%) were female. Only 33% of the individuals were male respondents. This could infer that female are doing outstandingly to the extent tourism sector in Kenya is concerned. Sexual orientation was basic in this investigation in light of the fact that differing genders have unmistakable outlooks. For example, women tend to be more aware of emotions (Johnston, 2015) and this could comprehend their inward points of view concerning imperative capacities for the tourism business.

**Figure 4.3: Frequency Distribution of Respondents' Age**

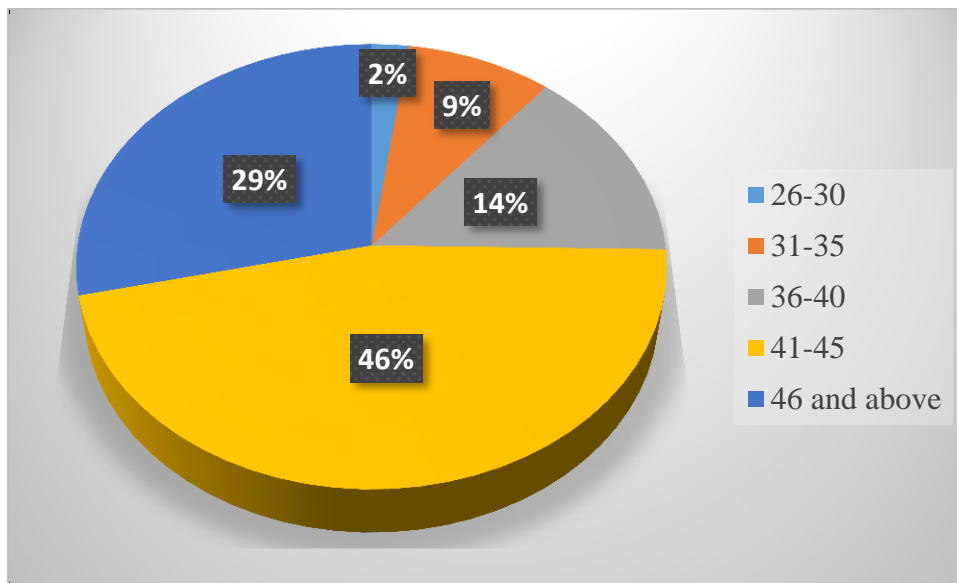


Figure 4.3 revealed that most of the respondents met were within the age grouping of 41-45 years (63%), trailed by respondents with over 46 years of age (29 %). Negligible rates of respondents met were in the age classes 26-30 years (2%). The revelations are as per a study done by Williamson (2012) that notes that experience is increased after some time. Age was basic to the examination since individuals who grow up together are a generation and every now and again they share a significant number of an indistinguishable encounters from others of a similar age group. This delineates age can impact transportation of tourists in a country.

**Figure 4.4: Frequency Distribution of Respondents' Level of Education**

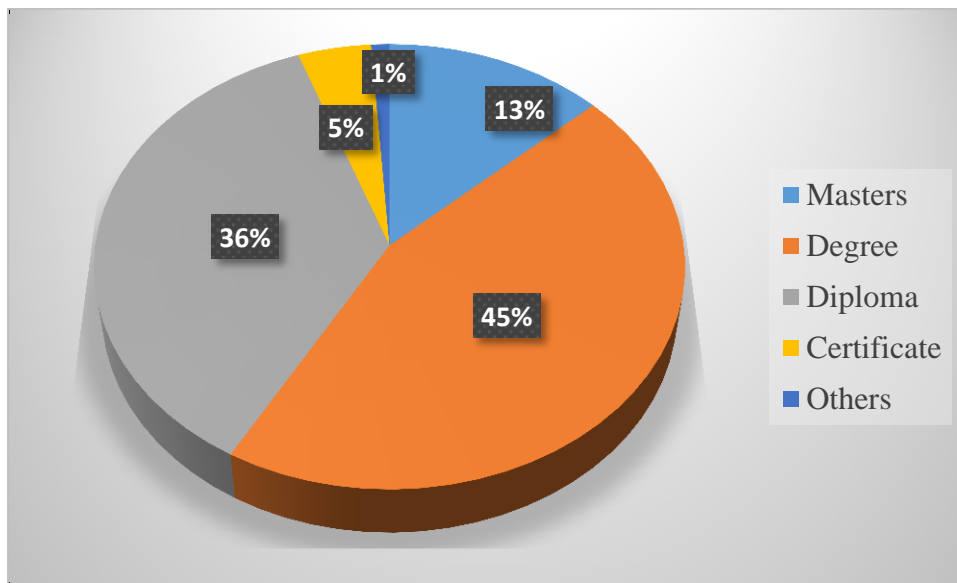


Figure 4.4 shows that larger portion of respondents met had accomplished a University degree (45%), took after nearly by Diploma (36%). 13% of the respondents met were found to have Masters. 5% had certificates while the rest (Others) was 1%. This exhibits most individuals in the examination sample are either a degree holder or a diploma holder. Level of education was essential to this examination in light of the fact that educated respondents have higher capacity in getting ready information and can settle on substantive decisions and henceforth it is possible that education level can impact the sales of tour operators in the tourism sector of a country.

#### **4.4 Descriptive Statistics**

##### **4.4.1 Chi Square Test on Value Added Tax Act 2013 and Tour Value Chain**

A chi square tests to determine whether appropriations of clear cut factors vary from each other. It demonstrates any inconsistencies between the expected outcomes and the actual outcomes. The information utilized as a part of computing a chi square insights must be drawn from independent variables, must be random, raw, mutually

exclusive, and drawn from a large enough sample. A small chi square test measurement implies there is a relationship while a substantial chi square test measurement implies no relationship.

Table 4.1 shows the chi square results of the effect of VAT on tour value chain in Kenya's Tourism Industry.

**Table 4.1: Chi Square Test on VAT ACT 2013 and Tour Value Chain.**

<i>Value Added Tax Act 2013</i>			<i>Residual</i>		<i>Component</i>
<i>Category</i>	<i>Observed</i>	<i>Expected</i>	<i>Obs-Exp</i>	<i>(Obs-Exp)<sup>2</sup></i>	<i>(Obs-Exp)<sup>2</sup>/ Exp</i>
Price of cabs services	16	18	-2	4	0.222
Inbound tour products	18	18	0	0	0
Outbound tour products	17	18	-1	1	0.055
Domestic tour products	19	18	1	1	0.055
Refurbished and Improved tour Vans	20	18	2	4	0.222
Chi square					0.555

The results in table 4.7 shows that the calculated value is 0.555 which is bigger than the critical values for chi square. Therefore the results conclude that there is a significant association between Value Added Tax Act 2013 and the three independent variables; transportation of tourists, sales of the tour operators and refurbished and improved tour vans.

**Table 4.2 Correlation Coefficient analysis of Value Added Tax Act 2013 and Tour Value chain.**

<i>variable</i>	<i>Value chain (X)</i>	<i>VAT Act 2013 (Y)</i>	<i>XY</i>	<i>X<sup>2</sup></i>	<i>Y<sup>2</sup></i>
1	13	38	494	169	1444
2	17	34	578	289	1156
3	16	36	576	256	1296
4	12	20	240	144	400
5	14	21	294	196	441
6	18	35	630	324	1225
	90	184	2812	1378	5962

$$r = x = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{[n\sum y^2 - (\sum x)^2][n\sum y^2 - (\sum y)^2]}}$$

$$\sum x = 90$$

$$\sum y = 184$$

$$\sum xy = 2812$$

$$\sum x^2 = 1378$$

$$\sum y^2 = 5962$$

$$N = \text{sample size} = 184$$

Therefore correlation coefficient =

$$\begin{aligned} & 90 (2812) - (90) (184) / \sqrt{90 (5962) - (90)^2 90 \times 5962 - 184^2} \\ & = 0.6978 \end{aligned}$$

The range of the correlation coefficient is from -1 to 1.

-1 denotes a perfect negative relationship;

- 0.5 denotes moderate negative relationship;

0 denotes no linear relationship;  
0.5 denotes moderate positive relationship; while  
1 denotes a perfect positive relationship.

The results above indicate; 0.6978 or 69.78% meaning that the two variables, i.e. Value Added Tax Act 2013 and three independent variables; transportation of tourists, sales of the tour operators and refurbished and improved tour vans have moderate positive relationship.

**Table 4.3: Spearman's correlation coefficients**

Variable	<i>TVC</i>	<i>PCS</i>	<i>ITS</i>	<i>OTS</i>	<i>DTS</i>	<i>RITV</i>
<i>PCS</i>	0.736*					
<i>p-value</i>	0.000					
<i>ITP</i>	0.515*	0.690*				
<i>p-value</i>	0.004	0.000				
<i>OTP</i>	0.290	0.520*	0.218			
<i>p-value</i>	0.120	0.003	0.247			
<i>DTP</i>	-0.122	-0.131	-0.097	-0.096		
<i>p-value</i>	0.520	0.489	0.611	0.613		
<i>RITV</i>	0.560*	0.739*	0.606*	0.391*	0.192	
<i>p-value</i>	0.001	0.000	0.000	0.033	0.309	

\*Significant at the 5% level.

*PCS-Price of cabs services*

*ITS-Inbound tour sales*

*OTS-Outbound tour sales*

*DTS-Domestic tour sales*

*RITV-Refurbished and Improved tour vans*

*TVC-Tour value chain*

Table 4.3 presents the Spearman's correlation coefficients. Spearman's coefficients are appropriate for the data because it contains both continuous and binary variables. The results show that TVC (tour value chain), is significant and positively correlated with *PCS*, *ITP* and *OTP*, at the 5% level of significance. This finding provides prima-facie evidence of a positive association between tour value chain and price of cabs services, inbound tour sales and outbound tour sales. The coefficients reveal a negative yet insignificant coefficient between Value Added Tax Act 2013 and

domestic tour sales. The highest correlation coefficient is 0.739, which is between *Locally refurbished and improved tour Vans* and *Price of cabs services*, and this is below 0.8, the threshold provided by Hair et al. (2013). This suggests that multicollinearity was not a serious problem among the variables in the study. Multicollinearity refers to a situation where a number of independent variables in a multiple regression model are closely correlated to one another.

#### **4.5 Probit Estimates of Impact of Value Added Tax Act 2013 on Tour Value Chain.**

The researcher used probit model for binary unit (1 / 0): 1 if the response is “Yes” and 0 if otherwise.

The outcome of the probability of VAT Act 2013 and Tour Value chain was computed by the use of marginal effects. The marginal effect is associated with continuous explanatory variables  $X_k$  on the probability function  $F(Y) = \mathbf{X}\beta + \varepsilon$  when other factors are held constant.

$$\text{Probit (Y)} = \mathbf{X}\beta + \varepsilon$$

Whereby in this study;  $X_i$ = Business performance in the last two years;  $X_{ii}$ = Business has suffered losses in the last five years;  $X_{iii}$ = Amount of tax on tour services is high;  $X_{iv}$ = Taxes paid by tour operators are properly assessed;  $X_v$ = High operational costs affect the profit of tour services;  $X_{vi}$ = Taxes paid by tour operators reduce profits;  $X_{vii}$ = Business may close due to poor sales;  $X_{viii}$ = cost of personnel; and  $X_{ix}$ = Tour operators fail to make enough profits as a result of inadequate capital. Therefore, the researcher was keen on the specific variables that are statistically key in the probit model. Table 4.4 shows the probit estimates of the impact of Value Added Tax Act

2013 on the three independent variables; transportation of tourists, sales of the tour operators and locally assembled tour vans.

**Table 4.8 Probit Estimates of the Impact of Value Added Tax Act 2013 on Tour Value chain.**

<i>Parameters</i>	<i>Probit Estimates</i>	<i>Standard error</i>	<i>Marginal effects</i>	<i>P - values</i>
Transpiration of tourists - Price of Cabs.	0.2784	-0.2222	0.0538	0.120
Inbound tour sales.	0.1498	0.1112	0.0289	0.008
Outbound tour sales.	0.0706	0.3167	0.0136	0.084
Domestic tour sales.	0.0920	0.2612	0.0177	0.046
Refurbished and Improved tour vans	0.1711	-0.0055	0.0376	0.064

$P > 0.10$  No evidence against the null hypothesis

$0.05 < P < 0.10$  Weak evidence against the null hypothesis in favor of alternative.

$0.01 < P < 0.05$  Moderate evidence against the null hypothesis in favor of alternative.

$0.001 < P < 0.01$  Strong evidence against the null hypothesis in favor of alternative

$P < 0.001$  Very strong evidence against the null hypothesis in favor of alternative

The results in table 4.4 above show no evidence on *Transpiration of tourists/Price of Cabs* against the null hypothesis as indicated by (0.12 p-value). This could mean that Value Added Tax Act 2013 is greatly affecting the transport cost for tourists in the study area.



Results also reveal very strong evidence against null hypothesis on *Inbound tour sales* (0.008 p-value). This could mean that majority of the tour operators in the study area are paying huge taxes which could be transferred to the services offered to the tourists.

Table 4.4 show moderate evidence against the null hypothesis on *Outbound tour sales*; *Domestic tour sales*; and *Locally refurbished and improved tour vans* as indicated by 0.084, 0.046 & 0.064 p-values respectively. The results could mean that the tour operators and tourism businesses in the study area are paying high taxes as compared to the sales turnover. This could possibly translate to high cost of tour services to both the domestic tourists as well as tourists on transit.

#### **4.6 Factor Analysis of the Impact of VAT Act 2013 on Tour Value Chain in Kenya's Tourism sector.**

Table 4.5 shows the impact of Value Added Tax Act 2013 on the three independent variables; transportation of tourists, sales of the tour operators and locally assembled tour vans. VARIMAX rotation was used. VARIMAX rotation is a change of coordinates used in principal component analysis (PCA) that maximizes the sum of the variances of the squared loadings. Thus, all the coefficients (squared correlation with factors) will be either large or near zero, with few intermediate values.

The study focused on the following indicators: - Price of cabs services; Inbound tour sales; Outbound tour sales; Domestic tour sales; and Locally Assembled tour Vans as presented in table 4.5 below:

**Table 4.5: Correlations between variables and factors after Varimax rotation:**

<i>Variables</i>	<i>F1</i>	<i>F2</i>
Price of cabs services	0.217	0.687
Inbound tour sales	0.521	0.169
Outbound tour sales	0.001	0.314
Domestic tour sales	0.644	0.041
Refurbished and improved tour vans	0.877	-0.059
Employment rate	0.867	0.143
Market competitiveness	0.589	-0.385

Notes: F1 and F2 represents rotated factor loadings.

Factor loadings close to -1 or 1 indicate that the factor strongly influences the variable. Loadings close to 0 indicate that the factor has a weak influence on the variable.

Table 4.5 shows that *refurbished and improved tour Vans* has got the highest factor loading (0.877) on factor 1 (F1) which means that the variable has the strongest relationship with the first specific object: transportation of tourists/price of cabs in Kenya's tourism sector. This goes to mean that the sampled tour operators are able to acquire tour vans at a competitive price and transfer fair transportation cost to tourists. This is followed by *Employment rate* which has a correlation of 0.867 with *Value Added Tax Act 2013*. This suggest that high levies on the tourism sector could hinder job opportunities in the country. *Domestic tour sales*, *Market competitiveness*, and *Inbound tour sales* have also large positive loadings on factor 1 (F1):- 0.644, 0.589 and 0.521 which means that they have a strong relationship with Value Added Tax

Act 2013. On the other hand, *Price of cabs services* has a large positive loading (0.687) on factor 2 (F2) which means that cost of transportation is high for the travellers.



## **Chapter 5: Discussion, Conclusions and Recommendations**

### **5.1 Introduction**

This was the last part of the investigation. It condensed the discoveries of the essential investigation and ramifications of the examination and gave proposals.

### **5.2 Discussion of the Findings**

#### **5.2.1 What is the effect of introducing VAT in transportation of tourists?**

The study reported a prima-facie evidence of a positive association between tour value chain and price of cabs services. The discoveries were in line with a study another study conducted by Blake (2014) in the United Kingdom that found price elasticity for international tourism in the UK was -1.2813; in other words a 10% decrease in the price of tourism increases tourism demand by 12.8%.

In addition, results demonstrated a large positive loading (0.687) for price of cabs services on factor 2 (F2) which means that cost of transportation is high for the travellers. The findings are echoed by a study done in Kenya by Nzioki (2014) that found tourism businesses in Kenya ranked travel tax rates as the top factor constraining growth and competitiveness when queried during the 2013 Investment Climate Assessment. It was reported that the highest correlation coefficient was between locally assembled tour vans and price of cabs services which means that the cost of buying a locally refurbished and improved tour van was transferred to travelers.

A study conducted by Deloitte and Touche (2014) showed that higher tax burden reduces tourism revenues, while the increase or decrease of tax rate significantly influences the decisions of the tourists regarding the destination of a voyage. In other words, because of mobility, information and sensitivities to prices, tourists very often select the destination having in mind the prices required by providers of travel services (Markota, 2014).

### **5.2.2 What is the effect of introducing VAT to the sales of tour operators on tour value chain in Kenya's tourism industry?**

The findings reported a positive association between inbound tour sales, outbound tour sales and Value Added Tax Act 2013. The results are in line with a study conducted by Wilcox (2014) that found competition within tourism sector eventually compels operators to lower prices. The study showed that by lowering the VAT rate on tourism services sooner or later will lead to a reduction in the price of the transportation of tourists more or less corresponding to the monetary equivalent of the lower VAT rate.

In addition, the findings reported that Value Added Tax Act 2013 is significant and positively correlated with inbound and outbound tour sales. The results are in line with the findings of Porter, (2012) who stated that competitiveness is affected not only by the tax regime applicable in their country of residence, but also by the tax regime of the destination countries where the goods and services are supplied to their customers.

Similarly, Dombrowski (2014) argued that an increase in UK income tax rates may have a direct impact on a London based firm, but an increase in Spanish income tax rates may also to the extent if this is passed through to prices impact the

competitiveness of the Spanish holiday products that London firm offers to their customers.

### **5.2.3 What is the effect of imposing VAT on locally refurbished and improved tourist vans on tour value chain in Kenya's tourism industry?**

It was reported that locally refurbished and improved tour vans has the strongest relationship with Value Added Tax Act 2013. The findings meant that the sampled tour operators are able to acquire tour vans. The findings can be related to arguments of Jaggar (2015) that stated that some businesses may find themselves in an advantageous position where input VAT exceeds output VAT due to the application of reduced rates on their outputs.

### **5.3 Conclusions**

The study has shown that most tour operators in the study area have average performance. Majority of the tour operators in the study area are paying huge taxes as compared to the sales turnover. Locally refurbished and improved tour Vans has a strong relationship with Value Added Tax Act 2013 and hence the authority has to consider VAT exemption. High levies has been reported to hinder sustainability of tour operators which could affect employment opportunities in the country. It has been confirmed by this study that there exists a significant association between Value Added Tax Act 2013 and the three independent variables; transportation of tourists, sales of the tour operators and locally assembled tour vans. It is safe to conclude that the tourism sector does not receive the credit it deserves as an economic transformer. Yet the evidence from findings demonstrates that tourism is a source of employment.

#### **5.4 Recommendations**

Based on conclusions from the empirical findings, it can therefore be recommended that authorities should consider exemption of VAT on locally refurbished and improved tour vans. Gaining the essential and strong political support for tourism at the highest governmental level, and encouraging government to take the lead in creating effective institutions and coordinating mechanisms to maintain a dialogue with all stakeholders is very key in tour value chain. The government should create an enabling environment for investments and provide supporting infrastructure for those investments.

The study also recommends that all tourism managers to focus on the value of their product to be competitive in the international market. A high-quality tour product can only flourish in a country where the tourism sector is well managed.

#### **5.5 Area/s for further Research**

The findings of this investigation adds to the present body of literature on the effect of value added tax act 2013 on tour value chain in Kenya's tourism industry. The results however are developed on a point of view of Kenya Association of Tour Operators (KATO) members which makes it difficult to entirely justify the results and therefore future research should utilize a greater number of sample size in Kenya. The usage of a larger sample size could offer a more broad information into how Value Added Tax Act 2013 influence tour value chain in Kenya's tourism sector. Future research could also perform comparative test to establish the impact of Value Added Tax Act 2013 on other sectors rather than tourism examined in this examination.

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28<sup>th</sup> March 2018

To Whom It May Concern.

Dear Sir/Madam,

**REF: FACILITATION OF RESEARCH – DAVID WACHIRA MWANGI**

This is to introduce David Wachira Mwangi, who is an MBA student at Strathmore Business School, admission number MBA/76869/13. As part of our master's program, David is expected to do applied research and to undertake a project. This is in partial fulfilment of the requirements of the Master of Business Administration Course. To this effect he would like to request for appropriate data from your organisation.

David is undertaking a research paper on **"The Effect of Value Added Tax Act 2013 on Tours Value Chain in Kenya's Tourism Sector"**. The information obtained from your organisation shall be treated confidentially and shall be used for academic purposes only.

Our MBA seeks to establish link with industry, and one of these ways is directing our research to areas that would be of direct use to industry. We would be glad to share our findings with you after the research, and we trust that you will find them of great interest and of practical value to your organisation.

We appreciate your support and we will be willing to provide any further information if required.

Yours sincerely,

Muriithi Njogu,  
Director – MBA Programs.



**Strathmore**  
UNIVERSITY

Ole Sangale Road, Madaraka Estate  
P.O Box 59857 00200 Nairobi, Kenya  
Cell: +254 703 414/16/7  
Email: [info@sbs.ac.ke](mailto:info@sbs.ac.ke) or Visit [www.sbs.strathmore.edu](http://www.sbs.strathmore.edu)  
Twitter: @SBSKenya

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## Appendix 2: Questionnaire

### SECTION A: RESPONDENTS DEMOGRAPHICS

(Fill in the blank spaces and tick once in the below given choices of all questions)

1. Name (optional):
2. Please indicate your age bracket (tick appropriately)  
26 - 30 ☐  
31 - 35 ☐  
36 - 40 ☐  
41 - 45 ☐  
46 and above ☐
3. Please indicate your gender:  
Male ☐ Female ☐
4. Please indicate your education level  
Masters ☐  
Certificate ☐  
Bachelor's degree ☐  
Diploma ☐  
Others (specify).....
5. For how long have you worked as tour operator?.....
6. What is your current position in the business? .....
7. How has your business been performing for the last two years in terms of profit?  
a) Very well ☐  
b) Well ☐  
c) Average ☐  
d) Very poorly ☐
8. Has your business ever suffered losses in the last five years?  
a) Once ☐  
b) Twice ☐  
c) Three times ☐  
d) Four times ☐



e) Others (specify).....

## **SECTION B: IMPACT OF VALUE ADDED TAX ACT 2013 ON TOUR SERVICES**

(In this section please tick (✓) the most appropriate response for each of the statements regarding VAT ACT 2013 in the tables below with the scores in the bracket.)

Strongly agree (SA) = 5

Agree (A) = 4

Undecided (U) = 3

Disagree (D) = 2

Strongly disagree (SD) = 1

9. The amount of tax levied on the tour services is too much

Strongly agree	Agree	Undecided	Disagree	Strongly disagree

10. The taxes paid by tour operators are properly assessed by the tax authority

Strongly agree	Agree	Undecided	Disagree	Strongly disagree

11. The high operational costs affect the profit of tour services.

Strongly agree	Agree	Undecided	Disagree	Strongly disagree

12. Taxes paid by tour operators reduce profits

Strongly agree	Agree	Undecided	Disagree	Strongly disagree

13. A tour operator may close business completely when the business fails to make enough profits.

Strongly agree	Agree	Undecided	Disagree	Strongly disagree

14. Tour operators fail to make enough profits as a result of inadequate capital employed

Strongly agree	Agree	Undecided	Disagree	Strongly disagree

14. What kind of VAT do you pay?

.....

15. After what period is the assessment for taxes done?

- a) After three months ☐
- b) After 6 months ☐
- c) After 9 months ☐
- d) Annually ☐

16. Comment on how the tax you pay is determined by the tax authorities?

.....

**Thank You for your Cooperation**

### Appendix 3: Kenya Association of Tour Operators (KATO) Members 2016

	Company	Contact
1	Aardwolf Africa Adventure Safaris Ltd	info@aardwolfafricasafaris.com
2	Abercrombie & Kent Ltd	info@abercrombiekent.co.ke
3	Absolute Adventure Africa Safaris Limited	info@absoluteadventureafrica.com
4	Acacia Holidays Ltd	info@acaciaholidays.com
5	Access Africa Safaris LTD	admin@accesssafari.org
6	Adventure African Jungle Ltd	safari@adventureafricanjungle.com
7	Affable Tours & Safaris (E.A)	info@affabletours.com
8	Africa Bound Safaris (K) Ltd	lilliane@africabound-k.com
9	Africa Calling Safaris Ltd	info@africacalling.co.ke
10	Africa Celebrity Tours & Travel Ltd	info@africacelebritytours.com
11	Africa Journeys Escapes	safaris@africajourneys.co.ke
12	Africa Last Minute Ltd - Msa	info@africalastminute.com
13	Africa Partners in Safari Ltd	info@apsafari.com
14	Africa Travel Consultants Ltd	mauricenzwii@hotmail.com
15	Africa Untamed Wilderness Adventures Ltd	info@africauntamedwilderness.com
16	Africa Visa Travel Services Ltd	africa@africavizatravel.com
17	African Dew Tours & Travel Ltd	info@africandew.com
18	African Eco-Safaris	info@africanecosafaris.com
19	African Eden Ltd	Rajiv@africaneden.co.ke
20	African Grand Expeditions Ltd	info@africangrandexpeditions.com
21	African Home Adventure Ltd	info@afriahomeadventure.com
22	African Horizons Travel & Safaris Ltd	safari@african-horizons.com
23	African Latitude (Kenya) Ltd	mail@africanlatitude.com
24	African Memorable Safaris - Msa	info@africanmemorablesafaris.com
25	African Quest Safaris Ltd	info@africanquest.co.ke
26	African Road Safaris	afaro@iconnect.co.ke
27	African Route Safaris-Msa	safaris@africanroutesafaris.com
28	African Safari Destinations Ltd	safaris@africansafaridestination.net
29	African Sermon Safaris	info@africansermonsafaris.com
30	African Trotter Expeditions	res@africantrotter.com
31	All Seasons Safaris and Tours	info@allseasonssafaris.com
32	All Time Safaris Ltd	info@alltimesafaris.com
33	Aloha Tours & Safaris	info@alohasafaris.com
34	Animal World Safaris Ltd	info@animalworldsafariske.com
35	Anste Tours & Travel Limited	anstetours@anstegroup.com
36	Apollo Tours & Travel	info@apollotours.co.ke
37	Aramati Safaris	info@aramatisafaris.co.ke
38	Archers Tours & Travel Ltd.	archers@archersafrica.com
39	As You Like It (Safaris) Ltd	vivprince@asyoulikeitsafaris.com
40	AsaRay Tours Ltd - Msa	sales@asaraytours.com
41	Asili Adventure Safaris	info@asiliadventuresafaris.com
42	Asilia Kenya Ltd	sush@asiliaafrica.com

43	Aslan Adventure Tours & Travel Ltd	safaris@aslanadventuretours.com
44	Australken Tours & Travel Ltd	safaris@australken.com
45	Avenue Service Station	info@avenuecarhire.com
46	Baisy Oryx Tours Travel & Safaris	kariuki@oryxsafaris.com
47	Balloon Safaris Ltd	balloonsafaris@africaonline.co.ke
48	BCD Travel	info@highlight.co.ke
49	Bellafric Expeditions Ltd.	info@bellafric-expeditions.com
50	Benroso Safaris Ltd	info@benrososafaris.co.ke
51	Bestway Holidays Ltd	info@bestwayholidays.co.ke
52	Big Five Tours & Safaris Ltd	bigfive@kenyaweb.com
53	Big Foot Adventures Ltd	info@bigfoot-adventures.com
54	Big Safari Services Ltd	bigsafaris@swiftkenya.com
55	Bill Winter Safaris	bwsafaris@africaonline.co.ke
56	Boma Travel Services Ltd	info@bomatravel.com
57	Bongo Asili Cultural Travels	asili@bongoasili.com
58	Brogibro Company Ltd	information@brogibrotours.co.ke
59	Bunson Travel Service Ltd	info@carlsonwagonlit.co.ke
60	Bush and Beyond Ltd	info@bush-and-beyond.com
61	Bush Company Ltd	camikenya@yahoo.it
62	BushBlazers Tours Travel & Safaris Ltd	info@bushblazers.com
63	Bushbuck Adventures Ltd	info@bushbuckadventures.com
64	Bushtroop Tours & Safaris	info@bushtroop-safaris.com
65	Buymore Adventures	info@buymoreadventures.com
66	Call of Africa Safaris	callafri@africaonline.co.ke
67	Campofrio Safaris Ltd	info@campofrio-safaris.com
68	Catalyst Travels Ltd	info@catalysttravels.com
69	Centurion Travel & Tours Ltd	info@centurionkenya.com
70	Chameleon Tours	sales@chameleoneastafrica.com
71	Charleston Travel Ltd	info@ke.fcm.travel
72	Cheli & Peacock Ltd	safaris@chelipecock.co.ke
73	CKC Tours & Travel	info@ckcsafaris.com
74	Classic Safaris	info@classicsafaris.co.ke
75	Concorde Car Hire & Safaris Ltd	safaris@concorde.co.ke
76	Continental Travel Group	info@continental-travels.com
77	Cosmic Safaris Ltd	chetan@cosmicsafaris.co.ke
78	Cotts Travel & Tours Ltd	infocotts@cottstravel.com
79	Custom Safaris	nairobi@customsafaris.com
80	David Tours & Car Hire-Msa	davidtours@swiftmombasa.com
81	Deans Travel Centre Ltd-Msa	info@deanstravelcentre.com
82	Designer Tours & Travel	safari@designersafari.com
83	Destination Africa dmc Ltd	info@destinationafrica.co.ke
84	Destination Kenya Ltd	safaris@destinationkenya.co.ke
85	Discover Kenya Safaris Ltd	info@discoversafaris.net
86	Diwaka Tours & Travel Ltd	reservations@diwakasafaris.com
87	DK Grand Safaris & Tours Ltd	info@dkgrandsafaris.com
88	Dodoworld (K) Ltd	info@dodoworld.com

89	Domino Di Dorian	reservations@elephantwatchportfolio.com
90	Dream Kenya Safaris	info@dreamkenyasafaris.com
91	Duma Africa Treks & Safaris	info@dumaafrikatreks.com
92	Earth Tours & Travel Ltd.	info@earthtoursandtravel.com
93	East Africa Adventures Tours & Safaris	info@adventureeastafrika.com
94	East African Eagle (K) Ltd	geraldine@africaneagle.co.ke
95	East African Shuttles & Safaris	info@eastafricashuttles.com
96	East African Wildlife Safaris	info@eawkenya.com
97	Eastern Vacations Tours Ltd	evacations@africaonline.co.ke
98	Easy Go Safaris Ltd	info@easygosafaris.com
99	Eco Adventures Limited	eco-adventures@africa.co.ke
100	Elite Travel Services Ltd	admin@ke.hrgworldwide.com
101	Enchanting Africa Ltd	florian@enchantingtravels.com
102	Essenia Safari Experts Ltd	contact@esseniasafaris.co.ke
103	Exclusive African Treasures	deepa@exclusiveafricantreasures.com
104	Expedition Kenya Safaris	info@expeditionkenyasafari.com
105	Explore Safaris by Tufayn Ltd	info@explore-safaris.com
106	Explorer Kenya Tours & Travel	info@explorerkenya.com
107	Express Travel Group(Hemingways Expeditions)	info@expresstravelgroup.co.ke
108	Eyes on Africa Adventure Safaris Ltd	info@eyesonafricasafaris.com
109	Fairways Solutions Tours & Travel Ltd	info@fairwaysafaris.com
110	Farid Kings Tours & Safaris	info@fkingssafaris.com
111	Favour Tours & Safaris	info@favourwildlifesafaris.com
112	Fidex Car Hire Ltd	info@fidex.co.ke
113	Flight & Safaris International Ltd	info@flightsafaris.com
114	Flying Dove Tours & Travel Ltd	info@flyingdovetours.com
115	Four by Four Safaris Ltd	ras@swiftkenya.com
116	Frate Tours Ltd	info@fratetours.co.ke
117	Game Viewers Adventures Limited	info@game-viewers.com
118	Gametrackers (K) Ltd	info@gametrackerssafaris.com
119	Gamewatchers Safaris Ltd	info@gamewatchers.co.ke
120	GAT Safaris	shama@gatsafaris.com
121	Glory Car Hire Tours & Safaris Ltd.	holidays@glorysafaris.com
122	Go Africa Safaris and Travel	info@go-africa-safaris.com
123	Go Africa Travel Ltd.	goafricatransport@live.com
124	Gofan Safaris	marketing@gofunsafaris.com
125	Golden Holidays & Travel Company	info@ghntc.com
126	Good Hope Travel & Tours Ltd	info@goodhopetravel.co.ke
127	Grand Edition Tours	grandeditiontours@yahoo.com
128	Hallmark Travel Planners	info@africantravelhub.com
129	Helinas Safaris Ltd	info@helinassafaris.com
130	Hirola Tours & Safaris	hirolatours@gmail.com
131	Holiday Bazaar Ltd	info@holidaybazaar.com
132	Holidee in Africa Consulting Ltd	info@bushadventure.com
133	Ideal Tours & Travel	info@idealafricansafaris.com

134	Impact Adventure Travel	info@impactadventure.co.ke
135	Imperial Air Services	imperialtrv@iconnect.com
136	Incentive Travel Ltd	info@incentivetravel.co.ke
137	Inclusive Holidays Africa	info@inclusiveholidaysafrica.com
138	IntoAfrica Eco-Travel Ltd	safaris@intoafrica.co.ke
139	Intra Safaris Ltd-Msa	info@intrasafaris.com
140	Jambo Travel House Limited	erastus@jambotravelhouse.co.ke
141	JMAR Safaris Ltd	info@jmarsafaris.com
142	Jowamu Tours & Safaris	info@jawamusafaris.com
143	Jungle Beach Safaris Ltd	info@junglebeachsafari.com
144	Karisia Limited	kerry@kerry-glen.com
145	Kenan Travel & Tours	info@kenantravel.com
146	Kenia Tours & Safaris	kenia@africaonline.co.ke
147	Kenor Safaris Ltd	info@kenor-safaris.com
148	Kent Tours & Travel Ltd	info@kenttoursntravel.com
149	Kenya Beach Travel Ltd-Msa	sales@kenya-travels.com
150	Kenya Expresso Tours & Safaris	info@ketsafaris.com
151	Kenya Utalii College	info@utalii.co.ke
152	Ker & Downey Safaris Ltd	enquiries@kerdowneysafaris.com
153	Ketty Tours Travel & Safaris Ltd	info@kettytours.co.ke
154	Kibo Slopes & Safaris Ltd	info@kiboslopessafaris.com
155	Kimbla Mantana (K) Ltd	info@kimbla-mantana.com
156	King Simba Kenya Tours Ltd	info@kingsimbakenya.co.ke
157	Kisima Tours & Safaris	tours@kisimasafaris.com
158	Kobo Safaris Ltd	info@kobo-safaris.com
159	Kosen Safaris Africa Ltd	info.ke@kosensafaris.com
160	Kudu Travels Ltd	safarikudu@gmail.com
161	Kuja Safaris	info@kujasafaris.com
162	Kuldips Touring Company-Msa	indiana@africaonline.co.ke
163	Lets Go Travel	info@letsgosafari.com
164	Liberty Africa Safaris	ops@libertyafrica.com
165	Linderberg Holidays & Safaris	lindberg@lindbergsafaris.com
166	Location Africa Films Ltd	reservations@locationafricafilms.com
167	Long Ren Tours & Travel Ltd	longrennairobi@gmail.com
168	Lewis & Leakey Ltd	inquiries@lowisandleakey.com
169	Luca Safari Ltd.	lucasaf@africaonline.co.ke
170	Magical Skies Ltd	info@magicalskies.com
171	Magical Spots Tours	info@magicalspotstours.com
172	Maniago Safaris Ltd	info@maniagosafaris.com
173	Mantra Booking Agencies Ltd	info@mantrabookingagencies.co.ke
174	Mara Gates Safaris Ltd	info@maragates.com
175	Marble Travel	info@marbletravel.com
176	Maridadi Safaris Ltd	info@maridadisafaris.co.ke
177	Masikio Ltd	operations.kenya@masikiosafaris.com
178	Mathews Safaris	mathewssafaris@gmail.com
179	Mighty Tours and Travel Ltd	info@mightytours.co.ke

180	Migrants Safaris (East Africa) Ltd	info@migrantssafarisea.co.ke
181	Mini Cabs and Tours Co. Ltd	inquiries@micato.co.ke
182	Mombasa Air Safari Ltd-Msa	airserve@mombasaairsafari.com
183	Mtana Safaris Ltd	info@mtanasafaris.com
184	Muthaiga Travel Ltd	info@supersafari.com
185	Nahdy Travel & Tours	nahdy@todays.co.ke
186	Naked Wilderness Africa	info@nakedwilderness.com
187	Napenda Africa Safaris	info@napendafricasafaris.com
188	Nappet Tours & Travel Ltd	info@nappetafrica.com
189	Natural World Mombasa Safaris	enquiries@naturaltoursandsafaris.com
190	Nature Expeditions Africa	info@natureexpeditions.com
191	Natures Wonderland Safaris	info@natureswonderlandsafaris.com
192	New African Territories	bookings@africanterritories.co.ke
193	New Kenya Travel And Tours Safaris Ltd	info@kenyatoursafari.com
194	Ngurumah Tours & Travel Ltd	info@ngurumahtours.com
195	Old Boma Ltd	riccardo@saruni.com
196	On Safari (K) Ltd	anthony@onsafarikenya.com
197	Origins Safaris	info@originsafaris.info
198	Pal - Davis Adventures Kenya	info@pal-davisadventures.com
199	Panorama Car Hire & Tours Ltd	info@panoramatours.co.ke
200	Papa Musili Safaris LTD	info@papamusilisafaris.com
201	PEAK East Africa Ltd	kenya@peakadventuretravel.com
202	Peaks & Safaris Africa	info@peaksandsafaris.com
203	Penfam Tours & Travel	info@penfamtours.com
204	Phoenix Safaris	info@phoenix-safaris.de
205	Pollman's Tours & Safaris Ltd-Msa	pollmans@pollmans.co.ke
206	Preps International Group Ltd.	info@preps-group.com
207	Prima Vera Tours & Safaris	travel@primaverasafaris.com
208	Private Safaris (EA) Ltd	alexander.spiro@privatesafaris.com
209	Raptim Humanitarian Travel (Jet Travel Ltd)	info@jettravel.co.ke
210	Rasabi Safaris Ltd	rasabisafari@yahoo.com
211	Raylenne Tours & Safaris Ltd	africa@raylennesafaris.com
212	Real Africa LTD	safari@real-africasafaris.com
213	Reny Safaris Ltd	info@renysafaris.com
214	Rhino Safaris Ltd	info.nbo@rhinosafaris.net
215	Rickshaw Travels (Kenya) Ltd	tours@rickshawtravels.com
216	Right Choice Tours & Safaris	info@rightchoicesafaris.net
217	Riuki Cultural Centre	info@riukiculture.org
218	Robin Hurt Safaris Ltd	info@robinhurtsafariskenya.com
219	Rollard Tours & Car Rental Ltd	rollardtours@iconnect.co.ke
220	Safari Mania Ltd	shelina@safari-mania.com
221	Safari Services East Africa ltd	safaris@nathabsafaris.com
222	Safari Trails Limited	mona@safaritrails.com
223	Safari Travel Kenya Ltd	info@safarittravel.biz
224	Safaris Unlimited (Africa) Ltd	info@safarisunlimited.com
225	Saleva Africa Tours Ltd.	info@salevafrica.co.ke

226	Savage Wilderness Safaris	info@savagewilderness.org
227	Sawa Sawa Africa Ltd	jambo@sawasawafrica.com
228	Scenic Treasures Ltd	designertravel@scenictreasures.com
229	Selective Safaris	tours@selectivesafaris.co.ke
230	Senator Travel Services	senator@africaonline.co.ke
231	Sentinel Safaris Ltd	info@sentinelsafaris.com
232	Serene East Africa Safaris Ltd	info@sereneafrica.com
233	Shades of Africa Tours & Safaris	jerry@shadesofafricasafaris.com
234	Shanzu Kenya Super Safaris	info@shanzukenyasupersafaris.com
235	Sher Safari Services Ltd.	rajay@shersafaris.com
236	Shian Tours & Travel Ltd	info@shian-travel.com
237	Shimoni Aqua Ventures	info@pillipipa.com
238	Silver Africa Tours & Safaris Ltd.	info@silverafricatours.co.ke
239	Silverbird Adventure Tours & Travel Ltd	info@silverbirdadventures.co.ke
240	Silverbird Travel Plus Ltd	info@silverbirdtravel.com
241	Skyview Of Africa ltd	safari@skyviewofafrica.com
242	Soin Africa Safaris	info@soinafricasafaris.com
243	Somak Travel Ltd	admin@somak-nairobi.com
244	Southern Cross Safaris (Mombasa)Ltd	torben@southerncrosssafaris.com
245	Southern Cross Safaris Limited	safaris@southerncrosskenya.com
246	Southern Sky Safaris	info@southernskysafaris.com
247	Speedbird Travel & Safaris Ltd	info@speedbirdsafaris.com
248	Spero Africa Ltd	info@speroafrica.co.ke
249	Sportsmen's Safaris & Tours	henry@sportsmens-safaris.com
250	Spot Kenya Safaris	info@spotkenyasafaris.com
251	Spurwing Travel & Tours Ltd	safari@spurwingkenya.com
252	Star Travel & Tours Ltd	startravel@iconnect.co.ke
253	Steenbok Safaris & Car Hire	info@steenboksafaris.com
254	Sunworld Safaris Ltd	info@sunworldsafaris.com
255	Supreme Safaris Ltd	helen@supremesafarisafrika.com
256	Tamarind Management Ltd	tamarind@tamarind.co.ke
257	Tano Safaris Ltd	enquiries@tanosafaris.com
258	Tekko Tours & Travel	okiddy@tekkotours.com
259	The Exclusive Portolio Ltd	info@exclusiveportfolioafrica.com
260	The Safari and Conservation Co. Ltd	reservations@scckenya.com
261	The Safari Collection Ltd	info@thesafaricollection.com
262	The Safari Company Management Ltd	chania@thesafaricoltd.com
263	The Scott Travel Group Ltd	tracy@scott-travelgroup.com
264	Tobs Kenya Golf Safaris	tobs@kenya-golf-safaris.com
265	Top Notch Luxury Safaris	info@topnotchsafaris.com
266	Topcats Safaris Ltd	info@topcatssafaris.com
267	Tour Africa Safaris	bookings@tourafrica.co.ke
268	Tourist Maps Kenya LTD	info@touristmapskenya.com
269	Trails of Africa Tours & Safaris	sales@trailsofafrica.co.ke
270	Transworld Safaris (K) Ltd.	balloons@transworldsafaris.com
271	Travel 'n Style	safaris@travelinstyle.co.ke



272	Travel Affairs Ltd	tours@travellaaffairs.com
273	Travel Care Ltd	info@travelcare.co.ke
274	Travel Connections Ltd	info@safariakrika.com
275	Travel Creations Ltd	info@travelcreations.co.ke
276	Travel Shoppe	info@travelshoppe.org
277	Travel Wild East Africa Ltd	info@travel-wild.com
278	Trevaron Travel & Tours Ltd	info@trevarontours.com
279	Tripple Tours & Travel Ltd	info@trippletours.com
280	Twiga Car Hire & Tours Ltd	info@twiga-tours.com
281	Ulf Aschan Safaris Ltd	ulf@ulfaschansafaris.com
282	Unik Car Hire & Safaris Ltd-Msa	info@uniksafaris.com
283	Valentin Investment Co (MSA) Ltd	lofty@lofty-tours.com
284	Vintage Africa Ltd(Trading as Sense of Africa)	info@senseofafrica.co.ke
285	Visit Africa Ltd	lewis@africaonline.co.ke
286	Waymark Safaris Ltd.	info@waymarksafari.com
287	Wild Destinations Ltd	wld.dest@africaonline.co.ke
288	Wild of Choices Tours & Travel Ltd	info@wildofchoices.com
289	Wild Trek Safaris Ltd	wildtrek@africaonline.co.ke
290	Wild Vision Adventures Ltd	Info@wildvisionadventures.com
291	Wild Waters Ltd	info@wildwaterskenya.com
292	Wilbebest Travels ltd	info@wilbebesttravels.com
293	Wildlife Safari (K) Ltd	info@wildlifesafari.co.ke
294	Wildlife Sun Safaris	info@wildlifesunsafaris.com
295	Woni Safaris & Travel Ltd	info@wonisafaris.com
296	World Explorer Safaris Ltd	info@explorer-safaris.com
297	WT Safaris Ltd	info@wtsafariskenia.com
298	Xcellent Wildlife Paradise - Holiday and Safaris	xcellentsafaris@yahoo.com
299	Zaira Tours & Travel Co. Ltd	info@zairatoursafrica.com
300	Zakale Expeditions Ltd	info@zakaleexpeditions.com
301	Zirkuli Expeditions Ltd	zirkuli@mail.com
302	Zoar Tours and Safaris	info@zoartours.com
303	Zoujin Africa Safaris Ltd	travel@zoujin-africa.com

Source: KATO (2016).