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**DETERMINANTS OF TAX PAYMENT AMONG LARGE TAXPAYERS IN KENYA:
MODERATED BY CHANGE OF TAX POLICIES**

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MCOM/152543

**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE
AWARD OF A MASTER OF COMMERCE AT STRATHMORE UNIVERSITY**



2025

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 dissertation contains no material previously published or written by another person except where due reference is made in the dissertation itself.

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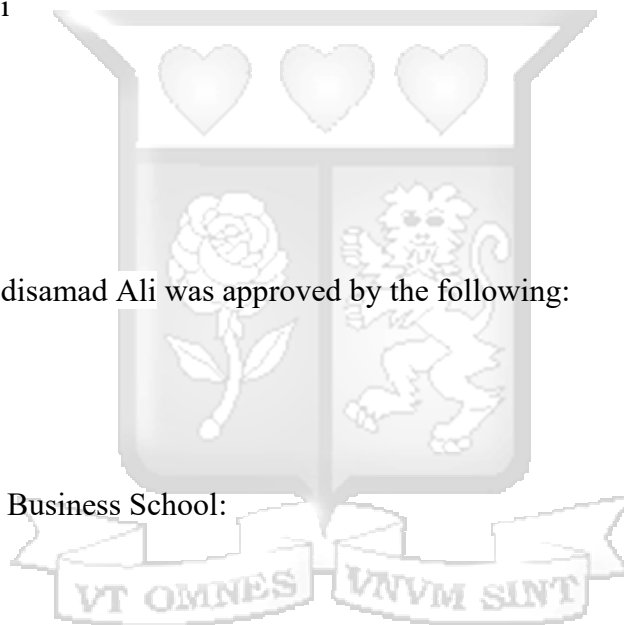
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ABSTRACT

Tax revenue is a vital source of income for governments, enabling the provision of public services and infrastructure for national development. However, non-compliance particularly among large taxpayers, remains a significant challenge, creating substantial revenue gaps. In Kenya, despite the implementation of modern tax systems like iTax and eTIMS, tax non-payment still persists. This study investigated the determinants of tax payment among large taxpayers firms in Kenya, focusing on the moderating effect of change of tax policies. Specifically, the study sought to determine the effect of tax system-related factors, taxpayer-related factors, tax collector related factors as well as macroeconomic factors on tax payment among tax firm in Kenya. The research was grounded in the Theory of Planned Behavior and Deterrence Theory. The study adopted a positivist research philosophy and a correlational design. The target population comprised 2,089 large taxpayers registered with the Kenya Revenue Authority. From this population, a sample size of 335 was drawn using Slovin's formula and simple random sampling. Data was collected via structured questionnaires using a 5-point Likert scale, and a pilot study involving 10% of the sample tested instrument reliability using Cronbach's alpha. The head of the tax department of the large taxpayer filled the questionnaire. Data analysis was conducted using SPSS version 26, employing OLS multiple regression. The study concluded that tax system related factors, taxpayer related factors and tax collector related factors have a positive and statistically significant influence on tax payment among large taxpayers in Kenya. Macroeconomic factors had negative and significant effect on tax payment among large taxpayers in Kenya. Upon testing for moderation, all the interactive terms were statistically insignificant in predicting tax payment. The results imply that change of tax policies does not moderate the relationship between tax payment among large taxpayers and its determinants among large taxpayers in Kenya. The study recommended that the tax systems in Kenya be made simple to reduce on compliance costs as well as enhance clarity. Going digital and streamlining tax procedures for filing and payment of taxes as well as minimizing bureaucratic procedures leads to enhanced taxpayer experience as well as the degrees of compliance. KRA should organize trainings and capacity building including taxpayer education, fostering trust and reducing compliance costs. The tax collectors should also enhance efficiency, transparency, and professionalism in tax administration to enhance the level of compliance among the large taxpayers under study. The external factors such as macro-economic conditions, like inflation and unemployment should also be addressed by the government to ease pressure on consumption and create revenue for tax payment. The study finally recommended that the government should avoid frequent shifts in tax policies and enforcement strategies that can create uncertainty especially during government policy changes to enhance tax payment.

TABLE OF CONTENTS

DECLARATION	ii
ABSTRACT	iii
TABLE OF CONTENTS	iv
LIST OF TABLES	viii
LIST OF FIGURES	ix
LIST OF ACRONYMS AND ABBREVIATIONS	x
OPERATIONAL DEFINITION OF TERMS	xi
DEDICATION	xiii
ACKNOWLEDGMENTS	xiv
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study	1
1.1.1 Tax nonpayment behaviour.....	3
1.1.2 Determinants of Tax Payment	3
1.1.3 Moderating Effect Change of Tax Policies.....	8
1.1.4 Large Taxpayers in Kenya	9
1.2 Statement of the problem	10
1.3 Research Objectives.....	12
1.3.1 General Objective of the Study.....	12
1.3.2 Specific Objectives of the Study	12
1.4 Research Questions	12
1.5 Scope of the Study	13
1.6 Significance of the study.....	13
1.7 Chapter Summary	13
CHAPTER TWO: LITERATURE REVIEW	15
2.1 Introduction.....	15

2.2 Theoretical Review	15
2.2.1 Theory of Planned Behavior (TPB)	15
2.2.2 Deterrence Theory	16
2.3 Empirical Review.....	18
2.3.1 Effect of Tax System Related Factors on Tax Payment	18
2.3.2 Effect of Taxpayer Related Factors on Tax Payment	21
2.3.3 Effect of Tax Collectors Related Factors on Tax Payment.....	22
2.3.4 Effect of Macroeconomic Factors on Tax Payment	25
2.3.5 Moderating Effect Change of Tax Policies on Tax Payment and Its Determinants	28
2.4 Research Gap	31
2.5 Conceptual Framework.....	36
2.6 Operationalization of Study Variables.....	38
2.7 Chapter Summary	42
CHAPTER THREE: RESEARCH METHODOLOGY	43
3.1 Introduction.....	43
3.2 Research Philosophy.....	43
3.3 Research Design.....	44
3.4 Target Population.....	44
3.5 Sampling Design.....	45
3.6 Data Collection Methods	45
3.7 Research Quality	46
3.7.1 Reliability Test.....	46
3.7.2 Validity Test.....	47
3.8 Data Analysis and Presentation	47
3.8.1 Descriptive Statistics.....	47
3.8.2 Inferential Statistics	47

3.8.3 Statistical Assumptions Testing.....	48
3.8 Ethical Consideration.....	49
3.9 Chapter Summary	49
CHAPTER FOUR: RESULTS/FINDINGS	50
4.1 Introduction.....	50
4.2 Response Rate.....	50
4.3 Pilot Study.....	50
4.3.1 Reliability Test.....	50
4.3.2 Validity Results.....	51
4.4 Demographic Characteristics.....	52
4.5 Descriptive Analysis	54
4.5.1 Tax System Related Factors.....	54
4.5.2 Taxpayer Related Factors	55
4.5.3 Tax Collector Related Factors	56
4.5.4 Macroeconomic factors.....	57
4.5.5 Change of Tax Policies	58
4.5.6 Tax Payment	59
4.6 Diagnostic Tests.....	60
4.6.1 Test for Multicollinearity.....	60
4.6.2 Normality Tests.....	61
4.7 Inferential Analysis.....	61
4.7.1 Correlation Analysis	61
4.7.2 Regression Analysis.....	63
4.7.3 Moderating effect of Change of Tax Policies on the Relationship between Tax Payment and its Determinants among Large Taxpayers in Kenya	66
4.8 Chapter Summary	68

CHAPTER FIVE: DISCUSSION, CONCLUSION AND RECOMMENDATIONS.....	69
5.1 Introduction.....	69
5.2 Summary of Results.....	69
5.3 Discussion of the Main Findings	70
5.3.1 Tax System Related Factors and Tax Payment.....	71
5.3.2 Taxpayer Related Factors and Tax Payment	72
5.3.3 Tax Collector System Related Factors and Tax Payment.....	74
5.3.4 Macroeconomic Factors and Tax Payment.....	75
5.3.5 Change of Tax Policies and Tax Payment	76
5.4 Conclusion	78
5.5 Recommendations.....	79
5.6 Limitations of the Study.....	81
5.7 Suggestions for Further Research	81
REFERENCES.....	82
APPENDICES.....	86
Appendix I: Letter of Introduction.....	86
Appendix II: Questionnaire.....	87
Appendix III: Introductory Letter	92
Appendix IV: NACOSTI Permit	93

LIST OF TABLES

Table 2.1: Research Gaps	33
Table 2.2: Operationalization of the Study Variables.....	39
Table 4.1: Response Rate.....	50
Table 4.2: Reliability Test Results.....	51
Table 4.3: Validity Test Results.....	51
Table 4.4: Demographic Results.....	52
Table 4.5: Descriptive Statistics for Tax System Related Factors.....	54
Table 4.6: Descriptive Statistics for Taxpayer Related Factors.....	55
Table 4.7: Descriptive Statistics for Tax Collector Related Factors.....	56
Table 4.8: Descriptive Statistics for macroeconomic factors	57
Table 4.9: Descriptive Statistics for Change of Tax Policies	58
Table 4.10: Descriptive Statistics for Tax Payment.....	59
Table 4.11: Multicollinearity Test Results.....	60
Table 4.12: Normality Test Results	61
Table 4.13: Correlation Results	61
Table 4.14: Model Summary	64
Table 4.15: ANOVA.....	64
Table 4.16: Multiple Regression Coefficients	64
Table 4.17: Model Summary Results after Moderation.....	67
Table 4.18: Regression Coefficient Results after Testing for Moderation effect of change of tax policies	67

LIST OF FIGURES

Figure 2.1 Conceptual Framework37



LIST OF ACRONYMS AND ABBREVIATIONS

ATAF	African Tax Administration Forum
eTIMS	Electronic Tax Invoice Management System
GDP	Gross Domestic Product
iTax	Integrated Tax Management System
ICT	Information and Communications Technology
KMO	Kaiser-Meyer-Olkin (test)
KNBS	Kenya National Bureau of Statistics
KRA	Kenya Revenue Authority
NACOSTI	National Council for Science, Technology and Innovation
SARS	South African Revenue Service
SME(s)	Small and Medium Enterprises
SPSS	Statistical Package for the Social Sciences
TPB	Theory of Planned Behavior
VIF	Variance Inflation Factor



OPERATIONAL DEFINITION OF TERMS

Challenges related to tax collection systems: refers to short comes for example misinformation, mismanagement, and inadequate data integration that undermine the successful deployment of automated tax systems (Carnahan, 2015).

Change of Tax Policies: This moderating variable refers to political transitions that may affect the implementation and enforcement of tax policies, potentially influencing taxpayer compliance and the effectiveness of tax collection systems (Otieno, 2023).

eTIMS: is a system that has been designed to provide invoices electronically by the Kenya Revenue Authority (Kenya Revenue Authority, 2024).

i-tax: is online platform that is designed to help in the collection and collection of taxes in Kenya (KRA, 2015).

Macroeconomic factors: These include broader economic conditions that affect tax payment, such as inflation and unemployment (Mwangi, 2022).

Simba system: Simba system refers to a monitoring system that KRA developed to enable it to receive declarations of goods before ships dock at the port (KRA, 2023).

Tax Collector-Related Factors: These refer to factors related to the competence and integrity of tax collection authorities, such as the ethics and corruption levels among Kenya Revenue Authority (KRA) employees, their competence in performing tax collection duties, and their compensation levels (Karanja, 2023).

Tax collection system: This refers to an application of technologies to aid in the collection of data. It includes i-tax, eTIMS tax collection system and Simba System in the case of this study (Kenya Revenue Authority, 2024).

Tax education: This refers to the initiatives or programs that are developed by a tax system to help individuals and businesses understand tax requirements and laws and their responsibility regarding the payment of taxes (Fauziati et al., 2020).

Tax Payment: Refers to the actions and behavior of taxpayers to willingly remit tax dues, obligations and other related tax requirements as per the tax policies and regulations (Kabaka, 2019).

Taxpayer-Related Factors: These include characteristics of taxpayers that influence their compliance with tax regulations, such as their level of tax education, demographics (age,

income level, employment status), and ethical behavior (e.g., tax evasion tendencies) (Fauziati et al., 2020).

Tax System-Related Factors: These refer to elements of tax systems that affect their efficiency and user-friendliness, including the frequency of changes to tax management systems, the costs of penalties and fines, the ease and costs of tax filing, and the frequency of system failures (Kenya Revenue Authority, 2024).

Large taxpayers: Large taxpayers are defined as entities that contribute significantly to national revenue and taxes. In this study, large taxpayers include businesses, enterprises and corporations with annual turnover exceeding KES 750 million (KRA, 2023).



DEDICATION

This dissertation is dedicated to my beloved family members who have always supported and motivated me in my studies.



ACKNOWLEDGMENTS

First, I thank the Almighty for the good health and life. Without His Grace, this research activity would have not been possible. Secondly, I extent gratitude to Strathmore University for the opportunity to pursue this master’s program. Finally, recognize the invaluable advice, guidance and mentorship of my supervisors Dr. James Ndegwa.



CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Taxes are a cornerstone of government revenue globally, enabling nations to finance public services, infrastructure, and sustainable development initiatives (Fossat & Bua, 2018). Despite their importance, tax non-payment, including evasion and avoidance, poses significant challenges, even in developed economies with sophisticated tax systems (Alm & Martinez-Vazquez, 2021). According to the Kenya Revenue Authority (KRA, 2023), large taxpayers are defined as entities that contribute significantly to national revenue, including corporations with annual turnover exceeding KES 750 million, high-net-worth individuals, and other entities with complex tax obligations.

Globally, large taxpayers such as multinational corporations and high-net-worth entities play a pivotal role in revenue generation but also represent a significant source of revenue leakage (Slemrod, 2020; National Bureau of Economic Research, 2021). For instance, in the United States, the tax gap, largely attributable to large corporations, was projected at \$1 trillion by 2020, driven by aggressive tax planning and exploitation of international tax law complexities (National Bureau of Economic Research, 2021; Slemrod, 2020). This study examines the determinants of tax payment among large taxpayers in Kenya, with a focus on tax system-related factors, taxpayer-related factors, tax collector-related factors, macroeconomic factors, and the moderating effect of changes in government.

In the African context, tax non-payment, particularly among large taxpayers, undermines fiscal sustainability. Sub-Saharan Africa loses an estimated \$89 billion annually to tax evasion and illicit financial flows, with large businesses accounting for a substantial portion of this deficit (ATAF, 2020). In Kenya, large taxpayers contribute significantly to national revenue but remain a focal point for non-compliance challenges. While digital tax systems like iTax and eTIMS were introduced to streamline tax collection, studies such as Odhiambo (2021) have revealed that operational inefficiencies, distrust in these systems, and inconsistent enforcement mechanisms hinder their effectiveness. This study focuses on large taxpayers in Kenya to understand how such systemic inefficiencies influence non-compliance and what strategies can address these challenges.

Regionally, large taxpayers in East Africa also face similar compliance challenges driven by political and economic instability. Political transitions often disrupt tax collection processes, creating uncertainty that delays or reduces compliance. For example, Mwangi (2022) and

Mwithiga (2022) noted that during election cycles, large corporations in Kenya often defer tax obligations, anticipating more favorable policies under new administrations. Corruption within tax administrations exacerbates this problem, as unethical practices allow for negotiated liabilities, further reducing compliance (Transparency International, 2021). By examining Kenya's political and administrative environment, this study explores how external factors like macroeconomic conditions like inflation and unemployment interact with internal system inefficiencies to shape tax payment among large taxpayers.

Locally, Kenya's large taxpayers, defined as entities contributing disproportionately to national revenue, operate within a complex tax landscape. Studies such as Njuguna and Ochieng (2023) highlight how frequent tax policy changes and high compliance costs compel these entities to deploy significant legal and financial resources to navigate the system. Despite these resources, system-related challenges such as downtimes in digital tax platforms and evolving regulatory requirements create bottlenecks for compliance (KRA, 2022). Additionally, gaps in taxpayer education hinder effective adaptation to digital systems like eTIMS, with 45% of large taxpayers reporting difficulties with filing processes (Wanyonyi, 2022). This research fills a critical gap by analyzing how systemic, educational, and operational factors collectively impact compliance behavior among large taxpayers in Kenya. KRA estimated a collection of Ksh. 1.1 trillion from large taxpayers in the Financial Year 2023/24. In the financial year 2022/23, large taxpayers contributed Ksh. 818 billion in revenue, representing a remarkable 9% growth from the previous financial year 2022/2023. Revenue mobilization for the financial year 2023/2024 grew by a notable 11.1% up from 6.4 % in the previous financial year, after KRA collected Kshs. 2.407 trillion compared to Kshs. 2.166 trillion in the previous financial year. This translates to a performance rate of 95.5% against the target (KRA, 2024).

This study integrates key determinants: tax system complexity, taxpayer characteristics, tax collector-related issues, and external factors to address gaps in the literature. While prior studies (e.g., Kabaka, 2019; Karanja, 2023) have examined these factors in isolation, this research adopts a holistic approach to evaluate their combined impact on large taxpayers. By generating actionable insights, the findings aim to inform targeted reforms within Kenya's tax administration, ensuring improved compliance, enhanced revenue collection, and stronger fiscal stability. Through this focus, the study contributes to a better understanding of the compliance dynamics of Kenya's most significant contributors to national revenue.

1.1.1 Tax nonpayment behaviour

Tax nonpayment behavior refers to instances where large taxpayers, including multinational corporations and high-income entities, fail to meet their tax obligations, either through evasion or avoidance (Ouma, 2019). This issue is particularly critical in Kenya, where large taxpayers contribute significantly to national revenue but have been reported to engage in sophisticated tax avoidance strategies (Ngah et al., 2020). Nonpayment behavior affects the country's ability to achieve revenue targets, leading to budget deficits and undermining government efforts to fund public services and infrastructure (Fossat & Bua, 2018). Large taxpayers often exploit loopholes in tax laws, taking advantage of complexities within the system to minimize their tax liabilities, which further exacerbates the problem.

Recent research has highlighted the need for regular audits and stronger enforcement mechanisms to address nonpayment behavior among large taxpayers (McGee et al., 2023). However, much of the existing literature focuses on the general taxpayer population, leaving a gap in understanding the specific behaviors and challenges faced by large entities. This study seeks to address this gap by exploring how tax systems, compliance costs, and external factors such as macroeconomic conditions like inflation and unemployment influence tax payment among large taxpayers in Kenya.

1.1.2 Determinants of Tax Payment

Tax system-related factors, specifically the functionality and reliability of digital tax systems, play a crucial role in influencing tax payment among large taxpayers in Kenya. Kenya Revenue Authority (KRA) has implemented several digital platforms, including iTax and the recently introduced eTIMS, with the aim of streamlining tax administration, reducing human error, and enhancing efficiency in tax collection. However, large corporations have reported several challenges with these systems, ranging from usability issues to technical downtimes, which can hinder their ability to comply with tax obligations effectively (KRA, 2022). These usability challenges underscore the need for a more user-friendly design, especially for complex corporate tax filings, which may involve extensive data inputs and unique reporting needs (Otieno, 2022).

One significant factor impacting compliance is system reliability. Frequent downtimes and connectivity issues within iTax and eTIMS can lead to delays in tax filings and payment processing, creating substantial inconveniences for large taxpayers with substantial transactional volumes. According to Kiptoo and Nyamweya (2020), system failures during

peak filing periods can disrupt businesses' cash flow planning and lead to inadvertent non-compliance, as companies may miss deadlines due to technical issues. For large corporations, which often manage multiple accounts and need real-time access to tax information, any delays in system functionality can lead to cascading compliance challenges, potentially resulting in penalties despite the companies' willingness to comply.

System efficiency and integration are also critical to ensuring seamless compliance. Many large corporations operate across various jurisdictions and utilize sophisticated financial management systems; therefore, integration capabilities within tax platforms like iTax and eTIMS are essential for smooth operations. Lack of compatibility with corporate accounting software can require businesses to manually enter data, increasing the risk of human error and resource burden. Mwirigi (2021) highlights that poor system integration is one of the factors that can discourage large taxpayers from fully engaging with digital tax systems, leading to either delays or inaccuracies in reporting.

Another critical aspect is the level of user support and technical assistance available to resolve issues promptly. Large corporations often require dedicated support to address specific technical queries, especially concerning the interpretation of complex tax codes within the digital platforms. However, limited technical support can leave users struggling with system-related issues, potentially leading to compliance delays. Research by Kamau (2022) emphasizes that effective technical support is crucial for sustaining engagement with tax systems, especially for large taxpayers who frequently interact with the platforms to handle complex tax filings. Enhanced support services could improve compliance rates by reducing frustrations associated with system malfunctions.

Lastly, the system's real-time updating capabilities significantly affect compliance behavior. Large corporations require current, accurate data on their tax obligations, especially for transactions subject to frequent regulatory adjustments or tax credits. Delays in system updates can lead to discrepancies in tax reporting, forcing businesses to engage in resource-intensive reconciliations to ensure accuracy. As noted by Njuguna and Ochieng (2023), real-time updates are essential for maintaining accurate tax records and preventing inadvertent discrepancies, particularly for corporations handling high transaction volumes. By improving real-time updating and ensuring reliability, Kenya's tax systems can better meet the needs of large taxpayers and foster greater compliance.

Taxpayer-related factors significantly influence the compliance behavior of large taxpayers in Kenya, particularly concerning their education, demographics, and ethical perspectives. Tax education is a major determinant of compliance, as large corporations with comprehensive knowledge of tax regulations are more likely to comply. A study by Wanyonyi (2022) found that firms with dedicated tax departments or external advisors are more consistent in their compliance, as they have a clearer understanding of their obligations. On the contrary, companies with limited tax education may inadvertently evade taxes due to unawareness of specific regulations or misinterpretation of filing requirements (Ngugi & Mwangi, 2021).

Demographic factors, such as industry type and the scale of operations, also play a significant role in determining compliance behavior. Large firms in industries that are subject to higher tax scrutiny, such as banking and telecommunications, tend to comply more due to the increased likelihood of audits and enforcement actions (Odhiambo, 2021). However, companies in less regulated sectors, particularly those with international subsidiaries, may adopt aggressive tax planning strategies to minimize liabilities. Research by Kiptoo and Nyamweya (2020) suggests that corporations with operations in multiple jurisdictions are more likely to exploit tax loopholes, taking advantage of differences in tax laws across borders.

Ethical considerations also influence tax payment among large taxpayers. The perception of corruption within the tax administration affects the willingness of firms to comply. When large taxpayers believe that tax authorities are corrupt or that tax revenue is mismanaged, they are less motivated to fulfill their obligations (Karanja, 2022). According to a study by Karanja (2022), fostering transparency and improving the ethical standards within the Kenya Revenue Authority (KRA) could encourage greater compliance from large businesses. Firms are more likely to comply when they perceive that their tax payments were used effectively for public services rather than siphoned off through corrupt practices.

Moreover, corporate social responsibility (CSR) and reputational risks associated with tax non-payment have emerged as significant factors influencing behavior. Many large companies are increasingly aware that tax evasion could damage their public image, particularly in an era where corporate governance is under greater scrutiny (Nyangweso, 2021). Thus, large firms may comply with tax regulations not only to avoid legal penalties but also to maintain a positive reputation in the market. A company's public stance on tax payment is often seen as a reflection of its broader commitment to social and ethical responsibility (Mwangi, 2022).

In summary, taxpayer-related factors such as tax education, industry demographics, and ethical considerations play a significant role in influencing tax payment among large taxpayers in Kenya. Understanding these factors can help tax authorities tailor their policies to promote compliance in this critical segment of the tax base. Around tax compliance can enhance overall adherence to tax obligations among Kenyan taxpayers.

Tax collector-related factors, particularly the practices and operations of the Kenya Revenue Authority (KRA), are crucial in influencing tax payment among large taxpayers in Kenya. One significant issue is the perceived corruption within KRA. Research shows that corruption and bribery erode trust in the tax system, prompting non-compliance (Karanja, 2022). Large taxpayers, particularly those subject to frequent audits, may resort to bribing tax officials to reduce their liabilities or avoid penalties (Mwirigi, 2021). This behavior undermines the integrity of the tax administration and encourages further evasion among businesses that see compliance as both costly and unjust.

The competence and professionalism of KRA employees also significantly influence compliance. Well-trained tax officials are essential for communicating complex tax regulations and assisting large taxpayers in meeting their obligations (Mwangi, 2022). When tax officials are equipped with the necessary skills and knowledge, they can provide accurate guidance to large corporations, ensuring that these businesses comply with tax regulations. Conversely, poor training and lack of professionalism among tax collectors can lead to miscommunication, resulting in confusion and increased non-compliance (Otieno, 2022).

Furthermore, the compensation of tax officials indirectly affects compliance among large taxpayers. Adequately compensated employees are less likely to engage in corrupt practices, fostering a more ethical tax environment (Kamau, 2022). Research indicates that when tax collectors receive fair wages, they are more motivated to perform their duties with integrity, reducing the opportunities for bribery and under-the-table dealings. For large taxpayers, interacting with an ethical and professional tax administration increases their likelihood of compliance.

Operational efficiency within the KRA is another critical factor. Lengthy delays, bureaucratic inefficiencies, and unresponsive tax systems discourage large taxpayers from complying with their tax obligations (Nyangweso, 2021). Many businesses report that inefficiencies in the tax collection process, such as delays in processing refunds or resolving disputes, increase the administrative burden, leading to non-compliance. Improving the operational efficiency of tax

systems is essential to creating a more conducive environment for compliance among large taxpayers.

In conclusion, tax collector-related factors, including corruption, competence, employee compensation, and operational efficiency, play a significant role in determining tax non-payment among large taxpayers in Kenya. Addressing these issues through reforms within the KRA is essential for improving tax collection and compliance rates.

Several external factors, including political, macroeconomic, and social influences, contribute significantly to tax payment among large taxpayers in Kenya. One of the key external factors is political transition, which can create instability in tax policies. During election periods or transitions in government, tax policies often shift to align with political agendas, leading to unpredictability for large corporations (Mwithiga, 2022). This uncertainty can cause hesitation among businesses when it comes to fulfilling their tax obligations, as they may anticipate more favorable policies from a new administration.

Additionally, macroeconomic conditions, such as inflation and unemployment, have a considerable impact on tax payment among large taxpayers. Economic downturns place significant pressure on businesses, making it difficult for them to meet their tax obligations. During periods of high inflation, for instance, large corporations may prioritize cutting operational costs over fulfilling their tax responsibilities (Nyangweso, 2021). Moreover, the COVID-19 pandemic exacerbated these challenges, with many businesses reporting reduced revenues and struggling to remain operational, which led to increased instances of tax non-payment. According to KRA (2022), many large taxpayers delayed their tax payments or sought extensions during this period due to cash flow constraints.

Social and cultural perceptions about taxation also influence compliance behavior. Large corporations are sensitive to public opinion regarding the legitimacy of tax payments and the effectiveness of government spending (Karanja, 2022). When taxpayers believe that their tax contributions are mismanaged or used inefficiently by the government, they are less likely to comply with tax regulations. This is particularly relevant for large taxpayers, whose significant contributions to the national budget often raise concerns about transparency in government spending. Research by Dlamini (2022) emphasized that fostering a culture of accountability in public spending could enhance compliance, as businesses are more likely to fulfill their obligations if they perceive that their taxes are being used for the public good.

Furthermore, the structure of Kenya's economy presents additional challenges for tax payment, even for large businesses. While large taxpayers are typically more formalized, they often engage with unregistered sector players as suppliers or distributors, complicating tax reporting (KRA, 2022). The lack of documentation and transparency in these transactions increases the likelihood of underreporting or evasion. Addressing these challenges, such as integrating all economic actors into the tax system, could significantly improve tax payment across the board.

In conclusion, external factors such as macroeconomic conditions, and social perceptions play a critical role in influencing tax payment among large taxpayers in Kenya. Addressing these factors through policy reforms that promote stability, transparency, and inclusivity in the tax system can help improve tax payments and enhance overall tax payment.

1.1.3 Moderating Effect Change of Tax Policies

The change of tax policies serves as a vital moderating variable in understanding tax payments among large taxpayers in Kenya. Political transitions often result in uncertainty and inconsistency in tax policies, leading to non-compliance (Mwithiga, 2022). During transitions, large taxpayers may delay tax payments, anticipating policy shifts that could either lower their tax burden or provide more favorable terms for compliance. This uncertainty is especially pronounced during election periods, when political parties may campaign on promises of tax relief or reform, further complicating compliance efforts.

The political will of the incoming government plays a crucial role in shaping tax administration. A government that prioritizes effective tax collection and fosters a transparent and accountable system is more likely to promote compliance (Mwangi, 2022). Conversely, when a new administration exhibits lax enforcement or tolerates corrupt practices within tax authorities, it undermines taxpayer morale. Large businesses may exploit such weak enforcement environments by engaging in aggressive tax avoidance or evasion strategies, knowing that the likelihood of detection and penalty is lower (Karanja, 2022).

Moreover, tax reforms introduced by new administrations can significantly influence compliance behavior among large taxpayers. While tax reforms are often intended to simplify compliance and broaden the tax base, they can also introduce complexities that confuse taxpayers (Nyangweso, 2021). For instance, rapid reforms that are not well-communicated or that involve significant changes to filing procedures may increase non-compliance among large businesses that already face complex tax obligations. Kamau (2022) found that large firms are

more likely to comply with tax regulations when reforms are phased in gradually and accompanied by clear guidance from tax authorities.

The perception of government transparency and accountability also affects compliance during political transitions. When large taxpayers trust the incoming administration to manage tax revenues effectively, they are more likely to fulfill their tax obligations (Dlamini, 2022). Conversely, if the new government is perceived as corrupt or inefficient, businesses may see tax payment as an unjust burden and engage in evasion. Odhiambo (2021) noted that restoring public trust in the government is essential for improving tax payment, particularly during periods of political change.

According to Mwangi and Wambua (2022), frequent changes in Kenya's tax laws create uncertainty, leading to delays in tax filing and, in many cases, non-compliance. Mwithiga (2022) revealed that during election years, compliance rates dropped by as much as 20%. Jakobsen et al. (2022) highlights that political transitions create uncertainty about future tax policies and enforcement, which destabilizes compliance. Mwithiga (2022) and Jakobsen et al. (2022) highlight the broader impact of election cycles on compliance, revealing that political instability reduces compliance due to uncertainty about future tax policies.

In summary, the change of tax policies is a critical moderating factor in the relationship between tax payment and its determinants in Kenya. Government transitions can either strengthen or weaken compliance depending on the new administration's commitment to transparent governance and effective tax enforcement. For Kenya to reduce instances of tax non-payment among large taxpayers, fostering a stable political environment that promotes accountability and consistent tax policies is essential.

1.1.4 Large Taxpayers in Kenya

Taxation in Kenya plays a crucial role in financing government operations, with large taxpayers, including multinational corporations and major domestic firms, contributing a substantial portion of the national revenue (KRA, 2024). The Kenya Revenue Authority (KRA) is responsible for administering several types of taxes, such as corporate income tax, VAT, excise duties, and capital gains tax, which are particularly relevant to large taxpayers (Pere & Theuri, 2019). Large taxpayers are critical to the Kenyan economy, accounting for most tax revenues collected, and their compliance is essential for sustaining government services and infrastructure development (Odhiambo, 2021).

Despite efforts to modernize tax collection through systems such as iTax and eTIMS, challenges remain, particularly in ensuring compliance among large taxpayers (KRA, 2022). The complexity of Kenya's tax laws, frequent policy changes, and administrative inefficiencies often make it difficult for large businesses to meet their tax obligations fully (Faha & Folarin, 2024). Many large firms also engage in aggressive tax planning, exploiting legal loopholes to reduce their tax burdens, which further complicates revenue collection efforts (Dularif & Rustiarini, 2021).

While there have been numerous studies on tax payment in Kenya, most have focused on SMEs or individual taxpayers, leaving a gap in understanding how large taxpayers navigate the tax system. Mutua and Njuguna (2022) utilized a survey approach to evaluate the effects of the intricate nature of Kenya's tax system on SMEs, Wamalwa and Nanjala (2023) adopted a mixed-methods approach to assess the role of digital tax collection systems, such as iTax, in promoting tax payment and Karanja and Abdi (2023) utilized a quantitative survey to assess how compliance costs impact tax evasion among different taxpayer groups. This study aims to bridge that gap by examining the unique challenges faced by large corporations in complying with Kenya's tax laws and the effectiveness of the current tax systems in improving compliance rates among this group.

1.2 Statement of the problem

Tax non-payment problem among large taxpayers poses a critical challenge to Kenya's fiscal sustainability and economic growth. Large taxpayers, such as multinational corporations and high-net-worth entities, contribute a significant portion of national revenue, yet their non-compliance exacerbates revenue deficits, undermining the government's ability to fund essential services (KRA, 2022). Kenya's tax-to-GDP ratio, currently at 16%, lags significantly behind the African Union's recommended threshold of 25% for sustainable development, resulting in a revenue shortfall exceeding 600 billion Kenyan shillings annually (Odhiambo, 2021). KRA estimated a collection of Ksh. 1.1 trillion from large taxpayers in the Financial Year 2023/24. In the financial year 2022/23, large taxpayers contributed Ksh. 818 billion in revenue, representing a remarkable 9% growth from the previous financial year 2022/2023. Revenue mobilization for the financial year 2023/2024 grew by a notable 11.1% up from 6.4% in the previous financial year, after KRA collected Kshs. 2.407 trillion compared to Kshs. 2.166 trillion in the previous financial year. This translates to a performance rate of 95.5% against the target (KRA, 2024). Despite their economic significance, the issue of non-compliance among large taxpayers remains insufficiently addressed in current research.

Existing studies on tax payment have predominantly focused on general taxpayers, such as small and medium enterprises (SMEs) and informal businesses, leaving a knowledge gap in understanding tax payment among large taxpayer. For instance, Mutua and Njuguna (2022) explored how complex tax laws hinder compliance among SMEs, while Karanja and Abdi (2023) examined how compliance costs affect smaller taxpayers. Hussein and Musau (2024), Kariuki and Mwang (2017) focused on tax payment by small firms and hence population gap was left for this study to fill. These studies provide valuable insights but fail to address the unique challenges faced by large taxpayers, such as navigating intricate international tax laws and managing cross-border transactions (Alm & Martinez-Vazquez, 2021; Slemrod, 2020). This study sought to address this gap by examining the systemic, operational, and policy-related factors that influence tax payment among Kenya's large taxpayers.

Another critical gap pertains to taxpayer education and technological adaptation. While large taxpayers typically have access to more resources, their ability to comply with evolving digital tax systems, such as iTax and eTIMS, remains limited. Research by Wanyonyi (2022) revealed that 45% of large taxpayers reported difficulties with these systems, citing technical inefficiencies and inadequate training as key barriers. Despite advancements in tax technology, a lack of tailored educational programs for large taxpayers perpetuates these challenges. This study investigated how taxpayer education, combined with system reliability and accessibility, impacts compliance within this group, addressing an area that remains underexplored in existing literature.

Additionally, macroeconomic factors like inflation and unemployment within tax administration may exacerbate the problem of tax nonpayment. OECD (2011) noted that unemployment led to uncertainty in income, creating uncertainty that undermines tax payment. Inflation and rising operational costs further pressure large taxpayers, prompting delays or outright avoidance of tax obligations (Mwangi, 2022). By examining these external influences, this study provided a comprehensive understanding of how systemic and environmental factors converge to affect tax payment among Kenya's large taxpayers.

This research fills a critical gap by integrating multiple determinants of tax payment, including tax system factors, taxpayer characteristics, administrative corruption, and external political and economic pressures. Unlike prior studies that examined these variables in isolation, this study adopts a holistic approach to analyze their combined impact on large taxpayers. The findings aim to inform targeted policy reforms, ensuring improved compliance and revenue

collection, thereby addressing Kenya's persistent fiscal challenges and supporting sustainable economic growth.

1.3 Research Objectives

One main objective and specific objectives guided this study as follows.

1.3.1 General Objective of the Study

To investigate the determinants of tax payment among large taxpayers in Kenya, with a focus on tax system-related factors, taxpayer-related factors, tax collector-related factors, macroeconomic factors, and the moderating effect of changes in government.

1.3.2 Specific Objectives of the Study

The specific objectives of the study were to:

- i. To assess the effect of tax system-related factors on tax payment among large taxpayers in Kenya.
- ii. To examine the effect of taxpayer-related factors on tax payment among large taxpayers in Kenya.
- iii. To investigate the effect of tax collectors-related factors on tax payment among large taxpayers in Kenya.
- iv. To assess the effect of macroeconomic factors on tax payment among large taxpayers in Kenya.
- v. To examine the moderating effect of change of tax policies on the relationship between tax payment and its determinants among large taxpayers in Kenya.

1.4 Research Questions

- i. What is the effect of tax system-related factors on tax payment among large taxpayers in Kenya?
- ii. How do taxpayer-related factors influence tax payment among large taxpayers in Kenya?
- iii. What impact do tax collector-related factors have on tax payment among large taxpayers in Kenya?
- iv. What are the effects of macroeconomic factors on tax payment among large taxpayers in Kenya?
- v. How does the change in tax policies moderate the relationship between tax payment and its determinants among large taxpayers in Kenya?

1.5 Scope of the Study

This study aims to investigate the determinants of tax payment among large taxpayers in Kenya. The research focused on key factors such as tax system-related factors, taxpayer characteristics, and the effectiveness of tax collectors, alongside external influences such as change of tax policies and macroeconomic factors. The scope of the study was large taxpayers.

The population for the study consisted of 2,089 large taxpayers in Kenya, as identified by KRA 2023. A representative sample of 335 respondents, calculated using Slovin's formula, were drawn from this population to participate in the research. The study employed a quantitative methodology, using structured questionnaires to collect data on tax payment. The head of the tax department of the large taxpayer filled the questionnaire. Additionally, the study period spanned from November 2024 to April 2025, providing adequate time to gather and analyze data comprehensively.

The findings are expected to offer actionable insights for the KRA and policymakers to improve tax payment and address the challenges encountered by large taxpayers across Kenya.

1.6 Significance of the study

The study would be significant to policy, practice and future research. To policy, the study would be significant to the policy makers including the government of Kenya and the Kenya Revenue Authority. The results would inform the policy makers on the necessary policy to put in place to enhance tax compliance among large taxpayers in Kenya especially on tax system-related factors, taxpayer-related factors, tax collector-related factors, macroeconomic factors.

The results would also be significant to the Kenya Revenue Authority, a body charged with collecting taxes in Kenya. By understanding the determinants of tax payments among large taxpayers in Kenya, especially tax system-related factors, taxpayer-related factors, tax collector-related factors, macroeconomic factors, KRA would be able to improve on revenue collection targets.

The results would also be significant to future scholars as the results would inform research gaps and reference point for the future scholars. Theoretically, this study makes significant contributions by advancing the Theory of Planned Behavior and the Deterrence Theory.

1.7 Chapter Summary

This chapter provides a comprehensive introduction to the study, focusing on the determinants of tax payment among large taxpayers in Kenya. It outlines the significance of taxation for

national revenue and the ongoing challenge of tax non-payment, particularly among large corporations. The research aims to assess the influence of tax system-related factors, taxpayer characteristics, tax collector effectiveness, and external elements like change of tax policies on tax payments, with a specific focus on large taxpayers. The chapter defines the study's objectives, the target population of 2,089 large taxpayers, and a representative sample of 335 respondents. A quantitative methodology using structured questionnaires were employed during the study period from November 2024 to April 2025. This sets the stage for exploring actionable insights that can enhance tax payment and inform policymakers.



CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Chapter two provides a comprehensive review of the literature on tax payment with the purpose of identifying research gaps that necessitate further investigation. This chapter explores theoretical frameworks that anchor the study on tax payment, providing a foundation for understanding the complex factors influencing compliance among large taxpayers in Kenya. The chapter is organized into two main sections: the theoretical review, which examines key theories such as the Theory of Planned Behavior and Deterrence Theory to contextualize tax payment. While there are several determinants of tax-non-payment behavior identified by past studies including tax education, industry demographics, ethical considerations, perceived corruption within KRA, competence and professionalism of KRA employees, lengthy delays, bureaucratic inefficiencies, political, macroeconomic, and social influences, the study specifically focused on the influence of tax system related factors, taxpayer related factors, tax collector related factors, macroeconomic factors and the moderating role of change of tax policies.

2.2 Theoretical Review

Tax payment among large taxpayers can be examined through specific theoretical frameworks that provide insights into the motivations and decision-making processes of individuals and corporations. For this study, two key theories were applied: the Theory of Planned Behavior (TPB) and Deterrence Theory. Both theories offer a strong foundation for understanding the complex dynamics of tax payment in the context of large corporations, particularly as they weigh the risks and benefits associated with compliance or evasion.

2.2.1 Theory of Planned Behavior (TPB)

The Theory of Planned Behavior (TPB), proposed by Ajzen (1991), provides a robust framework for understanding the factors influencing tax payment. The theory posits that behavior is shaped by three components: attitude toward the behavior, subjective norms, and perceived behavioral control. These elements interact to form an individual's intention, which in turn predicts their likelihood of engaging in a specific behavior, such as tax payment without failure.

In the Kenyan context, attitudes toward tax payment among large taxpayers often hinge on a cost-benefit analysis. Corporations may perceive compliance as burdensome, particularly when tax liabilities are viewed as disproportionately high or enforcement mechanisms are perceived

as weak (Kamau, 2022). Conversely, firms that prioritize corporate social responsibility and ethical business practices are more likely to value compliance, as maintaining a positive public image can enhance stakeholder trust (Kirchler et al., 2008). For example, Kenyan firms that align themselves with global best practices often perceive tax payment as a strategic advantage in attracting international investors.

Subjective norms refer to the social pressures or expectations that influence compliance decisions. Within Kenya, industry norms and peer behavior play a critical role. For instance, if non-compliance is perceived as widespread within a sector, firms may rationalize tax evasion as standard practice (Ajzen, 1991). However, organizations with strong governance structures or external pressures from shareholders are more likely to resist such norms and adhere to compliance requirements (Cullis et al., 2012).

Perceived behavioral control addresses the ease or difficulty associated with tax payment. In Kenya, large taxpayers often face challenges related to navigating complex systems like iTax and eTIMS, which can be seen as deterrents to compliance. Wanyonyi (2022) highlighted that 45% of large firms in Kenya experience technical difficulties when using digital tax platforms, reducing their perceived control over compliance processes. Simplifying these systems and enhancing user support could improve compliance by mitigating these barriers.

By linking the TPB to Kenya's tax context, this theory underscores the need to address both internal corporate attitudes and external social and system-related pressures. The TPB highlights actionable areas for intervention, such as improving taxpayer education, fostering positive industry norms, and streamlining compliance processes for large taxpayers in Kenya. The Theory of Planned Behaviour (TPB) provides a robust framework for analyzing how taxpayers' attitudes, subjective norms, and perceived behavioral control influence their tax compliance intentions and actual payment behavior. In the Kenyan context, where tax compliance challenges are often linked to perceptions of unfair taxation, corruption, and complex procedures, TPB helps explain how these perceptions shape taxpayers' willingness to comply voluntarily.

2.2.2 Deterrence Theory

Deterrence Theory, rooted in Becker's (1968) economic model of crime, emphasizes the role of sanctions and enforcement in promoting compliance. The theory posits that individuals or entities are less likely to engage in unlawful behavior if the perceived costs of detection and punishment outweigh the benefits of non-compliance.

For large taxpayers in Kenya, the likelihood of detection is a critical factor. The Kenya Revenue Authority (KRA) has introduced systems like iTax and eTIMS, which enhance real-time monitoring and auditing capabilities, increasing the probability of uncovering non-compliance (KRA, 2022). Large corporations, given their high visibility and complex operations, are more susceptible to audits compared to smaller taxpayers (Slemrod, 2019). As such, frequent audits can serve as a deterrent by signaling that non-compliance were detected and penalized.

The severity of sanctions also plays a significant role in shaping compliance behavior. In Kenya, penalties for non-compliance include substantial fines, reputational damage, and potential legal action. For large corporations, these consequences can disrupt operations and harm investor confidence (Torgler, 2007). However, Mwirigi (2021) observed that inconsistencies in applying penalties often undermine their deterrent effect. Firms that perceive sanctions as negotiable or inconsistently applied may continue to engage in non-compliance, viewing the risks as manageable relative to the potential benefits.

The certainty of punishment is equally crucial. Large taxpayers are more likely to comply when they perceive enforcement as consistent and transparent. Karanja (2022) noted that perceptions of favoritism or corruption within tax administration weaken the impact of enforcement efforts, as firms believe they can evade detection or negotiate favorable outcomes. Ensuring that penalties are applied uniformly and that enforcement is transparent is essential to strengthening deterrence.

In the Kenyan tax landscape, Deterrence Theory provides a framework for understanding the role of enforcement mechanisms in shaping compliance among large taxpayers. By focusing on increasing detection capabilities, ensuring the severity of penalties, and promoting fairness in enforcement, the theory offers insights into strategies that can increase tax payment among taxpayers. This study applies Deterrence Theory to evaluate the effectiveness of Kenya's tax enforcement systems and their influence on large taxpayers' compliance decisions. Deterrence theory is significant in influencing the change of tax policies in Kenya as it emphasizes the role of enforcement mechanisms, such as audits, penalties, and sanctions, in promoting tax compliance by increasing the perceived risk and cost of non-compliance. Deterrence theory provides a foundation for designing stricter enforcement policies that aim to discourage tax evasion through the fear of detection and punishment. By integrating deterrence principles into tax reforms, the Kenya Revenue Authority (KRA) can enhance voluntary compliance, strengthen revenue collection, and close tax gaps, while also addressing systemic loopholes that have historically allowed non-compliant behaviors to flourish.

2.3 Empirical Review

This section reviews studies on the determinants of tax payment among large taxpayers, focusing on the impact of tax systems and the challenges they face. It examines how taxpayer characteristics, such as education and demographics, influence compliance, as well as the role of tax authorities and ethical practices in shaping taxpayer attitudes. By synthesizing existing research, this review identifies critical gaps in the literature related to tax payment in Kenya, highlighting the need for effective strategies to enhance compliance among large taxpayers.

2.3.1 Effect of Tax System Related Factors on Tax Payment

Factors related to the tax system play a crucial role in influencing tax payment among large taxpayers. Key elements include the complexity of tax regulations, the effectiveness of tax collection mechanisms, the costs associated with compliance, and the frequency of tax law amendments. Recent research has examined these aspects using various methodologies, providing valuable insights into their impact on taxpayer behavior. For example, a study conducted by Mutua and Njuguna (2022) utilized a survey approach to evaluate the effects of the intricate nature of Kenya's tax system on small and medium-sized enterprises (SMEs). The findings revealed that 62% of the SMEs surveyed identified complex tax laws as a major obstacle to compliance. This research employed descriptive statistics to analyze data collected from a sample of 200 SMEs, emphasizing the necessity of simplifying tax regulations to enhance compliance rates. However, the study did not consider other tax system-related factors, such as the reliability of the systems that might also affect non-payment behavior, which limited its overall focus. This study, therefore, fills an important gap by addressing the unique challenges faced by large taxpayers, who experience even more complexity due to their size, diversity, and cross-border activities.

In contrast, a study by Wamalwa and Nanjala (2023) adopted a mixed-methods approach to assess the role of digital tax collection systems, such as iTax, in promoting tax payment. The researchers conducted surveys with 300 taxpayers and followed up with in-depth interviews to gain qualitative insights into their experiences. Their findings showed that 38% of taxpayers encountered technical difficulties during tax filing, including system downtimes and poor user interfaces, which discouraged compliance. The study used both quantitative and qualitative data to emphasize that while iTax has streamlined processes for many, its inefficiencies still contribute to non-compliance. Unlike the study by Mutua and Njuguna (2022), which focused solely on tax law complexity, Wamalwa and Nanjala (2023) highlighted the technical

challenges that further complicate compliance, suggesting that an integrated approach to tax reform is needed to address both legal and technological barriers. This reinforces the importance of addressing both regulatory complexity and digital system shortcomings to improve compliance among large taxpayers, a point largely overlooked in previous research.

The cost of compliance has also been explored as a tax system-related factor influencing tax payment. A study by Karanja and Abdi (2023) utilized a quantitative survey to assess how compliance costs impact tax evasion among different taxpayer groups. The researchers found that 54% of respondents cited high compliance costs as a reason for evading taxes. The study used a sample of 250 taxpayers, employing regression analysis to establish a relationship between compliance costs and tax payment. The findings were consistent with those of Mwithiga et al. (2021), who also identified compliance costs as a critical factor affecting tax payment. However, while Karanja and Abdi (2023) focused on direct compliance costs, such as accounting fees and software expenses, they did not examine indirect costs, such as time lost in navigating complex systems, which could also contribute to non-compliance. This limitation contrasts with the broader approach of Wamalwa and Nanjala (2023), who considered both technological and cost-related factors. The study emphasizes the need to address both the financial and time-related costs associated with tax payment to improve adherence among large taxpayers.

Moreover, the frequency of changes in tax policies has been highlighted as a significant determinant of tax payment. According to Mwangi and Wambua (2022), frequent changes in Kenya's tax laws create uncertainty, leading to delays in tax filing and, in many cases, non-compliance. Their study used a longitudinal approach, analyzing data from tax reforms implemented between 2015 and 2022. By tracking compliance rates over time, the researchers were able to demonstrate a clear correlation between policy changes and increased non-compliance. This finding aligns with the work of Karanja and Abdi (2023), who also reported that unpredictable tax policy shifts discourage taxpayers from adhering to their obligations. Mwangi and Wambua (2022), however, applied a broader time frame, which allowed them to observe long-term trends that shorter studies like that of Mutua and Njuguna (2022) might have missed. Their study adds to the growing body of literature on the importance of policy stability, especially for large taxpayers who are more affected by such changes due to their scale and complexity.

In examining how system reliability influences tax payment, Otieno (2022) conducted a case study focusing on the effectiveness of iTax. Using both secondary data from KRA records and

primary data through interviews with KRA officials, Otieno found that system reliability issues, such as frequent downtimes, contributed to taxpayer frustration and eventual non-compliance. His study, which used a smaller sample size of 150 respondents, supported the earlier findings of Wamalwa and Nanjala (2023) on the role of system inefficiencies. However, Otieno's case study was more focused on the institutional challenges within KRA, contrasting with the taxpayer-centric focus of the other studies. Otieno's work emphasized the need for institutional reforms, particularly within the KRA's technical support units, as a solution to improving compliance. This highlights the importance of both improving digital platforms and ensuring that tax authorities have the resources to support their effective use.

The effectiveness of digital platforms in mitigating the complexities of tax systems has also been examined in various international settings. For instance, a study conducted by Jakobsen et al. (2022) in Norway employed a quasi-experimental design to evaluate how a streamlined digital tax filing system affected compliance rates. Their findings indicated that the implementation of user-friendly tax software resulted in a 15% rise in compliance rates over a five-year span. In contrast, the situation in Kenya reveals that, despite the rollout of digital platforms like iTax, compliance rates remain low, primarily due to system failures and the high costs associated with compliance (Wamalwa & Nanjala, 2023). While both studies illustrate the potential benefits of technology in simplifying tax filing processes, Jakobsen et al. (2022) highlight the critical importance of user-friendliness and reliability with qualities that Kenyan digital platforms have yet to fully achieve. This study builds on these findings by examining the specific challenges faced by large taxpayers in navigating Kenya's digital tax systems, contributing to a more tailored approach to improving compliance.

In synthesizing the studies reviewed, tax system-related factors significantly influence tax payment in Kenya, with each study shedding light on different facets of the issue. Mutua and Njuguna (2022) emphasized the complexity of tax laws as a key barrier to compliance, while Wamalwa and Nanjala (2023) highlighted the technical challenges of digital tax systems. Karanja and Abdi (2023) focused on the financial burden of compliance, and Mwangi and Wambua (2022) examined the role of policy uncertainty. Meanwhile, Otieno (2022) and Jakobsen et al. (2022) provided insights into the importance of system reliability and ease of use. Although these studies employed different methodologies, ranging from surveys and longitudinal analyses to case studies and quasi-experimental designs, they consistently identified the need for simplified tax systems, reliable digital platforms, and reduced compliance costs. Collectively, these findings suggest that a multifaceted approach to tax

reform is necessary, addressing both technological and policy challenges to improve compliance rates in Kenya. This study aims to fill gaps by offering an integrated approach that examines how these factors collectively affect large taxpayers in Kenya, providing targeted solutions to improve compliance and revenue generation.

2.3.2 Effect of Taxpayer Related Factors on Tax Payment

Taxpayer-related factors, such as education level, socio-economic status, demographics, and ethics, are well-documented influences on tax payment. Globally, a large body of research has demonstrated that higher levels of tax education are associated with greater compliance. For instance, Kirchler et al. (2008) found that taxpayers with greater financial literacy are more likely to comply with tax regulations, as they better understand the benefits and obligations of tax systems. This finding was echoed in studies by Alm (2012), who noted that tax knowledge fosters voluntary compliance by reducing misunderstandings and confusion surrounding tax laws. Locally, Mwangi and Wambua (2022) conducted a study in Nairobi and found that tax education positively influenced compliance rates, with those who had higher tax literacy reporting a compliance rate of 72%, compared to 45% for those with lower knowledge. However, these studies have often focused on smaller taxpayers, overlooking how education impacts large taxpayers who deal with more complex tax systems.

Demographic factors such as age, income, and gender also significantly influence tax payment. Younger taxpayers, particularly those under 30, tend to exhibit lower compliance rates compared to older taxpayers (Kiptoo et al., 2023). In their study, the researchers found that younger taxpayers had a 58% compliance rate, compared to 80% for those over 50 years old. This difference is often attributed to a lack of financial literacy and a mistrust of government institutions. While this research focuses on general taxpayers, the findings are relevant for large corporations, where the age and experience of leadership may influence compliance behavior, particularly in the context of new tax regulations.

Ethics also play a significant role in determining tax payment. Nyangweso et al. (2023) used longitudinal data from 2018 to 2022 to explore how ethical considerations influenced tax payment. Their findings revealed that 78% of taxpayers who felt a moral duty to pay taxes were more compliant. This contrasts with 39% of respondents who viewed tax payment as secondary to personal financial constraints. In the corporate context, ethical values are often guided by corporate governance and social responsibility standards. Large taxpayers, particularly multinational corporations, are increasingly held to higher ethical standards by stakeholders,

including investors, the public, and regulatory bodies, which may incentivize them to comply with tax obligations (Kirchler et al., 2008).

Socio-economic status is another crucial determinant of tax payment. Studies have shown that wealthier taxpayers are often more likely to engage in tax avoidance strategies, exploiting legal loopholes to reduce their tax burden (Alm, 2012). Karanja and Abdi (2023) highlighted this in their study, showing that individuals in the higher income brackets were more likely to evade taxes, perceiving the tax system as inefficient. This trend is particularly relevant for large corporations, which may prioritize tax avoidance strategies when they perceive tax systems as unfair or poorly administered. Karanja and Abdi (2023) found that low-income individuals in Kenya often evade taxes due to financial hardship, suggesting that broader economic factors must be considered when designing interventions to improve compliance.

The studies reviewed consistently highlight the significant impact of taxpayer-related factors on tax payment, including education, socio-economic status, and ethics (Mwangi & Wambua, 2022; Alm, 2012; Kirchler et al., 2008). However, the literature has often focused on general taxpayers, leaving a gap in understanding how these factors influence large taxpayers. This study seeks to fill these gaps by analyzing how these factors, combined with the unique challenges faced by large taxpayers in Kenya, affect tax payment. By considering the role of corporate governance, stakeholder pressure, and financial resources, this research aims to provide actionable insights into improving compliance among Kenya's most significant contributors to national revenue (Karanja & Abdi, 2023; Slemrod, 2019). Together, these studies suggest that improving tax education, addressing socio-economic inequalities, and restoring public trust in government institutions are essential strategies for reducing tax payment in Kenya.

2.3.3 Effect of Tax Collectors Related Factors on Tax Payment

The efficiency, ethics, and professionalism of tax collectors play a significant role in determining tax payment. Globally, factors such as corruption, tax official competence, communication between tax authorities and taxpayers, and the motivation of tax collectors have been shown to influence compliance behavior (Fossat & Bua, 2018; Alm, 2012; Torgler, 2007). The studies reviewed highlight how these factors interact with broader systemic issues, suggesting that improvements in these areas could enhance compliance rates. A lack of efficiency or integrity within tax administrations can create an environment where non-

compliance thrives, which has been observed in both developing and developed economies (Slemrod, 2019).

For instance, Mwangi (2023) conducted a quantitative study examining the competence of tax collectors and its influence on tax payment in Nairobi and Mombasa. The findings indicated that 65% of taxpayers reported higher compliance rates when interacting with competent KRA officials who provided accurate guidance. This supports the view that the competence of tax officials directly correlates with taxpayer willingness to comply. However, a notable weakness of Mwangi's study is its limited geographical scope, as it only focused on urban areas, overlooking the potential differences in compliance behavior in rural regions or across industries. Additionally, the study did not explore how the systemic inefficiencies of the tax administration, such as delays in processing refunds and inconsistent communication, affect compliance behavior. Previous studies in other regions (Slemrod, 2020; Alm, 2012) have shown that tax payment can be significantly impacted by both the competence of tax officials and the operational efficiency of tax administration. Therefore, expanding the scope of such studies to include various regions and sectors is crucial to understanding the full impact of tax administration efficiency on compliance.

In contrast, Otieno (2022) employed a case study approach to assess the operational efficiency of the KRA. By analyzing secondary data from KRA reports and conducting interviews with 50 KRA officials, Otieno found that inefficiencies such as long processing times for refunds and unclear tax guidelines deterred compliance. Forty percent of non-compliant taxpayers cited KRA's operational inefficiencies as a key reason for evading taxes. This finding complements earlier research but provides a broader understanding of how institutional inefficiencies can discourage compliance, a gap not fully addressed by Mwangi (2023). Otieno's study, however, was based on a small sample size, limiting the generalizability of its conclusions. Larger-scale studies, as seen in Alm (2012), which examine the interplay between system reliability and compliance, could provide more robust insights into how systemic inefficiencies affect taxpayer behavior.

Corruption within tax administration remains a critical challenge to compliance. Karanja and Abdi (2023) explored how perceptions of corruption among KRA officials impact compliance.

They found that 45% of respondents were aware of corruption, and 38% admitted to evading taxes by offering bribes. These findings highlight the negative impact of corruption, echoing Transparency International (2021), which identifies corruption as a major barrier to compliance. However, while Karanja and Abdi (2023) emphasize the importance of integrity within tax administration, their study did not address the varying levels of corruption across sectors, which may influence compliance differently. This limitation suggests a gap in understanding how sector-specific corruption affects compliance behavior. Global studies (e.g., Torgler, 2007) have shown that the more corrupt a tax administration is perceived to be, the higher the rates of tax evasion. Incorporating sector-specific studies could provide a more nuanced view of how corruption influences compliance in different economic sectors.

Wamalwa and Nanjala (2023) provided a comprehensive analysis of how communication between tax officials and taxpayers influences compliance. Their mixed-methods study revealed that 62% of taxpayers who received timely and clear communication from KRA officials were more likely to comply, while 40% cited poor communication as a significant contributor to non-compliance. This study strengthens the argument that clear communication can enhance compliance, as it aligns with other studies which found that transparency and clear guidelines are integral to improving taxpayer cooperation (Bobek & Hatfield, 2003). However, it also leaves unexplored the role of external factors, such as political instability, that might affect the consistency and effectiveness of communication strategies during transitional periods. Future studies could examine how external instability, as seen in periods of political transition, impacts the quality and effectiveness of communication efforts between tax authorities and taxpayers.

Kiptoo et al. (2023) examined the role of tax collector motivation in shaping compliance, finding that job satisfaction among KRA officials was positively correlated with increased compliance rates. This study is valuable as it shifts the focus to internal dynamics within tax administrations, which have often been overlooked in prior research. However, the study's limitations include its reliance on self-reported data, which may introduce biases in understanding the true motivations behind tax collectors' behaviors. Previous studies in behavioral economics (Alm, 2012) have shown that job satisfaction can affect the behavior of employees, including their willingness to enforce tax laws. However, further research with objective performance metrics would provide more reliable insights into the impact of employee satisfaction on tax payment.

The studies reviewed consistently show that tax collector-related factors such as competence, corruption, communication, and job satisfaction significantly influence tax payment. Mwangi (2023) and Otieno (2022) focused on tax collector competence and operational efficiency, respectively, emphasizing the need for knowledgeable and efficient tax officials to foster compliance. Karanja and Abdi (2023) highlighted the detrimental effects of corruption within tax administration, suggesting that a lack of integrity can erode trust in tax authorities. Meanwhile, Wamalwa and Nanjala (2023) pointed out the importance of effective communication between tax officials and taxpayers, a factor often overlooked in studies focusing on corruption or competence. Kiptoo et al. (2023) provided a fresh perspective by examining the relationship between tax collector motivation and compliance, suggesting that improving the working conditions of tax officials could also enhance taxpayer behavior. Finally, Mwangi and Wambua (2022) emphasized the role of trust in tax authorities, demonstrating how public perception of tax administration can either foster or hinder compliance. Taken together, these studies highlight the multifaceted nature of tax collector-related factors, suggesting that both internal and external reforms are necessary to improve tax payment. Improving the integrity and efficiency of tax administration, while enhancing communication, motivation, and trust, are key components to enhancing compliance behavior in Kenya and globally.

2.3.4 Effect of Macroeconomic Factors on Tax Payment

Various external factors, including political influences, macroeconomic conditions, social perceptions, and the economic structure, play a significant role in shaping tax payment. Studies from around the world have explored these variables using various methodologies, focusing on how these broader factors interact with individual or system-specific determinants of tax payment. This literature reveals that non-compliance is not only a matter of individual taxpayer behavior but is deeply influenced by external and institutional factors that often work in tandem to create an environment conducive to tax evasion. For instance, economic conditions like inflation, high unemployment, and political instability often exacerbate compliance issues by shifting individuals' priorities and reducing the perceived benefit of paying taxes (Slemrod, 2007; Alm, 2012).

One of the most significant external factors influencing tax payment is government tax policies. A study by Mwithiga (2022) examined how political transitions and election cycles affect tax payment across different sectors. Using a longitudinal design, the study analyzed tax payment data from 2013 to 2022, covering three election periods. The findings revealed that during election years, compliance rates dropped by as much as 20%. This decrease was attributed to uncertainty surrounding potential changes in tax policy, as political candidates often promise tax reforms as part of their campaigns. The study used time-series analysis to correlate tax payment with political events, offering a clear view of how political instability contributes to tax payment. However, the weakness of Mwithiga's (2022) study lies in its exclusive focus on formal sector taxpayers, limiting the generalization of its findings to other segments of the economy, such as the informal sector, where non-compliance might be more pronounced. Moreover, while the study identifies the role of political transitions, it does not fully consider how external political pressures might influence tax policy implementation or the enforcement capacity of tax authorities (Alm, 2012).

In contrast, a study by Mwangi and Wambua (2022) focused on macroeconomic factors, such as inflation and unemployment, and their influence on tax payment. Their research used a cross-sectional survey method involving 500 respondents across five major cities. Using regression analysis, they found that during periods of high inflation, non-compliance rates increased by 18%, as taxpayers prioritized essential household expenses over tax obligations. The study also revealed that unemployment, which stood at 7.2% in 2023 (KNBS, 2023), exacerbated non-compliance, particularly among low-income earners. Unlike Mwithiga's (2022) focus on political factors, Mwangi and Wambua (2022) emphasized economic conditions, suggesting that non-compliance during economic downturns is driven by financial strain rather than distrust in the tax system. These findings indicate that macroeconomic conditions must be considered in any effort to improve tax payment, particularly for vulnerable taxpayer groups. However, the study's limitation is that it predominantly relied on urban respondents, leaving a gap in understanding how rural economies and informal sectors are impacted by macroeconomic shifts (Karanja & Abdi, 2023).

Social perceptions of the government and public institutions also significantly influence tax payment. Dlamini (2022) investigated the relationship between public trust in government institutions and tax payment. Using a survey of 600 taxpayers, Dlamini employed a mixed-methods approach, combining quantitative analysis with qualitative interviews to explore how trust in government affects compliance. The results showed that 40% of respondents who

believed the government misused tax revenues were more likely to evade taxes. Additionally, the study found that respondents who perceived high levels of corruption in government institutions had a 30% higher likelihood of non-compliance. These findings are consistent with those of Transparency International (2021), which highlighted corruption as a key factor eroding public trust in Kenya's tax system. Unlike Mwangi and Wambua (2022), who focused on economic drivers of non-compliance, Dlamini's (2022) work suggests that restoring public trust through government accountability and transparency is crucial for improving compliance rates. However, Dlamini's study did not consider the impact of political instability or media influence on public perceptions, which could further amplify or mitigate distrust (Torgler, 2007; Alm, 2012).

The size and impact of certain economic sectors also present unique challenges to tax payment. A study by Odhiambo (2021) explored how sector-specific issues influence tax payment, using a mixed-methods approach. Odhiambo surveyed businesses in Nairobi and conducted in-depth interviews to understand why certain industries face higher compliance barriers. The study found that industries with higher financial strain and operational challenges, such as agriculture and small-scale manufacturing, experienced more difficulty in meeting tax obligations. These sectors often view taxation as an additional burden on their cash flow, especially during periods of economic hardship. This finding aligns with Mwangi and Wambua's (2022) findings on economic pressures. However, Odhiambo's study did not address how different tax systems affect sector-specific non-compliance or how sector-specific incentives could be leveraged to improve compliance. Global studies have also highlighted those certain industries face more significant compliance challenges due to their informal nature, limited financial resources, and poor record-keeping practices (OECD, 2019).

Another external factor is the influence of social norms and cultural attitudes toward taxation. Karanja and Abdi (2023) used a qualitative approach to explore how cultural perceptions of taxation influence compliance behavior in rural areas of Kenya. They conducted focus group discussions with 200 participants from rural communities and found that many respondents viewed taxation as an unnecessary burden imposed by a distant government. In these communities, social norms often dictate that non-payment of taxes is acceptable, especially when local governance structures are seen as inefficient or corrupt. The study noted that cultural attitudes toward taxation are deeply embedded in historical experiences with colonial tax systems, where taxation was viewed as exploitative. This study contrasts with the findings of Dlamini (2022) and Mwangi and Wambua (2022), which focused on economic and political

factors. Karanja and Abdi (2023) suggest that shifting cultural attitudes and social norms would be essential for improving tax payment in rural areas, where resistance to taxation is more pronounced. However, Karanja and Abdi's study is limited in that it focuses only on rural communities, neglecting the impact of urban cultural perceptions and the role of education in shaping taxpayer behavior (Kamau, 2022).

The studies reviewed indicate that a variety of external factors influence tax payment. Mwangi and Wambua (2022) focused on the impact of macroeconomic factors like inflation and unemployment. Dlamini (2022) highlighted the significance of public trust in government institutions, suggesting that perceptions of corruption and misuse of public funds are key drivers of non-compliance. Odhiambo (2021) explored the challenges posed by sector-specific financial pressures, emphasizing the lack of awareness and monitoring in certain industries, while Karanja and Abdi (2023) focused on cultural and social norms, particularly in rural areas, as significant contributors to tax evasion. Taken together, these studies suggest that addressing external factors such as political stability, economic conditions, public trust, and cultural attitudes would be crucial in developing a comprehensive strategy to improve tax payment. Additionally, the interplay between these external factors and individual taxpayer characteristics must be considered when designing interventions. Globally, addressing these broader systemic factors has proven successful in improving compliance in both developed and developing economies (Alm, 2012; Torgler, 2007).

2.3.5 Moderating Effect Change of Tax Policies on Tax Payment and Its Determinants

The change of tax policies, particularly during political transitions and election cycles, has been identified as a critical moderating factor affecting tax payment and its underlying determinants. Globally, political instability often brings uncertainty, leading to shifts in tax policies, enforcement mechanisms, and public trust in the tax system. Such transitions can cause disruptions in tax payment, especially when new governments introduce reform agendas that may either alleviate or exacerbate tax obligations. Recent studies have explored how political changes influence compliance and non-compliance behavior, emphasizing the need for stability and trust in governance for effective tax payment (Slemrod, 2007; Torgler, 2007; Alm, 2012). These studies employ various methodologies to highlight the impact of political transitions on taxpayer behaviour, with a focus on understanding how government policy changes affect tax payment across sectors and regions.

For instance, Mwithiga (2022) used a longitudinal design to assess how political transitions in Kenya influence tax payment. The study analyzed tax payment data spanning three election cycles (2007, 2013, and 2017), revealing a significant decline in compliance rates during election years, with non-compliance increasing by up to 25%. This behavior was attributed to uncertainty surrounding potential tax policy changes, as incoming governments often promise reforms to garner support. While the longitudinal approach enabled Mwithiga to track changes over time and identify clear patterns, the study's limitation lies in its focus on urban regions, leaving out rural and informal sector taxpayers, whose compliance might be differently impacted. Furthermore, the study primarily examined general compliance trends, without delving deeply into the specific mechanisms of how political instability affects enforcement strategies or sector-specific tax behaviour (Kamau, 2022; Mwangi & Wambua, 2022).

In contrast, Mwangi and Wambua (2022) examined the relationship between political leadership changes and taxpayer trust in the Kenya Revenue Authority (KRA). Their study, which employed a survey methodology with 500 respondents, found that 45% of respondents experienced a decline in trust during political transitions, correlating with an increase in tax evasion. This suggests that shifts in government leadership directly influence taxpayer perceptions of fairness and transparency in tax administration. While this study contributes valuable insights into how trust in government affects compliance behaviour, its limitations include the narrow focus on public trust without addressing the role of government tax policy consistency or how political instability may affect enforcement practices at the institutional level. Additionally, the study did not consider the long-term effects of such trust fluctuations or explore sector-specific compliance responses during political transitions (Slemrod, 2007; Torgler, 2007).

A case study by Otieno (2023) focused on the impact of government transitions on tax enforcement strategies, specifically during the transition from the Kenyatta to the Ruto administration in 2022. Otieno found that during this period, tax enforcement became more lenient as the incoming government restructured tax collection policies. This led to a 20% decrease in tax revenue collection during the first six months of the new administration. While the study provides important insights into the operational shifts within tax administration, its scope was limited to a single transitional period, and the sample size was relatively small (50 KRA officials), restricting its generalizability. Furthermore, while Otieno addresses the institutional challenges posed by political transitions, the study did not explore how external

factors, such as public pressure or business lobbying, influence enforcement strategies, a gap identified by researchers like Alm (2012) and Torgler (2007).

Karanja and Abdi (2023) examined how political transitions affect compliance across different taxpayer groups using a mixed-methods approach. Their study found that 60% of respondents believed that tax authorities were less likely to enforce compliance during election years, thereby contributing to increased tax evasion. This finding underscores the perceived leniency in enforcement during political transitions, a factor often overlooked in studies that focus only on formal tax policy changes. The study's strength lies in its inclusion of diverse taxpayer groups, yet it still leaves room for improvement in exploring how enforcement practices vary by industry or sector during political transitions. Additionally, the reliance on self-reported data may introduce bias, as respondents may be influenced by political sentiments during the survey period (Jakobsen et al., 2022).

A comparative study by Jakobsen et al. (2022) examined the effect of government transitions on tax payment in developing countries, including Kenya. The quasi-experimental design revealed that in countries experiencing frequent leadership changes, tax payment dropped by an average of 15% in the year following a political transition. In Kenya, this effect was more pronounced, with a 22% decrease in compliance observed after the 2017 elections. This study highlights that political transitions create uncertainty about future tax policies and enforcement, which destabilizes compliance. While Jakobsen et al. (2022) provide valuable insights, their study focuses on broad country comparisons and lacks sector-specific analysis or the exploration of how political instability in developing economies uniquely affects large taxpayers (Torgler, 2007; Alm, 2012).

The studies reviewed consistently show that political transitions significantly moderate tax payment. Mwithiga (2022) and Jakobsen et al. (2022) highlight the broader impact of election cycles on compliance, revealing that political instability reduces compliance due to uncertainty about future tax policies. Mwangi and Wambua (2022) and Karanja and Abdi (2023) emphasize the role of taxpayer trust, suggesting that shifts in leadership undermine public trust and contribute to tax evasion. Otieno (2023) provides an institutional perspective on how political changes influence the capacity of tax authorities to enforce compliance. Taken together, these studies suggest that political stability, trust in government, and consistent enforcement are crucial for maintaining high levels of tax payment. However, the studies reviewed have some gaps, including insufficient exploration of how these factors influence large taxpayers differently, as well as the role of external pressures such as international tax

policies and political lobbying. This study built on the existing literature by examining the moderating effect of political transitions on tax payment, with a specific focus on large taxpayers and the unique challenges they face during periods of political instability.

2.4 Research Gap

Several studies have identified contextual, conceptual, methodological, and theoretical gaps in the research on the impact of tax systems on tax payment. Mutua and Njuguna (2022) emphasized the complexity of tax laws as a key barrier to compliance, while Wamalwa and Nanjala (2023) highlighted the technical challenges of digital tax systems. Karanja and Abdi (2023) focused on the financial burden of compliance, and Mwangi and Wambua (2022) examined the role of policy uncertainty. Meanwhile, Otieno (2022) and Jakobsen et al. (2022) provided insights into the importance of system reliability and ease of use. Although these studies employed different methodologies, ranging from surveys and longitudinal analyses to case studies and quasi-experimental designs, they consistently identified the need for simplified tax systems, reliable digital platforms, and reduced compliance costs. This study aims to fill gaps by offering an integrated approach that examines how these factors collectively affect large taxpayers in Kenya, providing targeted solutions to improve compliance and revenue generation.

The studies reviewed consistently highlight the significant impact of taxpayer-related factors on tax payment, including education, socio-economic status, and ethics (Mwangi & Wambua, 2022; Alm, 2012; Kirchler et al., 2008). However, the literature has often focused on general taxpayers, leaving a gap in understanding how these factors influence large taxpayers. This study seeks to fill these gaps by analyzing how these factors, combined with the unique challenges faced by large taxpayers in Kenya, affect tax payment.

The studies reviewed consistently show that tax collector-related factors such as competence, corruption, communication, and job satisfaction significantly influence tax payment. Mwangi (2023) and Otieno (2022) focused on tax collector competence and operational efficiency, respectively, emphasizing the need for knowledgeable and efficient tax officials to foster compliance. Karanja and Abdi (2023) highlighted the detrimental effects of corruption within tax administration, suggesting that a lack of integrity can erode trust in tax authorities. Meanwhile, Wamalwa and Nanjala (2023) pointed out the importance of effective communication between tax officials and taxpayers, a factor often overlooked in studies focusing on corruption or competence. Kiptoo et al. (2023) provided a fresh perspective by

examining the relationship between tax collector motivation and compliance, suggesting that improving the working conditions of tax officials could also enhance taxpayer behavior. Finally, Mwangi and Wambua (2022) emphasized the role of trust in tax authorities, demonstrating how public perception of tax administration can either foster or hinder compliance. Taken together, these studies highlight the multifaceted nature of tax collector-related factors, suggesting that both internal and external reforms are necessary to improve tax payment.

The studies reviewed indicate that a variety of external factors influence tax payment. Mwangi and Wambua (2022) focused on the impact of macroeconomic factors like inflation and unemployment. Dlamini (2022) highlighted the significance of public trust in government institutions, suggesting that perceptions of corruption and misuse of public funds are key drivers of non-compliance. Odhiambo (2021) explored the challenges posed by sector-specific financial pressures, emphasizing the lack of awareness and monitoring in certain industries, while Karanja and Abdi (2023) focused on cultural and social norms, particularly in rural areas, as significant contributors to tax evasion. Taken together, these studies suggest that addressing external factors such as political stability, economic conditions, public trust, and cultural attitudes would be crucial in developing a comprehensive strategy to improve tax payment.

The studies reviewed consistently show that political transitions significantly moderate tax payment. Mwithiga (2022) and Jakobsen et al. (2022) highlight the broader impact of election cycles on compliance, revealing that political instability reduces compliance due to uncertainty about future tax policies. Mwangi and Wambua (2022) and Karanja and Abdi (2023) emphasize the role of taxpayer trust, suggesting that shifts in leadership undermine public trust and contribute to tax evasion. Otieno (2023) provides an institutional perspective on how political changes influence the capacity of tax authorities to enforce compliance. Taken together, these studies suggest that political stability, trust in government, and consistent enforcement are crucial for maintaining high tax payment. However, the studies reviewed have some gaps, including insufficient exploration of how these factors influence large taxpayers differently, as well as the role of external pressures such as international tax policies and political lobbying. This study built on the existing literature by examining the moderating effect of political transitions on tax payment, with a specific focus on large taxpayers and the unique challenges they face during periods of political instability.

These gaps highlight the need for further investigation, particularly in Kenya, where factors such as taxpayer characteristics and education play a moderating role. The current study seeks

to address these gaps by focusing on the effect of tax systems on non-payment behavior in Kenya, moderated by taxpayer size and education. Table 2.1 summarizes the identified gaps.

Table 2.1: Research Gaps

Author	Focus of Study	Results of the Study	Research Gap	Focus of the Current Study
Mwangi and Wambua (2022)	The influence of taxpayer education on tax payment in Kenya	Found that higher levels of taxpayer education significantly improve tax payment.	Did not consider socio-economic conditions affecting large taxpayers' compliance.	The current study includes socio-economic factors and specifically targets large taxpayers in Kenya.
Otieno (2023)	The impact of government transitions on tax enforcement practices	Political transitions led to lenient tax enforcement and reduced tax revenue collection.	Focused on formal enforcement by KRA without addressing taxpayer perceptions among large taxpayers.	The current study examines enforcement practices and taxpayer perceptions among large taxpayers during transitions.
Mwithiga (2022)	The effect of political instability and election cycles on tax payment	Found a significant decline in tax payment during election years due to policy uncertainty.	Did not explore the role of taxpayer trust in KRA among large taxpayers during political transitions.	The current study includes an analysis of public trust in tax authorities as a moderating factor among large taxpayers.
Karanja and Abdi (2023)	Corruption within KRA and its impact on tax evasion	High corruption levels were linked to increased tax evasion.	Did not examine how corruption affects compliance among large taxpayers.	The current study explores the impact of corruption within KRA on compliance rates among large taxpayers.
Kiptoo et al. (2023)	Job satisfaction of tax collectors and its impact on tax payment	Found that higher job satisfaction among tax collectors improved taxpayer compliance.	Did not address how corruption or communication between tax collectors and large	The current study examines corruption and communication, alongside tax collector satisfaction, in influencing compliance.

			taxpayers influence compliance.	
Mutua and Njuguna (2022)	Complexity of tax regulations and its effect on tax payment in Kenya	Complicated tax laws hinder compliance, especially for SMEs.	Focused only on complexity without accounting for technological barriers affecting large taxpayers.	The current study considers both tax law complexity and technological factors like system failures (iTax, eTIMS) among large taxpayers.
Wamalwa and Nanjala (2023)	Role of digital tax systems (iTax) in promoting compliance	iTax improved tax filing efficiency, but technical failures deterred compliance for many users.	Did not explore the interaction of digital systems with broader political changes affecting large taxpayers.	The current study investigates how change of government administration and socio-economic factors impact the efficacy of digital tax systems.
Mwangi (2023)	Public trust in tax authorities and its effect on tax payment	Higher public trust correlated with improved tax payment.	Did not analyze how trust is affected by political changes or tax collector behavior among large taxpayers.	The current study analyzes how public trust fluctuates during political transitions and impacts compliance among large taxpayers.
Karanja and Abdi (2023)	Cultural attitudes towards taxation and their effect on compliance in Kenya	Negative cultural perceptions of taxation contributed to lower compliance rates.	Focused on rural areas without examining responses among large taxpayers in urban settings.	The current study examines cultural and social perceptions of taxation among large taxpayers in Kenya during transitions.

Dlamini (2022)	Public perception of government corruption and its impact on tax payment	Taxpayers perceiving government corruption were more likely to evade taxes.	Did not explore how tax education could mitigate negative perceptions among large taxpayers.	The current study considers how tax education and awareness campaigns can alleviate non-compliance due to corruption perceptions among large taxpayers.
Jakobsen et al. (2022)	The effect of political transitions on tax payment in developing countries	Political instability led to a decrease in tax payment post-election cycles.	Focused on broad country comparisons without addressing sector-specific compliance challenges in Kenya.	The current study explores sector-specific responses to political transitions among large taxpayers in Kenya.
Odhiambo (2021)	Tax compliance challenges in Kenya's tax sectors	Businesses in certain sectors lack understanding of tax obligations, leading to high non-compliance.	Did not consider how political changes influence tax payment among large taxpayers.	The current study investigates how political transitions impact compliance among large taxpayers.
Transparency International (2021)	Corruption within KRA and its effect on public trust in taxation	High corruption levels within KRA were identified as a major reason for low tax payment.	Did not provide a solution-based approach for improving tax payment among large taxpayers.	The current study examines solutions, including enhancing tax collector training and transparency, to mitigate corruption affecting large taxpayers.
Jakobsen et al. (2022)	The effect of political transitions on tax payment in developing countries	Political instability led to a decrease in tax payment post-election cycles	Focused on country comparisons, not sector-specific responses	The current study examines sector-specific responses to political transitions among large taxpayers in Kenya.

Source: Researcher (2024)

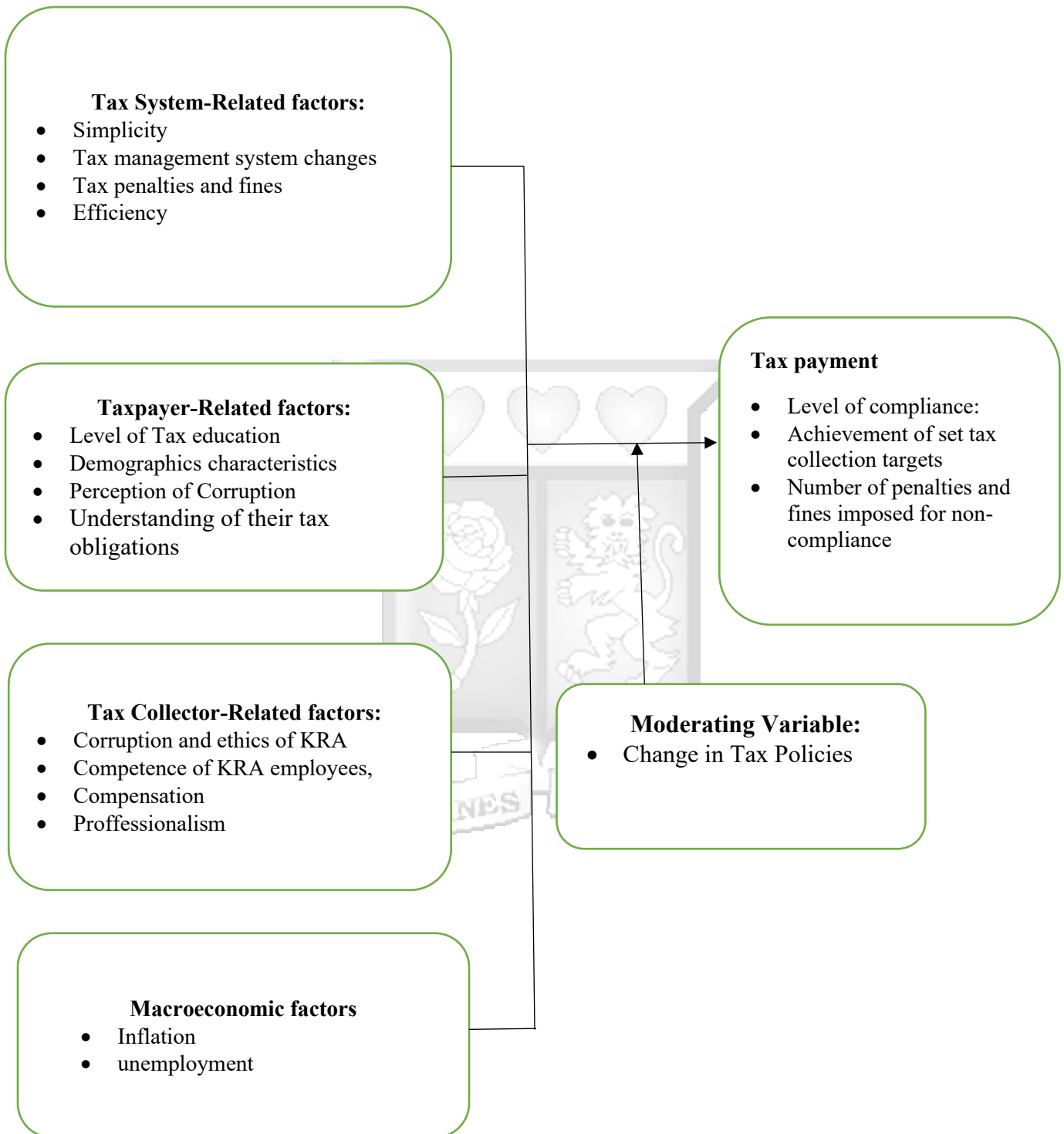
2.5 Conceptual Framework

The conceptual framework illustrated in Figure 2.1 depicts the connections among the different factors influencing tax payment in Kenya. The independent variables consist of tax system-related factors, taxpayer characteristics, tax collector dynamics, and external influences, including macroeconomic elements like inflation and unemployment. These factors are proposed to impact the dependent variable, which is tax payment. Additionally, the framework accounts for the moderating role of change in tax policies, indicating that change in tax policies can affect the intensity of the relationship between the independent variables and tax payment. By examining these relationships, the study seeks to understand how particular factors contribute to tax payment and how changes in the political landscape may either worsen or alleviate these issues.



Independent Variables

Dependent Variables



(Source: Researcher (2025))

2.6 Operationalization of Study Variables

Operationalization refers to the process of converting theoretical concepts into quantifiable variables to aid in data collection and analysis. In this study, the variables have been defined and organized according to the specific factors that influence tax payment. A Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree), would be utilized to assess respondents' perceptions of each variable. Table 2.2 outlines the variables and their corresponding measurement indicators, enabling a systematic evaluation of how tax system-related factors, taxpayer characteristics, tax collector dynamics, and macroeconomic factors affect tax payment. This methodology ensures that abstract notions are transformed into concrete, measurable indicators for empirical investigation.



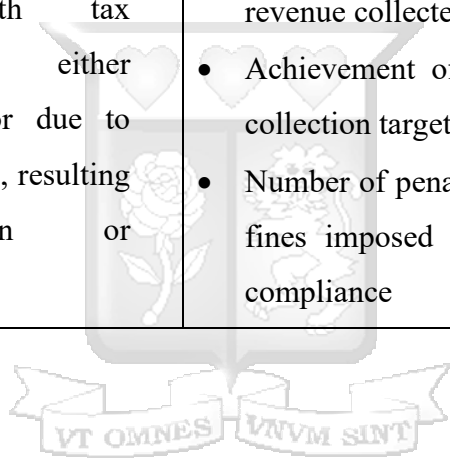
Table 2.2: Operationalization of the Study Variables

Variable	Const ructs	Operational Definition	Variable measures	Measurement Scales	Source(s)
Independent variable	Tax System-Related Factors	Refers to elements of the tax system that affect efficiency in tax management, including system reliability, user-friendliness, costs, and the frequency of changes to tax laws and policies.	<ul style="list-style-type: none"> • Frequency of changes in tax management and collection systems • Cost of tax penalties and fines • Ease of tax filing • Frequency of system failures 	Five-point Likert scale 1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree and 5-Strongly Agree	Kabaka (2019), Kitimo (2021), KRA (2024)
Independent Variable	Taxpayer-Related Factors	These factors are related to taxpayer characteristics, including their knowledge, awareness, socio-economic background, and ethical conduct, which impact tax payment.	<ul style="list-style-type: none"> • Taxpayer education level • Demographics (age, employment status, income level) • Taxpayer ethics and attitudes towards tax payment 	Five-point Likert scale 1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree and 5-Strongly Agree	Fauziati et al. (2020), Moore (2022)

Independent Variable	Tax Collector-Related Factors	Refers to the attributes of tax authorities, particularly KRA employees, including their competence, ethical standards, and the presence of corruption, which affect their ability to enforce tax laws.	<ul style="list-style-type: none"> • Competence of KRA employees • Corruption and unethical behaviour among KRA employees • Compensation levels of tax collectors 	Five-point Likert scale 1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree and 5-Strongly Agree	Karanja (2023), Pouliquen (2022), Oyebola et al. (2023)
Independent Variable	Macroeconomic factors	These include broader external influences such as macroeconomic conditions (e.g., inflation and unemployment) that may affect compliance.	<ul style="list-style-type: none"> • Inflation, • Unemployment 	Five-point Likert scale 1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree and 5-Strongly Agree	Githinji (2019), Mwangi (2022)
Moderator Variable	Change of tax	Refers to political transitions and their influence on the stability of tax policies, which	<ul style="list-style-type: none"> • Frequency of government policy changes 	Five-point Likert scale 1-Strongly disagree,	Otieno (2023), Jakobse

	polices	may affect taxpayers' trust in the tax system and tax payment.	<ul style="list-style-type: none"> • Perceptions of stability and fairness during political transitions 	2-Disagree, 3-Neutral, 4-Agree and 5-Strongly Agree	n et al. (2022)
Dependent Variable	Tax payment	Refers to the actions where taxpayers fail to comply with tax obligations, either intentionally or due to external factors, resulting in evasion or underpayment.	<ul style="list-style-type: none"> • Level of compliance (measured by tax revenue collected) • Achievement of set tax collection targets • Number of penalties and fines imposed for non-compliance 	Five-point Likert scale 1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree and 5-Strongly Agree	Ouma (2019), Transparency International (2021)

Source: Researcher (2024)



2.7 Chapter Summary

This chapter presented an in-depth analysis of the key theories pertinent to tax payment, laying the groundwork for the study's theoretical framework. It examined the existing literature surrounding the determinants of tax payment, emphasizing the role of tax systems and the challenges they pose to the taxpayers, while considering the moderating influences of taxpayer size and tax education. Through this exploration, significant gaps in the research were identified, which guided the focus of the current study. Additionally, the chapter introduced a conceptual framework that visually represents the interrelationships between the various variables, along with a detailed account of how these variables were operationalized for empirical investigation.



CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter details the research methodology employed to investigate the factors influencing tax payment in Kenya, with a focus on how changes in government may moderate this relationship. It covers research philosophy, design, population, sampling methods, data collection techniques, quality control measures, data analysis, and ethical considerations. The aim is to ensure that all methodological elements are aligned with the study's objectives and hypotheses, thereby enhancing the reliability and robustness of the findings.

3.2 Research Philosophy

Research philosophy encompasses the foundational beliefs and assumptions about the nature of reality and knowledge generation that guide the research methodology. The philosophy adopted in a study determines how data is collected, analyzed, and interpreted. Several research philosophies exist, each with distinct views on the nature of reality and how knowledge is constructed. Below are the most commonly discussed research philosophies (Creswell, 2014; Bryman, 2020).

Positivism is a philosophy that asserts that reality is objective and can be understood through observable facts, data, and phenomena. Positivists argue that knowledge can only be derived from empirical evidence, and they rely heavily on scientific methods, experiments, and statistical analysis to test hypotheses and make inferences (Bergmann, 2023). This philosophy holds that the researcher should remain objective and neutral, minimizing bias in the research process (Jansen, 2024). Positivist research typically involves large-scale surveys, experiments, and quantitative data to analyze patterns, relationships, and causal links between variables. The choice of positivism for this study is based on several key factors that align with the research objectives and the nature of the data being examined. First, positivism allows for the exploration of tax payment through the lens of objective, measurable data, which is essential for examining the variables in the study, such as tax system-related factors, taxpayer characteristics, tax collector-related dynamics, and their effect on compliance. Positivism is suitable for this study because it seeks to test hypotheses and identify patterns and relationships among these factors.

3.3 Research Design

Research design outlines the overarching strategy and framework used to integrate various components of the study to address the research questions (Cherry, 2023). This research utilized both correlational and descriptive research designs. The descriptive research design provided an overview of the current tax payment among large taxpayers, describing their characteristics, behaviors, and the environmental factors contributing to non-compliance. This approach helped to establish patterns and trends that characterize large taxpayers in Kenya. Simultaneously, correlational design was employed to investigate the relationships among multiple variables and determine the strength and direction of these connections. This design is well-suited for examining how tax system-related factors, taxpayer characteristics, tax collector-related aspects, and other external influences affect tax payment. Data was collected through structured questionnaires, facilitating the quantitative assessment of variables and enabling the identification of patterns, trends, and relationships.

By combining descriptive and correlational approaches, the study would not only describe the problem but also explore the interrelationships between key variables, offering a comprehensive understanding of the factors influencing tax payment among large taxpayers in Kenya. This approach would ensure a more holistic examination of the issue, which could help better inform policy decisions and reforms.

3.4 Target Population

The target population refers to the entire group of individuals or entities from which a sample is drawn for the research (Akman, 2023). For this study, the target population consisted of large taxpayers in Kenya as recorded by Kenya Revenue Authority. According to the Kenya Revenue Authority (KRA, 2023), large taxpayers are defined as entities that contribute significantly to national revenue, including corporations with annual turnover exceeding KES 750 million, high-net-worth individuals, and other entities with complex tax obligations. The target population was 2,089 large taxpayers registered with the Kenya Revenue Authority (KRA, 2024). The unit of analysis was large tax payers while the unit of observation was the head of tax department of each of the large taxpayers.

The study period for this research spanned from November 2024 to April 2025, providing adequate time for data collection and analysis. This period allowed for a comprehensive exploration of the factors affecting tax payment among large taxpayers and provided a clear

picture of the current compliance trends in the Kenyan context. By targeting large taxpayers, the study examined key factors influencing tax payment in this crucial segment of the economy. The findings from this group offered valuable insights into systemic challenges and compliance issues within Kenya's tax framework, which is vital for developing strategies to improve tax payment and revenue collection.

3.5 Sampling Design

Sampling involves selecting a subset of the target population to participate in the research (Tuovila, 2024). This study employed simple random sampling to select participants from the 2,089 large taxpayers recorded by KRA. By using simple random sampling, each firm had an equal chance of being selected, ensuring an unbiased sample that can be generalized to the broader population of large taxpayers. The sample size was determined using Slovin's formula, a statistical method that calculates an appropriate sample size based on population size and margin of error. Slovin's formula is defined as:

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

$$n = \frac{2,089}{1 + 2,089(0.05^2)} = 335.72 \approx 335$$

Where: n = sample size

N = population size (2,089)

e = margin of error (0.05)

Using Slovin's formula, the calculated sample size was approximately 335 large taxpayers in Kenya. The sample selected from this group was representative of the broader population of large taxpayers in Kenya. This sampling technique is appropriate because it ensures the findings are generalizable to the entire population of large taxpayers, offering valuable insights into their tax payment pattern. The unit of observation was head of tax department in each of the large tax payer firm.

3.6 Data Collection Methods

The process of data collection is essential for gathering pertinent information to meet the objectives of this study. In this research, structured questionnaires served as the primary tool

for data collection, facilitating the organized acquisition of quantitative data that corresponds with the study's variables. One questionnaire was distributed to each large taxpayer firm. To enhance the effectiveness and convenience of data collection, the researcher employed a drop-and-pick method. To promote honesty and ensure confidentiality, the study guaranteed respondent anonymity, which helped create a comfortable environment for participants to provide truthful and unbiased responses (Bell et al., 2022). The briefing of the participants for informed consent and ethical guidelines was necessary before filling out the questionnaires to reach the targeted number. The head of the tax department of the large taxpayer filled the questionnaire. The questionnaire was designed to encompass the independent variables, which include tax system-related factors, taxpayer characteristics, tax collector dynamics, and external influences, alongside the dependent variable of tax payment. Additionally, the impact of changes in government tax policy were assessed as a moderating variable.

A 5-point Likert scale was utilized throughout the questionnaire, enabling respondents to indicate their degree of agreement or disagreement with each statement, where 1 represents strong disagreement and 5 signifies strongly agree. This scale generated quantitative data that can be analyzed to assess the strength and direction of the relationships among the study variables. To maximize the response rate, the researcher conducted follow-ups with participants via phone calls and messages. An introductory letter accompanied each questionnaire, outlining the study's purpose and reassuring respondents about the confidentiality and anonymity of their answers. Participants were allowed ample time to fill out the questionnaires, and follow-up visits were conducted as needed to retrieve the completed forms.

3.7 Research Quality

To ensure the quality of the data collected, the study emphasized reliability and validity.

3.7.1 Reliability Test

Reliability refers to the consistency of the research instrument in producing stable and accurate results (Taber, 2017). A pilot study was conducted with 10% of the sample size (33 participants) to test the reliability of the questionnaire. The pilot study helped identify potential issues in the questionnaire design and ensure that adjustments are made before the main study is conducted. Cronbach's alpha was used to measure internal consistency, with a value of 0.7 or higher indicating that the instrument is reliable (Taber, 2017).

3.7.2 Validity Test

Validity ensures that the research instrument effectively measures the variables it is intended to assess. For this study, construct validity was evaluated using the Kaiser-Meyer-Olkin (KMO) test to determine the adequacy of the sample data. The KMO measures the sampling suitability, which means if the responses given with the sample are adequate or not. It should be close than 0.5 for a satisfactory factor analysis to continue. Kaiser (1974) recommend 0.5 (value for KMO) as minimum (barely accepted), values between 0.7-0.8 acceptable, and values above 0.9 are excellent. According to Sigudla and Maritz (2023), KMO of 0.8 and above are acceptable and imply adequate sampling adequacy.

3.8 Data Analysis and Presentation

Once data collection is complete, the responses were checked for completeness, and the analysis was performed using SPSS (Statistical Package for Social Sciences) version 20. The focus was on both descriptive and inferential statistics to evaluate the relationships between the independent and dependent variables. Descriptive statistics, including frequencies, percentages and means, were employed to summarize the data, while inferential statistics were utilized to test the hypotheses of the study.

3.8.1 Descriptive Statistics

Descriptive statistics provided a comprehensive overview of the study variables, summarizing the distribution and central tendencies, such as mean, median, and mode. This analysis would facilitate an understanding of the characteristics of the study sample and the perceptions of respondents regarding factors related to tax payment.

3.8.2 Inferential Statistics

To examine the relationships between the independent variables; tax system-related factors, taxpayer-related factors, tax collector-related factors, and other external influences (macroeconomic factors), and the dependent variable, tax payment, a OLS multiple regression model was employed. This approach is suitable given the categorical nature of the data derived from a Likert scale. Additionally, the study investigated the moderating effect of the change of tax policies on the relationship between the independent variables and tax payment. The analysis was conducted using two models: one before moderation and one after moderation.

Before moderation, the OLS multiple regression model was formulated as follows:

$$TP = \beta_0 + \beta_1 TSF + \beta_2 TPF + \beta_3 TCF + \beta_4 MF + \epsilon$$

Where: TP = Tax payment (dependent variable)

β_0 = the model intercept

β_{1-5} = Coefficient of independent variables

TSF = Tax system-related factors (independent variable)

TPF = Taxpayer-related factors

TCF = Tax collector-related factors

MF = Macroeconomic factors

ϵ = Error term

After moderation, the model included the interaction terms between the independent variables and the moderating variable (change of tax policies), formulated as:

$$\begin{aligned} \text{TP} = & \beta_0 + \beta_1 \text{TSF} + \beta_2 \text{TPF} + \beta_3 \text{TCF} + \beta_4 \text{OEF} + \beta_5 \text{CG} + \beta_6 (\text{TSF} * \text{CG}) \\ & + \beta_7 (\text{TPF} * \text{CG}) + \beta_8 (\text{TCF} * \text{CG}) + \beta_9 (\text{MF} * \text{CG}) + \epsilon \end{aligned}$$

Where:

CG = Change of tax policies (moderating variable)

TSF * CG, TPF * CG, TCF * CG, MF * CG = Interaction terms between the change of tax policies and each independent variable

β_{5-9} = Coefficients of the interaction terms

The OLS multiple regression model would allow the study to:

Assess the individual effects of each independent variable (tax system-related factors, taxpayer-related factors, tax collector-related factors, and macroeconomic factors) on tax payment.

Determine whether the change of tax policies moderate the relationship between the independent variables and tax payment.

3.8.3 Statistical Assumptions Testing

A series of statistical tests were conducted to verify the validity of the OLS multiple regression analysis:

Multicollinearity Test: The Variance Inflation Factor (VIF) was employed to identify multicollinearity among the independent variables. A VIF value below 5 was deemed acceptable, suggesting that there is no significant multicollinearity present (Shrestha, 2021).

Heteroscedasticity Test: A scatter plot of the residuals helped identify heteroscedasticity. If the residuals display a random distribution around the mean, homoscedasticity can be assumed; otherwise, the presence of heteroscedasticity may indicate a violation of regression assumptions (Bobbitt, 2020). Advanced methods like the Brant test may also be used to check for violations of the homoscedasticity assumption in OLS multiple regression models.

Test for Normality: Kolmogorov Smirnov test was employed in testing for normality. The null hypothesis is that error terms of the data is normally distributed. When the calculated p-value is <0.05 , we fail to reject null hypothesis. Nonetheless, if the p-value is <0.05 , the error variation in the dataset is normally distributed.

The findings were presented in tables and charts, which included regression coefficients, significance levels (p-values), and pseudo-R-squared values to illustrate the variance in tax payment accounted for by the independent variables.

3.8 Ethical Consideration

Ethical considerations are vital in conducting research, particularly when human participants are involved. Approval for the study was obtained from the National Council for Science, Technology, and Innovation (NACOSTI) as well as the Strathmore University Ethics Committee. An introductory letter accompanied the questionnaires, detailing the study's purpose and how the data was utilized. Participants were guaranteed confidentiality, and informed consent was secured prior to their involvement. No personal identifiers, such as names or contact information, were collected, ensuring that respondents remain anonymous. The data gathered was used exclusively for academic purposes and was stored securely to safeguard participants' privacy (Drolet et al., 2022).

3.9 Chapter Summary

This chapter has outlined the research methodology for the study, detailing the research philosophy, design, target population, sampling methods, and data collection techniques. Additionally, it discussed the steps taken to ensure research quality, the data analysis procedures, and the ethical considerations that guided the study. These methodological decisions are designed to ensure that the findings of the study are reliable, valid, and ethically responsible.

CHAPTER FOUR: RESULTS/FINDINGS

4.1 Introduction

The chapter outlined the analysis of data as well as the presentation of the results. The study utilized primary data that was collected using structured questionnaires and analyzed using SPSS Version 20. The primary objective of the study was to determine the determinants of tax payment among large taxpayers in Kenya, with a focus on tax system-related factors, taxpayer-related factors, tax collector-related factors, and the moderating effect of changes in government. The results of analysis were presented in the form of descriptive and inferential results. Descriptive results were presented in the form of means, coefficient of variation, and standard deviation. Inferential statistics were presented in the form of correlation and regression results.

4.2 Response Rate

The sample size for the study included 335 respondents. Thus, the study administered 335 structured questionnaires to the respondents by 203 questionnaires were completed and received back representing a response rate of 60.6 percent which is adequate for a research study. The response rate is outline in Table 4.1.

Table 4.1: Response Rate

	Frequency	Percent
Response	203	60.6
Non-Response	132	39.4
Total	335	100

4.3 Pilot Study

A pilot study was conducted to determine the reliability and validity of the data collection instrument.

4.3.1 Reliability Test

Reliability refers to the consistency of the research instrument in producing stable and accurate results (Taber, 2017). A pilot study was conducted with 10% of the sample size (33 participants) to test the reliability of the questionnaire. The pilot study helped identify potential issues in the questionnaire design and ensure that adjustments are made before the main study is conducted. Cronbach's alpha was used to measure internal consistency, with a value of 0.7

or higher indicating that the instrument is reliable (Taber, 2017). The reliability test results are outlined in Table 4.2.

Table 4.2: Reliability Test Results

	Number of Items	Cronbach's Alpha
Tax Payment		0.975
Tax System Related Factors		0.770
Tax Payer Related Factors		0.968
Tax Collector Related Factors		0.869
Macroeconomic factors		0.801
Change of tax policies		0.973

From the results, the Cronbach's Alpha values for all the variables in the study were >0.7 implying that the instrument was reliable.

4.3.2 Validity Results

Factor analysis was conducted to determine the validity of the data collection instrument.

Table 4.3: Validity Test Results

Variable	Indicators	Factor loadings	KMO and Bartlett's Test KMO Measure of Sampling Adequacy	Approx. Chi- Square	df	Sig.
Tax System Related Factors	Statement 1	0.814	.903	606.918	15	.000
	Statement 2	0.823				
	Statement 3	0.803				
	Statement 4	0.827				
	Statement 5	0.790				
	Statement 6	0.774				
Taxpayer Related Factors	Statement 1	0.811	.860	428.084	10	.000
	Statement 2	0.776				
	Statement 3	0.806				
	Statement 4	0.824				
	Statement 5	0.802				
Tax Collector Related Factors	Statement 1	0.844	.828	354.928	6	.000
	Statement 2	0.837				
	Statement 3	0.828				
	Statement 4	0.851				
Macroeconomic factors	Statement 1	0.825	.825	338.794	6	.000
	Statement 2	0.840				
	Statement 3	0.813				
	Statement 4	0.857				
	Statement 1	0.842				

Variable	Indicators	Factor loadings	KMO and Bartlett's Test			Sig.
			KMO Measure of Sampling Adequacy	Approx. Chi-Square	df	
Tax payment	Statement 2	0.835	.885	520.310	10	.000
	Statement 3	0.818				
	Statement 4	0.839				
	Statement 5	0.828				
Change of Tax Policies	Statement 1	0.847	0.829	381.071	6	0.000
	Statement 2	0.819				
	Statement 3	0.859				
	Statement 4	0.864				

The validity test results for the measurement indicators for all the variables attracted factor loadings > 0.5 as supported by Barnett and Moore (2017). As a result, all the measurement indicators for the determinants of tax payment among large taxpayers were retained for further analysis. For the KMO and Bartlett's Test, all variables attracted KMO values above 0.8 hence adequate sampling adequacy. Kaiser (1974) recommend 0.5 (value for KMO) as minimum (barely accepted), values between 0.7-0.8 acceptable, and values above 0.9 are excellent. According to Sigudla and Maritz (2023), KMO of 0.8 and above are acceptable and imply adequate sampling adequacy.

4.4 Demographic Characteristics

The study further analyzed the sector of the large taxpayer, the number of employees of the firm, annual revenue of the large taxpayer firm, the number of years the firm had been advising or managing tax affairs for large taxpayers, number of taxpayers that failed to file returns as well as the number of years their clients had used digital tax systems (iTax or eTIMS). The results were outlined in Table 4.4 below.

Table 4.4: Demographic Results

Sector of the Firm	Frequency	Percent
Manufacturing	23	11.3
Agriculture	35	17.2
Telecom	25	12.3
Hospitality	27	13.3
Transport and Logistic	34	16.7
Health/ pharmaceutical	29	14.3
Education	30	14.8
Total	203	100
Number of Employees	Frequency	Percent

Less than 100	30	14.8
101-200	42	20.7
201-300	45	22.2
301-400	54	26.6
401-500	13	6.4
Over 500	19	9.4
Total	203	100
Annual Revenue	Frequency	Percent
Less than 1.3 billion	82	40.4
1.4 – 5 billion	61	30.1
5.1 - 10 billion	33	16.2
Over 10 billion	27	13.3
Total	203	100
Number of Years	Frequency	Percent
Less than 10 years	26	12.8
11-20 years	71	35
21-30 years	30	14.8
31-40 years	35	17.2
41-50 years	32	15.8
over 50 years	9	4.4
Total	203	100
Ever failed to File Returns	Frequency	Percent
Yes	12	5.9
No	191	94.1
Total	203	100
Number of Years of Using Digital Tax Systems	Frequency	Percent
1-3 years	49	24.1
4-7 years	65	32
8 years and above	89	43.8
Total	203	100

The results indicated that 11.3% of the large taxpayer firms contacted fell under the manufacturing sector, 17.2% agriculture, 14.3% health/pharmaceutical, 13.3% hospitality, 12.3% telecom, 14.8% education while 16.7% were operating under the transport and logistics category. The results further indicated that 26.6% of the large taxpayer firms under study had between 301-400 employees, 22.2% had between 201-300 employees, 20.7% between 101-200 employees, 9.4% over 500 employees while 6.4% of the firms under study had between 401-500 employees. A moderate 40.4% of the firms under review further pointed out that their annual revenue total between less than KES 1.3 billion, while 30.1% did point out that their

annual revenue was KES 1.4 billion to 5 billion. In addition, 16.2% of the firms under study had annual revenue between KES 5.1 to 10 billion whereas only 13.3% generated over 10 billion Kenya Shillings annually. With regards the number of years the firm has been advising or managing tax affairs for large taxpayers, majority (35%) indicated between 11 and 20 years, 17.2% between 31 and 40 years, 15.8% between 41 and 50 years, 14.8% between 21 and 30 years, 12.8% less than 10 years and finally 4.4% has been advising or managing tax affairs for large taxpayers for over 50 years. The results further pointed out that only 5.9% of the taxpayers managed by the firms under study failed to file returns while 94.1% were compliant. Regarding the number of years, the clients of the firms under study have used digital tax systems (iTax or eTIMS), majority of the firms (43.8%) indicated 8 years and above, 32% between 4 and 7 years and finally 24.2% indicated that their clients had been using digital tax systems (iTax or eTIMS) for between 1 and 3 years.

4.5 Descriptive Analysis

The descriptive results for the study were provided in the form of mean standard deviation and median. Primary data was adopted in the study and was collected using structured questionnaires and analyzed using SPSS version 20. The responses were measured using a Likert Scale ranging from the values 1 to 5 with the value 1 representing that the response was in strong disagreement and the value 5 implying that the response was strongly in agreement. The study further computed the means with a mean of 1 indicating that the average response was in strong disagreement, mean of 2 implying disagreement, mean of 3 implying moderately in agreement, mean of 4 implying an agreement on average and finally a mean of 5 implying a strong agreement on average.

4.5.1 Tax System Related Factors

Table 4.5 presented a summary of responses on tax system related factors.

Table 4.5: Descriptive Statistics for Tax System Related Factors

	Mean	Standard Deviation	Median
iTax and eTIMS systems simple and user-friendly.	3.79	1.18	4.0
Frequent changes in tax management systems affect our firm's ability to ensure tax compliance.	3.75	1.21	4.0
The costs associated with tax penalties and fines are reasonable in relation to compliance efforts.	3.81	1.15	4.0

The ease and costs associated with tax filing impact willingness to comply with tax laws.	3.79	1.23	4.0
The iTax system effectively enables us to meet tax collection targets.	3.72	1.16	4.0
The eTIMS system achieves its tax filing targets efficiently.	3.83	1.12	4.0
Aggregate mean, standard deviation and median	3.78	1.18	4.0

The question on whether the respondents find iTax and eTIMS systems simple and user-friendly recorded a mean and standard deviation of 3.79 and 1.18 respectively implying the responses were in tandem on average. The question, frequent changes in tax management systems affect our ability to ensure tax compliance had a standard deviation and a mean of 3.75 and 1.21 respectively. With a mean of 3.81 and a standard deviation of 1.15, the respondents agreed that costs associated with tax penalties and fines are reasonable in relation to compliance efforts. The ease and costs associated with tax filing impact our willingness to comply with tax laws recorded a mean and a respective standard deviation of 3.79 and 1.23. Furthermore, the respondents were also in agreement with a mean of 3.72 and a standard deviation of 1.16 that iTax system effectively enables us to meet our tax collection targets. Finally, the statement eTIMS system achieves its tax filing targets efficiently had a mean of 3.83 and a standard deviation of 1.12 implying that the respondents were in agreement on average. The median results (4.0) indicate that majority of the respondents agreed with the questions on the tax system related factors.

The aggregate mean and standard deviation were 3.78 and 4.0 implying that the respondents were in agreement with the statements on tax system related factors. This implies that iTax and eTIMS systems are simple and user-friendly, facilitating enhanced compliance rates and that changing tax management systems frequently affect compliance rates. Further, the respondents were in agreement on average that the costs associated with tax penalties and fines are reasonable in relation to compliance efforts.

4.5.2 Taxpayer Related Factors

Table 4.6 presented a summary of responses on taxpayer related factors.

Table 4.6: Descriptive Statistics for Taxpayer Related Factors

	Mean	Standard Deviation	Median
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We have a clear understanding of their tax obligations and responsibilities.	3.80	1.14	4.0
The level of education positively influences their tax payment.	3.79	1.11	4.0
The demographic characteristics of this firm impacts engagement with tax regulations.	3.87	1.17	4.0
Perceptions of corruption among tax authorities affect our willingness to comply with tax laws.	3.72	1.15	4.0
Ethical considerations play a significant role in our decisions regarding tax payment.	3.75	1.17	4.0
Aggregate mean, standard deviation and median	3.79	1.15	4.0

The question that large taxpayers have a clear understanding of their tax obligations and responsibilities recorded a mean and standard deviation of 3.80 and 1.14 respectively implying the responses were in tandem on average. The question, the level of education among positively influences tax payment had a standard deviation and a mean of 3.79 and 1.11 respectively. With a mean of 3.87 and a standard deviation of 1.17, the respondents agreed that the demographic characteristics of large taxpayers influence our engagement with tax regulations. Perceptions of corruption among tax authorities affect our willingness to comply with tax laws recorded a mean and a respective standard deviation of 3.72 and 1.15. Finally, the statement ethical considerations play a significant role in our decisions regarding tax payment had a mean of 3.75 and a standard deviation of 1.17 implying that the respondents were in agreement on average. The median results (4.0) indicate that majority of the respondents agreed with the questions on the taxpayer related factors.

The aggregate mean and standard deviation were 3.79 and 4.0 implying that the respondents were in agreement with the statements on taxpayer related factors. This implies that the respondents had clear understanding of their tax obligations and responsibilities and that the perceptions of corruption among tax authorities affect their willingness to comply with tax laws. In addition, the level of education, demographic characteristics and ethical considerations have significant effect on their tax payment.

4.5.3 Tax Collector Related Factors

Table 4.7 presented a summary of responses on tax collector related factors.

Table 4.7: Descriptive Statistics for Tax Collector Related Factors

	Mean	Standard Deviation	Median
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Tax collectors (KRA employees) demonstrate competence in their roles when dealing with tax related matters.	3.80	1.18	4.0
KRA employees maintain high ethical standards and professionalism in their interactions with us.	3.81	1.22	4.0
Malpractices among KRA employees in tax collection is minimal according to our observations.	3.71	1.19	4.0
KRA employees are adequately compensated for their work, which impacts their efficiency.	3.72	1.20	4.0
Aggregate mean, standard deviation and median	3.76	1.20	4.0

The statement, tax collectors (KRA employees) demonstrate competence in their roles when dealing with us attracted a mean and standard deviation of 3.80 and 1.18 respectively implying the responses were in tandem on average. The question, KRA employees maintain high ethical standards and professionalism in their interactions with us had a standard deviation and a mean of 3.81 and 1.22 respectively. With a mean of 3.71 and a standard deviation of 1.19, the respondents agreed that malpractices among KRA employees in tax collection is minimal according to our observations. Finally, the statement KRA employees are adequately compensated for their work, which impacts their efficiency had a mean of 3.72 and a standard deviation of 1.20 implying that the respondents were in agreement on average. The median results (4.0) indicate that majority of the respondents agreed with the questions on the tax collector related factors.

The aggregate mean and standard deviation were 3.76 and 4.0 implying that the respondents were in agreement with the statements on tax collector related factors. This implies that the KRA employees demonstrate competence and high ethical standards and professionalism in their roles when dealing with tax related matters. Furthermore, there was agreement that KRA employees are adequately compensated for their work and that malpractices among KRA employees in tax collection is minimal.

4.5.4 Macroeconomic factors

Table 4.8 presented a summary of responses on macroeconomic factors.

Table 4.8: Descriptive Statistics for macroeconomic factors

	Mean	Standard Deviation	Median
Macroeconomic factors (e.g., inflation) influence our ability to pay taxes.	3.78	1.17	4.0
Economic conditions, such as unemployment, affect ability to meet tax obligations.	3.83	1.24	4.0
Aggregate mean, standard deviation and median	3.81	1.21	4.0

The statement, macroeconomic factors (e.g., inflation) influence our ability to pay taxes had a standard deviation and a mean of 3.78 and 1.17 respectively. Finally, the statement economic conditions, such as unemployment, affect our ability to meet tax obligations had a mean of 3.83 and a standard deviation of 1.24 implying that the respondents were in agreement on average. The median results (4.0) indicate that majority of the respondents agreed with the questions on macroeconomic factors.

The aggregate mean and standard deviation were 3.81 and 4.0 implying that the respondents were in agreement with the statements on macroeconomic factors. This implies that macroeconomic factors including inflation and economic conditions such as unemployment influence the ability of the respondents to pay taxes.

4.5.5 Change of Tax Policies

Table 4.9 presented a summary of responses on change of tax policies.

Table 4.9: Descriptive Statistics for Change of Tax Policies

	Mean	Standard Deviation	Median
Changes in government influence our willingness to comply with tax obligations.	3.78	1.13	4.0
Changes in government leadership lead to changes in tax policy affecting our ability to pay taxes.	3.74	1.21	4.0
Political transitions reduce the efficiency of tax collection systems as observed in our practice.	3.78	1.10	4.0
Changes in government disrupt tax payment due to policy uncertainty experienced.	3.74	1.25	4.0
Political transitions have a direct impact on the enforcement of tax laws affecting tax payment.	3.69	1.16	4.0
Aggregate mean, standard deviation and median	3.71	1.17	4.0

With a mean of 3.78 and a standard deviation of 1.13, the respondents agreed that changes in government influence our willingness to comply with tax obligations. Further, the question, changes in government leadership lead to changes in tax policy affecting our ability to pay taxes attracted a mean and standard deviation of 3.74 and 1.21 respectively implying the responses were in concurrence on average. The statement, political transitions reduce the efficiency of tax collection systems as observed in our practice attracted a standard deviation and a mean of 3.78 and 1.10 in that order. With a mean of 3.74 and a standard deviation of

1.25, the respondents agreed that changes in government disrupt tax payment due to policy uncertainty experienced. Finally, the question political transitions have a direct impact on the enforcement of tax laws affecting tax compliance had a mean of 3.69 and a standard deviation of 1.16 implying that the respondents were in agreement on average. The median results (4.0) indicate that majority of the respondents agreed with the questions on the macroeconomic factors.

The aggregate mean and standard deviation were 3.71 and 4.0 implying that the respondents were in agreement with the statements on change of tax policies. This implies that changes in government leadership lead to changes in tax policy affecting their ability to pay taxes. Political transitions reduce the efficiency of tax collection systems and have a direct impact on the enforcement of tax laws affecting tax payment. Government changes disrupt tax payment due to policy uncertainty experienced.

4.5.6 Tax Payment

Table 4.10 presented a summary of responses on tax payment.

Table 4.10: Descriptive Statistics for Tax Payment

	Mean	Standard Deviation	Median
We comply with tax laws and regulations in Kenya.	3.78	1.21	4.0
We make timely tax payments without needing reminders.	3.81	1.18	4.0
Penalties and fines deter us from underreporting or avoiding taxes.	3.79	1.16	4.0
Fear of penalties encourage us to comply with tax regulations.	3.82	1.25	4.0
We believe that tax evasion and avoidance significantly contribute to shortfalls in government revenue.	3.76	1.20	4.0
Aggregate mean, standard deviation and median	3.79	1.20	4.0

That large taxpayers comply with tax laws and regulations in Kenya recorded a mean and standard deviation of 3.78 and 1.21 respectively meaning that the responses were in tandem on average. The question, large taxpayers make timely tax payments without needing reminders recorded a standard deviation and a mean of 3.81 and 1.18 respectively. With a mean of 3.79 and a standard deviation of 1.16, the respondents concurred that penalties and fines deter large taxpayers from underreporting or avoiding taxes. Fear of penalties encourage large taxpayer to comply with tax regulations recorded a mean and a respective standard deviation of 3.82 and

1.25. Finally, the statement we believe that tax evasion and avoidance significantly contribute to shortfalls in government revenue had a mean of 3.76 and a standard deviation of 1.20 meaning that the respondents were in agreement on average. The median results (4.0) indicate that majority of the respondents agreed with the questions on the taxpayer related factors.

The aggregate mean and standard deviation were 3.79 and 4.0 implying that the respondents were in agreement with the statements on change of tax payment. This implies that the respondents are compliant with tax laws and regulations in Kenya, make timely tax payments without needing reminders. Penalties and fines deter them from underreporting or avoiding taxes, hence encourage compliance and that tax evasion and avoidance significantly contribute to shortfalls in government revenue.

4.6 Diagnostic Tests

The diagnostic tests estimated in the research included normality test, multicollinearity test and auto-correlation. The diagnostic tests were conducted to determine the suitability of the model for estimation.

4.6.1 Test for Multicollinearity

The Variance Inflation Factor (VIF) was employed to identify multicollinearity among the independent variables. A VIF value below 5 was deemed acceptable, suggesting that there is no significant multicollinearity present (Shrestha, 2021). In case of severe multicollinearity, this was cured by removing some of the highly correlated independent variables. Multicollinearity test results are outlined in Table 4.10.

Table 4.11: Multicollinearity Test Results

	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Tax System Related Factors	0.840	1.191
Taxpayer Related Factors	0.768	1.301
Tax Collector Related Factors	0.704	1.420
Macroeconomic factors	0.680	1.471

The results of the study indicated that VIF values for all the independent variables in the study were <5 ($1.191 < 5$, $1.301 < 5$, $1.420 < 5$ and finally $1.471 < 5$). Thus, the study makes the conclusion that there is no multicollinearity in the dataset and hence all the independent variables were retained in the study for further analysis.

4.6.2 Normality Tests

Kolmogorov Smirnov test was employed in testing for normality. The null hypothesis is that error terms of the data is normally distributed. When the calculated p-value is <0.05 , we fail to reject null hypothesis. Nonetheless, if the p-value is <0.05 , the error variation in the dataset is normally distributed. Normality Test Results are outlined in Table 4.11.

Table 4.12: Normality Test Results

	Kolmogorov-Smirnova Statistic	df	Sig.
Tax System Related Factors	0.088	203	0.101
Taxpayer Related Factors	0.079	203	0.099
Tax Collector Related Factors	0.074	203	0.266
Macroeconomic factors	0.083	203	0.134

From the outcomes, the normality test results pointed out that all the significance values for all the variables were >0.05 ($0.101 > 0.05$, $0.099 > 0.05$, $0.266 > 0.05$ and $0.134 > 0.05$). Thus, the study makes the conclusion that the data used in the study follows a normal distribution and hence is fit to be used for further analysis.

4.7 Inferential Analysis

The inferential results for the study included both correlation and regression analysis results. Correlation analysis serves to explore the strength and direction of relationship between the determinants of tax payment among large taxpayers in Kenya. Regression analysis served to determine the linear relationship between the dependent and the independent variables in the study.

4.7.1 Correlation Analysis

Correlation analysis was used to determine the strength and direction of relationship between tax system related factors, taxpayer related factors, tax collector related factors, Macroeconomic factors as well as change of tax policies and tax payment. The results are presented in Table 4.13.

Table 4.13: Correlation Results

		Tax System Related Factors	Taxpayer Related Factors	Tax Collector Related Factors	Macroecono mic factors Factors	Change of Tax Policies
Tax payment	Pearson Correlat ion	1	.532**	.481**	.452**	-.559**
						-.520**

	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000
	N	203	203	203	203	203	203
Tax System Related Factors	Pearson Correlation	.532**	1	.397**	.392**	-.444**	-.327**
	Sig. (2-tailed)	0.000		0.000	0.000	0.000	0.000
	N	203	203	203	203	203	203
Taxpayer Related Factors	Pearson Correlation	.481**	.397**	1	.431**	-.323**	-.268**
	Sig. (2-tailed)	0.000	0.000		0.000	0.000	0.000
	N	203	203	203	203	203	203
Tax Collector Related Factors	Pearson Correlation	.452**	.392**	.431**	1	-.281**	-.356**
	Sig. (2-tailed)	0.000	0.000	0.000		0.000	0.000
	N	203	203	203	203	203	203
Macroeconomic factors	Pearson Correlation	-.559**	-.444**	-.323**	-.281**	1	.450**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000		0.000
	N	203	203	203	203	203	203
Change of Tax Policies	Pearson Correlation	-.520**	-.327**	-.268**	-.356**	.450**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	
	N	203	203	203	203	203	203

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

From the outcomes, the correlation between tax system related factors and tax payment was positive and statistically significant ($r=0.532$, $p=0.000 < 0.05$). Elements such as the complexity of tax procedures, clarity of tax laws, efficiency of tax administration, and accessibility of tax services directly affect taxpayers' willingness and ability to comply. A complicated and opaque tax system often discourages compliance. Additionally, delays in processing tax returns or refunds, poor taxpayer services, and limited use of digital platforms can further erode trust in the system.

The correlation between taxpayer related factors and tax payment was positive and statistically significant ($r=0.481$, $p=0.000 < 0.05$). Individual attitudes, knowledge, perceptions, and socio-economic characteristics directly affect compliance decisions. A taxpayer's awareness of tax laws, perceived fairness of the tax system, moral obligation to pay taxes, and trust in government institutions all contribute to their willingness to comply. Low levels of tax literacy, negative perceptions of government accountability, and a lack of understanding of how taxes

are utilized often lead to resistance or evasion. Demographic factors such as income level, occupation, education, and social norms can shape compliance behavior.

The correlation between tax collector related factors and tax payment was positive and statistically significant ($r=0.452$, $p=000<0.05$). Efficiency, integrity, and professionalism of tax officials directly affect taxpayer trust and compliance. When tax collectors demonstrate transparency, fairness, and competence in administering tax laws, taxpayers are more likely to view the system as just and fulfill their obligations voluntarily. However, issues such as corruption, harassment, favoritism, and inconsistent enforcement by tax officials can lead to widespread mistrust, discouraging compliance and encouraging tax evasion. The quality of taxpayer services KRA including responsiveness, guidance, and support greatly impacts the overall taxpayer experience.

The correlation between other macroeconomic factors (inflation and unemployment) and tax payment was negative and statistically significant ($r=-0.559$, $p=000<0.05$). The overall economic conditions such as inflation and unemployment influence both the capacity and willingness of individuals and businesses to comply with tax obligations. During periods of inflationary pressure, taxpayers may struggle to meet their tax obligations due to reduced purchasing power and declining business performance. However, stable macroeconomic conditions create an enabling environment for compliance by improving income levels and business confidence.

The correlation between change of tax policies and tax payment was negative and statistically significant ($r=-0.520$, $p=000<0.05$). The change of tax policies, particularly during political transitions and election cycles, has been identified as a critical moderating factor affecting tax payment behavior and its underlying determinants. Globally, political instability often brings uncertainty, leading to shifts in tax policies, enforcement mechanisms, and public trust in the tax system. Such transitions can cause disruptions in tax payment, especially when new governments introduce reform agendas that may either alleviate or exacerbate tax obligations.

4.7.2 Regression Analysis

Regression analysis served to determine the linear relationship between the dependent and the independent variables in the study. The dependent variable was tax payment while the independent variables were tax system related factors, taxpayer related factors, tax collector related factors and macroeconomic factors. Multiple linear regression results allow the researcher to determine the joint effects of the independent variables on the dependent variable.

The advantages of this approach are that this may lead to a more accurate and precise understanding of the association of each individual factor with the outcome (DiStefano et al., 2019).

Table 4.14: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.701a	0.491	0.481	0.77733

a Predictors: (Constant), macroeconomic factors, tax collector related factors, taxpayer related factors, tax system related factors

The outcomes pointed out that the estimated model explain to a tune of 48.1% of the total variations in tax payment among large taxpayers in Kenya. This is supported by the adjusted R Squared value of 0.481 in the estimated model. This implies that the independent variables under study including tax system related factors, taxpayer related factors, tax collector related factors and macroeconomic factors are significant in explaining tax payment among large taxpayers in Kenya.

Table 4.15: ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	115.64	4	28.91	47.844	.000b
Residual	119.641	198	0.604		
Total	235.281	202			

a Dependent Variable: Tax Payment

b Predictors: (Constant), macroeconomic factors, tax collector related factors, taxpayer related factors, tax system related factors

From the results presented in Table 4.15 indicated the statistical significance of the estimated model. The model is statistically significant as supported by the estimated p-value in the model ($0.000 < 0.05$) as well as the estimated F value (47.844) less than the F critical from the F tables. The estimated results can therefore be used for further analysis to give reliable inference.

Table 4.16: Multiple Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	8.130	0.844		9.637	0.000
Tax System Related Factors	0.571	0.151	0.23	3.776	0.000
Taxpayer Related Factors	0.392	0.114	0.202	3.425	0.001
Tax Collector Related Factors	0.374	0.122	0.179	3.059	0.003

Macroeconomic factors	-0.356	0.060	-0.342	-5.933	0.000
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a Dependent Variable: Tax payment

The ordinal regression model that was utilized is presented as;

$$TP = 8.13 + 0.571TSF + 0.392TPF + 0.374TCF - 0.356OEF$$

Where: TNB = Tax payment (dependent variable)

TSF = Tax system-related factors (independent variable)

TPF = Taxpayer-related factors

TCF = Tax collector-related factors

MF = Macroeconomic factors like inflation and unemployment

The outcomes indicate that the coefficient of tax system related factors was positive and statistically significant ($\beta=0.571$, $p=0.000<0.05$). This means that a unit improvement in the tax system related factors among the large taxpayers in Kenya would result in a significant 0.571 units increase in tax payment among large taxpayers in Kenya. Thus, the study makes the conclusion that tax system related factors is a significant determinant of tax payment among large taxpayers in Kenya. Elements such as the complexity of tax procedures, clarity of tax laws, efficiency of tax administration, and accessibility of tax services directly affect taxpayers' willingness and ability to comply. A complicated and opaque tax system often discourages compliance. Additionally, delays in processing tax returns or refunds, poor taxpayer services, and limited use of digital platforms can further erode trust in the system.

The coefficient of taxpayer related factors was positive and statistically significant ($\beta=0.392$, $p=0.001<0.05$). This means that a unit improvement in the taxpayer related factors among the large taxpayers in Kenya would result in a significant 0.392 units increase in the tax payment among large taxpayers. Therefore, the study makes the conclusion that taxpayer related factors is a significant determinant of tax payment among large taxpayers in Kenya. Individual attitudes, knowledge, perceptions, and socio-economic characteristics directly affect compliance decisions. A taxpayer's awareness of tax laws, perceived fairness of the tax system, moral obligation to pay taxes, and trust in government institutions all contribute to their willingness to comply. Low levels of tax literacy, negative perceptions of government accountability, and a lack of understanding of how taxes are utilized often lead to resistance or evasion. Demographic factors such as income level, occupation, education, and social norms can shape compliance behavior.

Further, the coefficient of tax collector related factors was positive and statistically significant ($\beta=0.374$, $p=0.003<0.05$). This means that a unit improvement in the tax collector related factors among the large taxpayers in Kenya would result in a significant 0.374 units increase in the tax payment among large taxpayers in Kenya. The study makes the conclusion that tax collector related factors is a significant determinant of tax payment among large taxpayers in Kenya. Efficiency, integrity, and professionalism of tax officials directly affect taxpayer trust and compliance. When tax collectors demonstrate transparency, fairness, and competence in administering tax laws, taxpayers are more likely to view the system as just and fulfill their obligations voluntarily. However, issues such as corruption, harassment, favoritism, and inconsistent enforcement by tax officials can lead to widespread mistrust, discouraging compliance and encouraging tax evasion. The quality of taxpayer services KRA including responsiveness, guidance, and support greatly impacts the overall taxpayer experience.

However, the coefficient of macroeconomic factors was negative and statistically significant ($\beta=-0.356$, $p=0.000<0.05$). This means that a unit improvement in macroeconomic factors that include inflation and unemployment among the large taxpayers in Kenya would result to 0.356 units decline in the tax payment among large taxpayers in Kenya. Thus, the study makes the conclusion that there are other macroeconomic factors that significantly determines of tax payment among large taxpayers in Kenya. The overall economic conditions such as inflation and unemployment influence both the capacity and willingness of individuals and businesses to comply with tax obligations. During periods of inflationary pressure, taxpayers may struggle to meet their tax obligations due to reduced purchasing power and declining business performance. However, stable macroeconomic conditions create an enabling environment for compliance by improving income levels and business confidence.

4.7.3 Moderating effect of Change of Tax Policies on the Relationship between Tax Payment and its Determinants among Large Taxpayers in Kenya

The study investigated the moderating effect of the change of tax policies on the relationship between the independent variables and tax payment. The analysis was conducted using two models: one before moderation and one after moderation.

Before moderation, the OLS multiple regression model was formulated as follows:

$$\text{TP} = 8.13 - 0.571\text{TSF} - 0.392\text{TPF} - 0.374\text{TCF} + 0.356\text{MF}$$

Where: TP = Tax payment (dependent variable)

TSF = Tax system-related factors (independent variable)

TPF = Taxpayer-related factors

TCF = Tax collector-related factors

MF = Macroeconomic factors

After moderation, the model included the interaction terms between the independent variables and the moderating variable (change of tax policies). The model summary results after moderation is shown in table 4.17.

Table 4.17: Model Summary Results after Moderation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.735 ^a	.541	.519	.74834

a. Tax System Related Factors, Taxpayer Related Factors, Tax Collector Related Factors, Macroeconomic factors, Change of Tax Policies, TSF*M, TPF*M, TCF*M and MF*M

The R square after moderation is .519. The R square before testing for moderating effect of change of tax policies was 0.481. However, after moderation the R square improved to .519 This implies that change of tax policies strengthens the effect of change of tax policies on the relationship between tax payment and its determinants among large taxpayers in Kenya. The regression coefficient results are shown in Table 18.

Table 4.18: Regression Coefficient Results after Testing for Moderation effect of change of tax policies

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	7.644	0.834		9.168	0.000
Tax System Related Factors	0.424	0.589	0.171	0.720	0.472
Taxpayer Related Factors	0.035	0.463	0.018	0.076	0.940
Tax Collector Related Factors	1.038	0.548	0.497	1.895	0.060
Macroeconomic factors (inflation and unemployment)	-0.398	0.16	-0.383	-2.493	0.014
Change of Tax Policies	0.981	0.784	0.861	1.251	0.212
TSF*M	0.018	0.143	0.069	0.125	0.901
TPF*M	0.104	0.116	0.431	0.901	0.369

TCF*M	0.194	0.134	0.771	1.448	0.149
MF*M	-0.032	0.042	-0.167	-0.773	0.440

$$\text{TNB} = 7.644 + 0.424\text{TSF} + 0.035\text{TPF} + 1.038\text{TCF} + 0.398\text{OEF} - 0.981\text{CG} \\ + 0.018\text{TSF} * \text{M} + 0.104\text{TPF} * \text{M} + 0.194\text{TCF} * \text{M} - 0.032\text{OMF} * \text{M}$$

Where:

M = Change of tax policies (moderating variable)

TSF * M, TPF * M, TCF * M, MF * M = Interaction terms between the change of tax policies and each independent variable

M is the moderator (change in government)

From the results in Table 4.17 on regression findings with moderation, the moderating variable of change of tax policies lacked significant effect on the relationship between determinants of tax payment and tax payment ($\beta = 0.981$, $p\text{-value} = 0.212 > 0.05$). The coefficient of tax collector related factors was positive and statistically significant ($\beta = 1.038$, $p = 0.060 < 0.10$). This means that a unit improvement in the tax collector related factors among the large taxpayers in Kenya would result in a significant 1.038 units increase in the tax payment among large taxpayers in Kenya. The study makes the conclusion that tax collector related factors is a significant determinant of tax payment among large taxpayers in Kenya.

The coefficient of macroeconomic factors (inflation and unemployment) was negative and statistically significant ($\beta = -0.398$, $p = 0.014 < 0.05$). This means that a unit improvement in the macroeconomic factors among the large taxpayers in Kenya would result in a significant 0.398 units decline in the tax payment among large taxpayers in Kenya. Thus, the study makes the conclusion that macroeconomic factors (inflation and unemployment) deter tax payment among large taxpayers in Kenya

4.8 Chapter Summary

The chapter presented the analysis of data as well as the presentation of the results. This included the response rate of the study, the demographic results of the study, the descriptive results as well as the diagnostic tests. The study further presented the inferential results of the study including both correlation and regression results and the moderation effects.

CHAPTER FIVE: DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The section outlines the discussion of the analysis results as well as presents the conclusions of the study and makes recommendations based on the conclusions. The discussion of the results as well as the conclusions are done in accordance with the objectives of the study.

5.2 Summary of Results

From the outcomes, the correlation between tax system related factors and tax payment was positive and statistically significant. The coefficient of tax system related factors was positive and statistically significant. This means that a unit improvement in the tax system related factors among the large taxpayers in Kenya would result in a significant increase in tax payment among large taxpayers in Kenya. Elements such as the complexity of tax procedures, clarity of tax laws, efficiency of tax administration, and accessibility of tax services directly affect taxpayers' willingness and ability to comply. A complicated and opaque tax system often discourages compliance. Additionally, delays in processing tax returns or refunds, poor taxpayer services, and limited use of digital platforms can further erode trust in the system.

The correlation between taxpayer related factors and tax payment was positive and statistically significant. The coefficient of taxpayer related factors was positive and statistically significant. This means that a unit improvement in the taxpayer related factors among the large taxpayers in Kenya would result to an increase in tax payment among large taxpayers in Kenya. Individual attitudes, knowledge, perceptions, and socio-economic characteristics directly affect compliance decisions. A taxpayer's awareness of tax laws, perceived fairness of the tax system, moral obligation to pay taxes, and trust in government institutions all contribute to their willingness to comply. Low levels of tax literacy, negative perceptions of government accountability, and a lack of understanding of how taxes are utilized often lead to resistance or evasion. Demographic factors such as income level, occupation, education, and social norms can shape compliance behavior.

The correlation between tax collector related factors and tax payment behavior was positive and statistically significant. The coefficient of tax collector related factors was positive and statistically significant. This means that a unit improvement in the tax collector related factors among the large taxpayers in Kenya would result to a significant increase in tax payment among large taxpayers in Kenya. Efficiency, integrity, and professionalism of tax officials directly affect taxpayer trust and compliance. When tax collectors demonstrate transparency, fairness,

and competence in administering tax laws, taxpayers are more likely to view the system as just and fulfill their obligations voluntarily. However, issues such as corruption, harassment, favoritism, and inconsistent enforcement by tax officials can lead to widespread mistrust, discouraging compliance and encouraging tax evasion. The quality of taxpayer services KRA including responsiveness, guidance, and support greatly impacts the overall taxpayer experience.

The correlation between macroeconomic factors and tax payment was negative and statistically significant. The coefficient of macroeconomic factors was negative and statistically significant. This means that a unit improvement in the macroeconomic factors (inflation and unemployment) among the large taxpayers in Kenya would result in a significant improvement in the tax payment among large taxpayers in Kenya. The overall economic conditions such as inflation and unemployment influence both the capacity and willingness of individuals and businesses to comply with tax obligations. During periods of inflationary pressure, taxpayers may struggle to meet their tax obligations due to reduced purchasing power and declining business performance. However, stable macroeconomic conditions create an enabling environment for compliance by improving income levels and business confidence.

The correlation between change of tax policies and tax payment was negative and statistically significant. Upon testing for moderation, the macroeconomic factors had a significant and negative effect on tax payment while the interactive terms lacked significant effect on the tax payment behavior. This means that as change of tax policies does not significantly moderate the effect of tax system related factors, taxpayer related factors and macroeconomic factors on tax payment among large taxpayers in Kenya. The change of tax policies, particularly during political transitions and election cycles, has been identified as a critical moderating factor affecting tax payment behavior and its underlying determinants. Globally, political instability often brings uncertainty, leading to shifts in tax policies, enforcement mechanisms, and public trust in the tax system. Such transitions can cause disruptions in tax payment, especially when new governments introduce reform agendas that may either alleviate or exacerbate tax obligations.

5.3 Discussion of the Main Findings

The section was discussed in accordance with the objectives of the study.

5.3.1 Tax System Related Factors and Tax Payment

From the outcomes, the relationship between tax system related factors and tax payment was positive and statistically significant. The outcomes indicate that the coefficient of tax system related factors was positive and statistically significant. This means that a unit improvement in the tax system related factors among the large taxpayers would result in a significant increase in tax payment among large taxpayers in Kenya. Thus, the study makes the conclusion that tax system related factors is a significant determinant of tax payment among large taxpayers. Factors related to the tax system play a crucial role in influencing tax payment among large taxpayers. Key elements include the complexity of tax regulations, the effectiveness of tax collection mechanisms, the costs associated with compliance, and the frequency of tax law amendments. Elements such as the complexity of tax procedures, clarity of tax laws, efficiency of tax administration, and accessibility of tax services directly affect taxpayers' willingness and ability to comply. A complicated and opaque tax system often discourages compliance. Additionally, delays in processing tax returns or refunds, poor taxpayer services, and limited use of digital platforms can further erode trust in the system.

The results are consistent with the findings of Mutua and Njuguna (2022) which revealed that majority of the SMEs surveyed identified complex tax laws as a major obstacle to compliance. In contrast, Wamalwa and Nanjala (2023) showed that 38% of taxpayers surveyed encountered technical difficulties during tax filing, including system downtimes and poor user interfaces, which discouraged compliance. The study identified technical challenges that complicate compliance. Karanja and Abdi (2023) found that 54% of respondents cited high compliance costs as a reason for evading taxes. The findings were consistent with those of Mwithiga et al. (2021), who also identified compliance costs as a critical factor affecting tax payment. The compliance costs include direct compliance costs, such as accounting fees and software expenses, they did not examine indirect costs, such as time lost in navigating complex systems, which could also contribute to non-compliance.

According to Mwangi and Wambua (2022), frequent changes in Kenya's tax laws create uncertainty, leading to delays in tax filing and, in many cases, non-compliance. By tracking compliance rates over time, the researchers were able to demonstrate a clear correlation between policy changes and increased non-compliance. This finding aligns with the work of Karanja and Abdi (2023), who reported that unpredictable tax policy shifts discourage taxpayers from adhering to their obligations. The study by Otieno (2022) found that system reliability issues, such as frequent downtimes, contributed to taxpayer frustration and eventual

non-compliance. Jakobsen et al. (2022) indicated that the implementation of user-friendly tax software resulted in a 15% rise in compliance rates over a five-year span. In contrast, the situation in Kenya reveals that, despite the rollout of digital platforms like iTax, compliance rates remain low, primarily due to system failures and the high costs associated with compliance (Wamalwa & Nanjala, 2023).

The results are also consistent with the propositions of deterrence theory which emphasizes the role of sanctions and enforcement in promoting compliance. The theory posits that individuals or entities are less likely to engage in unlawful behavior if the perceived costs of detection and punishment outweigh the benefits of non-compliance. For large taxpayers in Kenya, the likelihood of detection is a critical factor. The Kenya Revenue Authority (KRA) has introduced systems like iTax and eTIMS, which enhance real-time monitoring and auditing capabilities, increasing the probability of uncovering non-compliance (KRA, 2022). Large corporations, given their high visibility and complex operations, are more susceptible to audits compared to smaller taxpayers (Slemrod, 2019). As such, frequent audits can serve as a deterrent by signaling that non-compliance were detected and penalized.

5.3.2 Taxpayer Related Factors and Tax Payment

The relationship between taxpayer related factors and tax payment behavior was positive and statistically significant. This means that a unit improvement in the taxpayer related factors among the large taxpayers in Kenya would result in a significant increase in tax payment among large taxpayers. Therefore, the study makes the conclusion that taxpayer related factors is a significant determinant of tax payment among large taxpayers. Taxpayer-related factors, such as education level, socio-economic status, demographics, and ethics, are well-documented influences on tax payment. Individual attitudes, knowledge, perceptions, and socio-economic characteristics directly affect compliance decisions. A taxpayer's awareness of tax laws, perceived fairness of the tax system, moral obligation to pay taxes, and trust in government institutions all contribute to their willingness to comply. Low levels of tax literacy, negative perceptions of government accountability, and a lack of understanding of how taxes are utilized often lead to resistance or evasion. Demographic factors such as income level, occupation, education, and social norms can shape compliance behavior.

The results are consistent with the findings of Kirchler et al. (2008) found that taxpayers with greater financial literacy are more likely to comply with tax regulations, as they better understand the benefits and obligations of tax systems. This finding was echoed in studies by

Alm (2012), who noted that tax knowledge fosters voluntary compliance by reducing misunderstandings and confusion surrounding tax laws. Mwangi and Wambua (2022) conducted a study in Nairobi and found that tax education positively influenced compliance rates, with those who had higher tax literacy reporting a compliance rate of 72%, compared to 45% for those with lower knowledge.

Demographic factors such as age, income, and gender also significantly tax payment. Younger taxpayers, particularly those under 30, tend to exhibit lower compliance rates compared to older taxpayers (Kiptoo et al., 2023). Nyangweso et al. (2023) revealed that 78% of taxpayers who felt a moral duty to pay taxes were more compliant. This contrasts with 39% of respondents who viewed tax payment as secondary to personal financial constraints. In the corporate context, ethical values are often guided by corporate governance and social responsibility standards. Large taxpayers, particularly multinational corporations, are increasingly held to higher ethical standards by stakeholders, including investors, the public, and regulatory bodies, which may incentivize them to comply with tax obligations (Kirchler et al., 2008). Karanja and Abdi (2023) show that individuals in the higher income brackets were more likely to evade taxes, perceiving the tax system as inefficient. This trend is particularly relevant for large corporations, which may prioritize tax avoidance strategies when they perceive tax systems as unfair or poorly administered. Low-income individuals in Kenya often evade taxes due to financial hardship, suggesting that broader economic factors must be considered when designing interventions to improve compliance.

The results conform to the propositions of the theory of planned behavior which posits that behavior is shaped by three components: attitude toward the behavior, subjective norms, and perceived behavioral control. These elements interact to form an individual's intention, which in turn predicts their likelihood of engaging in a specific behavior, such as tax payment. The attitudes toward tax payment among large taxpayers often hinge on a cost-benefit analysis. Corporations may perceive compliance as burdensome, particularly when tax liabilities are viewed as disproportionately high or enforcement mechanisms are perceived as weak (Kamau, 2022). Conversely, firms that prioritize corporate social responsibility and ethical business practices are more likely to value compliance, as maintaining a positive public image can enhance stakeholder trust (Kirchler et al., 2008).

5.3.3 Tax Collector System Related Factors and Tax Payment

The relationship between tax collector related factors and tax payment was positive and statistically significant. This means that a unit improvement in the tax collector related factors among the large taxpayers in Kenya would result in a significant increase in tax payment among large taxpayers. The study makes the conclusion that tax collector related factors is a significant determinant of tax payment among large taxpayers. The efficiency, ethics, and professionalism of tax collectors play a significant role in determining tax payment. When tax collectors demonstrate transparency, fairness, and competence in administering tax laws, taxpayers are more likely to view the system as just and fulfill their obligations voluntarily. However, issues such as corruption, harassment, favoritism, and inconsistent enforcement by tax officials can lead to widespread mistrust, discouraging compliance and encouraging tax evasion. The quality of taxpayer services KRA including responsiveness, guidance, and support greatly impacts the overall taxpayer experience.

Globally, factors such as corruption, tax official competence, communication between tax authorities and taxpayers, and the motivation of tax collectors have been shown to influence compliance behavior (Fossat & Bua, 2018; Alm, 2012; Torgler, 2007). A lack of efficiency or integrity within tax administrations can create an environment where non-compliance thrives, which has been observed in both developing and developed economies (Slemrod, 2019).

A study by Mwangi (2023) indicated that 65% of taxpayers reported higher compliance rates when interacting with competent KRA officials who provided accurate guidance. This supports the view that the competence of tax officials directly correlates with taxpayer willingness to comply. Slemrod (2020) showed that tax payment can be significantly impacted by both the competence of tax officials and the operational efficiency of tax administration. However, Otieno (2022) found that inefficiencies such as long processing times for refunds and unclear tax guidelines deterred compliance.

Corruption within tax administration remains a critical challenge to compliance. Karanja and Abdi (2023) found that 45% of respondents were aware of corruption, and 38% admitted to evading taxes by offering bribes. The study emphasized the importance of integrity within tax administration, their study did not address the varying levels of corruption across sectors, which may influence compliance differently. These findings highlight the negative impact of corruption, echoing Transparency International (2021), which identifies corruption as a major barrier to compliance. Torgler (2007) pointed out that the more corrupt a tax administration is perceived to be, the higher the rates of tax evasion. Incorporating sector-specific studies could

provide a more nuanced view of how corruption influences compliance in different economic sectors.

Wamalwa and Nanjala (2023) revealed that 62% of taxpayers who received timely and clear communication from KRA officials were more likely to comply, while 40% cited poor communication as a significant contributor to non-compliance. This study strengthens the argument that clear communication can enhance compliance. Kiptoo et al. (2023) found that job satisfaction among KRA officials was positively correlated with increased compliance rates.

The results were in line with the propositions of deterrence theory which emphasizes the role of sanctions and enforcement in promoting compliance. The theory posits that individuals or entities are less likely to engage in unlawful behavior if the perceived costs of detection and punishment outweigh the benefits of non-compliance. For large taxpayers in Kenya, the likelihood of detection is a critical factor. The Kenya Revenue Authority (KRA) has introduced systems like iTax and eTIMS, which enhance real-time monitoring and auditing capabilities, increasing the probability of uncovering non-compliance (KRA, 2022). Large corporations, given their high visibility and complex operations, are more susceptible to audits compared to smaller taxpayers (Slemrod, 2019). As such, frequent audits can serve as a deterrent by signaling that non-compliance were detected and penalized.

5.3.4 Macroeconomic Factors and Tax Payment

The relationship between macroeconomic factors and tax payment was negative and statistically significant. This means that a unit improvement in the macroeconomic factors among the large taxpayers in Kenya would result to a significant decline in the tax payment among large taxpayers. Thus, the study makes the conclusion that macroeconomic factors significantly determine of tax payment behavior among large taxpayers in Kenya. Various external factors, including inflation, macroeconomic conditions, social perceptions, and the economic structure, play a significant role in shaping tax payment. The outcomes of Mwithiga (2022) revealed that during election years, compliance rates dropped and was attributed to uncertainty surrounding potential changes in tax policy, as political candidates often promise tax reforms as part of their campaigns. In contrast, a study by Mwangi and Wambua (2022) found that during periods of high inflation, non-compliance rates increased by, as taxpayers prioritized essential household expenses over tax obligations. The study also revealed that unemployment exacerbated non-compliance, particularly among low-income earners. Social perceptions of the government and public institutions also significantly influence tax payment.

Dlamini (2022) showed that 40% of respondents who believed the government misused tax revenues were more likely to evade taxes.

The size and impact of certain economic sectors also present unique challenges to tax payment. A study by Odhiambo (2021) found that industries with higher financial strain and operational challenges, such as agriculture and small-scale manufacturing, experienced more difficulty in meeting tax obligations. These sectors often view taxation as an additional burden on their cash flow, especially during periods of economic hardship. Another external factor is the influence of social norms and cultural attitudes toward taxation. Karanja and Abdi (2023) in a study found that many respondents viewed taxation as an unnecessary burden imposed by a distant government. In these communities, social norms often dictate that non-payment of taxes is acceptable, especially when local governance structures are seen as inefficient or corrupt. The study noted that cultural attitudes toward taxation are deeply embedded in historical experiences with colonial tax systems, where taxation was viewed as exploitative.

The results are consistent with the propositions of deterrence theory which emphasizes the role of sanctions and enforcement in promoting compliance. The theory posits that individuals or entities are less likely to engage in unlawful behavior if the perceived costs of detection and punishment outweigh the benefits of non-compliance. For large taxpayers in Kenya, the likelihood of detection is a critical factor. The Kenya Revenue Authority (KRA) has introduced systems like iTax and eTIMS, which enhance real-time monitoring and auditing capabilities, increasing the probability of uncovering non-compliance (KRA, 2022). Large corporations, given their high visibility and complex operations, are more susceptible to audits compared to smaller taxpayers (Slemrod, 2019). As such, frequent audits can serve as a deterrent by signaling that non-compliance were detected and penalized.

5.3.5 Change of Tax Policies and Tax Payment

The relationship between change of tax policies and tax payment was negative and statistically significant. The coefficient of change of tax policies was negative and statistically significant. This means that a unit improvement in the change of tax policies in Kenya would result in a significant decline in tax payment among large taxpayers. Thus, the study makes the conclusion that there are changes in government tax policies that weaken tax payment large taxpayers. The change of tax policies, particularly during political transitions and election cycles, has been identified as a critical moderating factor affecting tax payment behavior and its underlying determinants. Globally, political instability often brings uncertainty, leading to shifts in tax

policies, enforcement mechanisms, and public trust in the tax system. Such transitions can cause disruptions in tax payment, especially when new governments introduce reform agendas that may either alleviate or exacerbate tax obligations. The results of Mwithiga (2022) revealed a significant decline in compliance rates during election years, with non-compliance increasing by up to 25%. This behavior was attributed to uncertainty surrounding potential tax policy changes, as incoming governments often promise reforms to garner support. In contrast, Mwangi and Wambua (2022) found that 45% of respondents experienced a decline in trust during political transitions, correlating with an increase in tax evasion. This suggests that shifts in government leadership directly influence taxpayer perceptions of fairness and transparency in tax administration.

From the results, before testing for moderation, the coefficients of all the independent variables including tax system related factors, taxpayer related factors, tax collector related factors, macroeconomic factors and change of tax policies were all statistically significant at 95% confidence interval. Upon testing for moderation, macroeconomic factors had a significant and negative effect on tax payment while the interactive terms lacked significant effect on the tax payment. This means that as change of tax policies increase, it insignificantly affects the effect of tax system related factors, taxpayer related factors and macroeconomic factors on the tax payment among large taxpayers.

The results of Mwithiga (2022) revealed a significant decline in compliance rates during election years, with non-compliance increasing by up to 25%. This behavior was attributed to uncertainty surrounding potential tax policy changes, as incoming governments often promise reforms to garner support. In contrast, Mwangi and Wambua (2022) found that 45% of respondents experienced a decline in trust during political transitions, correlating with an increase in tax evasion. This suggests that shifts in government leadership directly influence taxpayer perceptions of fairness and transparency in tax administration.

A case study by Otieno (2023) found that during this period, tax enforcement became more lenient as the incoming government restructured tax collection policies. This led to a 20% decrease in tax revenue collection during the first six months of the new administration. Karanja and Abdi (2023) found that 60% of respondents believed that tax authorities were less likely to enforce compliance during election years, thereby contributing to increased tax evasion. This finding underscores the perceived leniency in enforcement during political transitions, a factor often overlooked in studies that focus only on formal tax policy changes.

A comparative study by Jakobsen et al. (2022) revealed that in countries experiencing frequent leadership changes, tax payment dropped by an average of 15% in the year following a political transition. In Kenya, this effect was more pronounced, with a 22% decrease in compliance observed after the 2017 elections. This study highlights that political transitions create uncertainty about future tax policies and enforcement, which destabilizes compliance.

The outcomes corroborate the propositions of deterrence theory which emphasizes the role of sanctions and enforcement in promoting compliance. The theory posits that individuals or entities are less likely to engage in unlawful behavior if the perceived costs of detection and punishment outweigh the benefits of non-compliance. For large taxpayers in Kenya, the likelihood of detection is a critical factor. The Kenya Revenue Authority (KRA) has introduced systems like iTax and eTIMS, which enhance real-time monitoring and auditing capabilities, increasing the probability of uncovering non-compliance (KRA, 2022). Large corporations, given their high visibility and complex operations, are more susceptible to audits compared to smaller taxpayers (Slemrod, 2019). As such, frequent audits can serve as a deterrent by signaling that non-compliance were detected and penalized.

5.4 Conclusion

The study concluded that tax system related factors are significant determinant of tax payment among tax large taxpayers. Factors related to the tax system play a crucial role in influencing tax payment among large taxpayers. Key elements include the complexity of tax regulations, the effectiveness of tax collection mechanisms, the costs associated with compliance, and the frequency of tax law amendments. A burdensome tax system can discourage compliance by increasing the cost and effort required to meet tax obligations. Inefficiencies in tax administration such as delays in processing returns and refunds may further erode trust in the system, leading to increased non-compliance.

The further concluded that taxpayer related factors is a significant determinant of tax payment among large taxpayers. Taxpayer-related factors, such as education level, socio-economic status, demographics, and ethics, are well-documented influences on tax payment. High compliance costs and a complex tax system may discourage voluntary compliance, while perceptions of unfair tax policies can lead to resistance against tax obligations. However, inadequate tax knowledge or misunderstanding of tax laws can contribute to non-payment. Strong enforcement mechanisms, including audits and penalties, play a crucial role in deterring tax evasion.

The study also concluded that tax collector related factors is a significant determinant of tax payment among large taxpayers. The efficiency, ethics, and professionalism of tax collectors play a significant role in determining tax payment. Globally, factors such as corruption, official tax competence, communication between tax authorities and taxpayers, and the motivation of tax collectors have been shown to influence compliance behavior. A lack of efficiency or integrity within tax administrations can create an environment where non-compliance thrives, which has been observed in both developing and developed economies.

The study concluded that there are macroeconomic factors like inflation and unemployment that significantly deters tax payment among large taxpayers. Various external factors, including political influences, macroeconomic conditions, social perceptions, and the economic structure, play a significant role in shaping tax payment. Political instability often brings uncertainty, leading to shifts in tax policies, enforcement mechanisms, and public trust in the tax system. Such transitions can cause disruptions in tax payment, especially when new governments introduce reform agendas that may either alleviate or exacerbate tax obligations.

The further concluded changes in government tax policies significantly influences tax payment among large taxpayers. The change of tax policies, particularly during political transitions and election cycles, has been identified as a critical moderating factor affecting tax payment and its underlying determinants. Political instability often brings uncertainty, leading to shifts in tax policies, enforcement mechanisms, and public trust in the tax system. Such transitions can cause disruptions in tax payment, especially when new governments introduce reform agendas that may either alleviate or exacerbate tax obligations.

Upon testing for moderation, the coefficient of the interaction terms between tax system related factors, taxpayer related factors, macroeconomic factors and change of tax policies were statistically insignificant. This implies that change of tax policies has no moderating effect on the relationship between tax payment and its determinants among large taxpayers in Kenya. The coefficient of the interaction between tax collector factors and change of tax policies was positive and statistically insignificant.

5.5 Recommendations

The found that tax system related factors had a positive and significant relationship with tax payment among large taxpayers in Kenya. The study recommended that the tax system in Kenya should be made simple to reduce on compliance costs as well as enhance clarity. Going digital and streamlining tax procedures for filing and payment of taxes as well as minimizing

bureaucratic procedures leads to enhanced taxpayer experience as well as the degrees of compliance. The Kenya Revenue Authority should also adopt data driven audits and enforce penalties for non-compliance. The government should also make the tax rates less burdensome and competitive to enhance the level of compliance among the taxpayers under study.

The found that taxpayer related factors had a positive and significant relationship with tax payment among large taxpayers in Kenya. The study further recommended that KRA should organize trainings and capacity building including taxpayer education, fostering trust and reducing compliance costs. Providing clear guidelines, training programs, and digital resources can improve tax knowledge and minimize non-compliance that may not be intentional. The public perceptions among the public of unfair and high rates of taxation should also be addressed to enhance compliance. The government should also strengthen enforcement through regular audits and appropriate penalties can deter intentional tax evasion.

The found that tax collector related factors had a positive and significant relationship with tax payment among large taxpayers in Kenya. The tax collectors should also enhance efficiency, transparency, and professionalism in tax administration to enhance the level of compliance among the large taxpayers under study. Transparency in tax processes including clear communication of tax obligations and dispute resolution mechanisms can build trust and encourage compliance among the taxpayers. Reducing bureaucratic inefficiencies and corruption within tax collection agencies encourages a fair and more accountable system, hence promoting higher tax payment among large taxpayers.

The found that macroeconomic factors (inflation & unemployment) had a negative and significant relationship with tax payment among large taxpayers in Kenya. The external factors such as macro-economic conditions and legal frameworks should also be considered by the government to enhance compliance. Macroeconomic conditions such as inflation negatively affects the compliance among the taxpayers as it has a negative effect on business performance. Political stability and consistency in tax policies are essential to building taxpayer confidence and reducing uncertainty that may lead to non-compliance. Public awareness campaigns and corporate social responsibility initiatives can reinforce ethical tax behavior among large taxpayers.

The study further found that change of tax policies strengthens the effect of change of tax policies on the relationship between tax payment and its determinants among large taxpayers in Kenya. The study further recommended that the government should avoid frequent shifts in

tax policies and enforcement strategies that can create uncertainty especially during government policy changes to enhance tax payment. The government should prioritize maintaining clear and predictable tax regulations, irrespective of political transitions, to build taxpayer confidence. Strengthening Kenya Revenue Authority can help insulate tax administration from political influence and ensure continuity in enforcement.

The study found that system-related factors, taxpayer-related factors and tax collectors-related factors affect tax payment supporting the arguments of the theory of planned behavior that attitudes, subjective norms and perceived behavioral control influence the intention to adopt a new behavioral change; in the context of this study, improved tax payment. While the theory of planned behavior is instrumental in understanding behavioral change, it fails to fully address the intention-behavior gap, its neglect of social and environmental factors, assumption of rationality, emotional and impulsive factors and past experiences. In order to address this, future studies can incorporate institutional theory, fiscal exchange theory and psychological contract theory to further studies in the field of study.

5.6 Limitations of the Study

There are several determinants of tax payment among large taxpayers. However, the study was limited on the determinants of tax payment among large taxpayers, specifically, tax system-related factors, taxpayer-related factors, tax collector-related factors, and the moderating effect of change of tax policies. There are a number of theories that guide tax payment among large taxpayers. However, the study was also limited to the theory planned behavior and deterrence theory. There are a number of research philosophies that guide research but the study was guided by positivism research philosophy as well as both correlational and descriptive research designs. The study was also limited to primary data collected using a structured questionnaire.

5.7 Suggestions for Further Research

The study recommends that further studies be conducted on the determinants of tax payment in Kenya. The study recommends that further research be conducted on the determinants of tax payment in Kenya to gain a deeper understanding of the various economic, social, psychological, and institutional factors that influence tax compliance behavior among different categories of taxpayers. Specifically, the study recommends that further studies be conducted on the effect of effective communication, transparency in tax use, tax rates as well as taxpayer incentives on tax payment among tax payers in Kenya.

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APPENDICES

Appendix I: Letter of Introduction

Dear respondent,

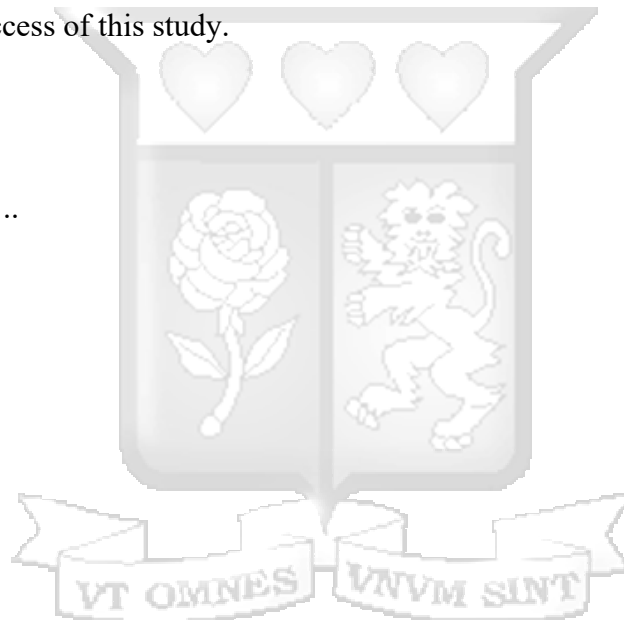
I am currently a student at Strathmore University working on a research project that examines the impact of tax collection systems on taxpayers' non-compliance in Kenya, with a focus on how this is influenced by taxpayer size and education. This research is conducted for academic purposes and aims to provide valuable insights into the factors affecting tax payment in Kenya. To facilitate this study, I kindly ask you to fill out this questionnaire.

Rest assured, all information provided will be treated with the highest level of confidentiality and will solely be used for academic purposes. Thank you in advance for your cooperation in contributing to the success of this study.

Yours sincerely,

.....

Abdisamad Ali



Appendix II: Questionnaire

You're requested to fill out this questionnaire as honestly as possible. The data obtained will be used for academic purposes only.

SECTION A: INFORMATION OF THE FIRMS

1. Sector of the firm.

Manufacturing []

Agriculture []

Telecom []

Hospitality []

Transport and logistic []

Health/ pharmaceutical []

Education []

Other [].....

2. Number of employees in the large taxpayer firm(s) your organization serves.

Less than 100 []

101-200 []

201-300 []

301-400 []

401-500 []

Over 500 []

3. Annual revenue of the large taxpayer firm(s) your organization serves (in KES):

Less than 1.3 billion []

1.4 – 5 billion []

5.1 - 10 billion []

Over 10 billion []

4. How many years has your firm been advising or managing tax affairs for large taxpayers?

- Less than 10 years [] 11-20 years []
 21-30 years [] 31-40 years []
 41-50 years [] over 50 years []

5. Have any of the large taxpayers your firm manages failed to file returns?

Yes []

No []

6. How many years have you or your clients used digital tax systems (iTax or eTIMS)?

Less than one year [] 1-3 years []

4-7 years [] 8 years and above []

PART B

i) Tax System-Related Factors

Which of the following statements do you most agree with? Please rate your response on a scale of 1 to 5, where 1 means Strongly Disagree, 2 means Disagree, 3 indicates Neutral, 4 means Agree, and 5 signifies Strongly Agree).

STATEMENT	1	2	3	4	5
iTax and eTIMS systems simple and user-friendly.					
Frequent changes in tax management systems affect our firm's ability to ensure tax compliance.					
The costs associated with tax penalties and fines are reasonable in relation to compliance efforts.					
The ease and costs associated with tax filing impact willingness to comply with tax laws.					
The iTax system effectively enables us to meet tax collection targets.					
The eTIMS system achieves its tax filing targets efficiently.					

ii). Taxpayer-Related Factors

Which of the following statements do you most agree with? Please rate your response on a scale of 1 to 5, where 1 means Strongly Disagree, 2 means Disagree, 3 indicates Neutral, 4 means Agree, and 5 signifies Strongly Agree).

STATEMENT	1	2	3	4	5
We have a clear understanding of their tax obligations and responsibilities.					
The level of education positively influences their tax payment.					
The demographic characteristics of this firm impacts engagement with tax regulations.					
Perceptions of corruption among tax authorities affect our willingness to comply with tax laws.					
Ethical considerations play a significant role in our decisions regarding tax payment.					

iii). Tax Collector-Related Factors

Which of the following statements do you most agree with? Please rate your response on a scale of 1 to 5, where 1 means Strongly Disagree, 2 means Disagree, 3 indicates Neutral, 4 means Agree, and 5 signifies Strongly Agree).

STATEMENT	1	2	3	4	5
Tax collectors (KRA employees) demonstrate competence in their roles when dealing with tax related matters.					
KRA employees maintain high ethical standards and professionalism in their interactions with us.					

Malpractices among KRA employees in tax collection is minimal according to our observations.					
KRA employees are adequately compensated for their work, which impacts their efficiency.					

iv). Macroeconomic factors

Which of the following statements do you most agree with? Please rate your response on a scale of 1 to 5, where 1 means Strongly Disagree, 2 means Disagree, 3 indicates Neutral, 4 means Agree, and 5 signifies Strongly Agree).

STATEMENT	1	2	3	4	5
Macroeconomic factors (e.g., inflation) influence our ability to pay taxes.					
Economic conditions, such as unemployment, affect ability to meet tax obligations.					

SECTION C: Tax payment (Dependent Variable)

Which of the following statements do you most agree with? Please rate your response on a scale of 1 to 5, where 1 means Strongly Disagree, 2 means Disagree, 3 indicates Neutral, 4 means Agree, and 5 signifies Strongly Agree).

STATEMENT	1	2	3	4	5
Changes in government influence our willingness to comply with tax obligations.					
Changes in government leadership lead to changes in tax policy affecting our ability to pay taxes.					
Political transitions reduce the efficiency of tax collection systems as observed in our practice.					

Changes in government disrupt tax payment due to policy uncertainty experienced.					
Political transitions have a direct impact on the enforcement of tax laws affecting tax payment.					

SECTION D: Change of Tax Policies (Moderating Variable)

Which of the following statements do you most agree with? Please rate your response on a scale of 1 to 5, where 1 means Strongly Disagree, 2 means Disagree, 3 indicates Neutral, 4 means Agree, and 5 signifies Strongly Agree).

STATEMENT	1	2	3	4	5
We comply with tax laws and regulations in Kenya.					
We make timely tax payments without needing reminders.					
Penalties and fines deter us from underreporting or avoiding taxes.					
Fear of penalties encourage us to comply with tax regulations.					
We believe that tax evasion and avoidance significantly contribute to shortfalls in government revenue.					

THANK YOU

Appendix III: Introductory Letter



9th December 2024

Mr Ali Abdisamad,
abdisamad.ali@strathmore.edu

Dear Mr Ali,

RE: Determinants of Tax Non-Payment Behaviour among Large Taxpayers in Kenya: Moderated by Change of Government

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-masters** proposal. Your application reference number is **SU-ISERC2512/24**. The approval period is from **9th December 2024 to 8th December 2025**.

This approval is subject to compliance with the following requirements:




- i. Only approved documents including (informed consents, study instruments, MTA) will be used.
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
- iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
- v. Clearance for the export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke/> and obtain other clearances needed.

Yours sincerely,

Mr Ambrose Rachier,
Chairperson; SU-ISERC

Appendix IV: NACOSTI Permit

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 446585	Date of Issue: 06/January/2025
RESEARCH LICENSE	
	
This is to Certify that Mr.. Abdulsamad Ahmed Ali of Strathmore University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Mombasa, Nairobi, Nakuru on the topic: DETERMINANTS OF TAX NON-PAYMENT BEHAVIOUR AMONG LARGE TAXPAYERS IN KENYA: MODERATED BY CHANGE OF GOVERNMENT for the period ending : 06/January/2026.	
License No: NACOSTI/P/25/414845	
446585 Applicant Identification Number	 Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Verification QR Code	
	
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See overleaf for conditions	

The National Commission for Science, Technology and Innovation, hereafter referred to as the Commission, was established under the Science, Technology and Innovation Act 2013 (Revised 2014) herein after referred to as the Act. The objective of the Commission shall be to regulate and assure quality in the science, technology and innovation sector and advise the Government in matters related thereto.

CONDITIONS OF THE RESEARCH LICENSE

1. The License is granted subject to provisions of the Constitution of Kenya, the Science, Technology and Innovation Act, and other relevant laws, policies and regulations. Accordingly, the licensee shall adhere to such procedures, standards, code of ethics and guidelines as may be prescribed by regulations made under the Act, or prescribed by provisions of International treaties of which Kenya is a signatory to
2. The research and its related activities as well as outcomes shall be beneficial to the country and shall not in any way:
 - i. Endanger national security
 - ii. Adversely affect the lives of Kenyans
 - iii. Be in contravention of Kenya's international obligations including Biological Weapons Convention (BWC), Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), Chemical, Biological, Radiological and Nuclear (CBRN).
 - iv. Result in exploitation of intellectual property rights of communities in Kenya
 - v. Adversely affect the environment
 - vi. Adversely affect the rights of communities
 - vii. Endanger public safety and national cohesion
 - viii. Plagiarize someone else's work
3. The License is valid for the proposed research, location and specified period.
4. The license any rights thereunder are non-transferable
5. The Commission reserves the right to cancel the research at any time during the research period if in the opinion of the Commission the research is not implemented in conformity with the provisions of the Act or any other written law.
6. The Licensee shall inform the relevant County Director of Education, County Commissioner and County Governor before commencement of the research.
7. Excavation, filming, movement, and collection of specimens are subject to further necessary clearance from relevant Government Agencies.
8. The License does not give authority to transfer research materials.
9. The Commission may monitor and evaluate the licensed research project for the purpose of assessing and evaluating compliance with the conditions of the License.
10. The Licensee shall submit one hard copy, and upload a soft copy of their final report (thesis) onto a platform designated by the Commission within one year of completion of the research.
11. The Commission reserves the right to modify the conditions of the License including cancellation without prior notice.
12. Research, findings and information regarding research systems shall be stored or disseminated, utilized or applied in such a manner as may be prescribed by the Commission from time to time.
13. The Licensee shall disclose to the Commission, the relevant Institutional Scientific and Ethical Review Committee, and the relevant national agencies any inventions and discoveries that are of National strategic importance.
14. The Commission shall have powers to acquire from any person the right in, or to, any scientific innovation, invention or patent of strategic importance to the country.
15. Relevant Institutional Scientific and Ethical Review Committee shall monitor and evaluate the research periodically, and make a report of its findings to the Commission for necessary action.

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Innovation(NACOSTI),
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