

**PERSONAL FACTORS AFFECTING TAX COMPLIANCE AMONG UNIVERSITY
STUDENTS IN KENYA.**

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DECLARATION.

We, Elijah Njanjo, Francis Mwangi, Cynthia Muriuki, Elly Okonda and Laban Njau declare that the work contained in this management research paper is our own work and has not been previously submitted by us for a degree at any other university or institution.

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ABBREVIATIONS AND ACRONYMS.

APA - American Psychological Association

KRA - Kenya Revenue Authority

OECD - Organization for economic co-operation and development.

RU - Riara University.

SACCOs - Savings and Credit Co-operatives

VAT - Value Added Tax.

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ABSTRACT

Tax compliance is said to be the heart of the healthy functioning of societies. This makes understanding it an important topic in economics. The general objective of this study was to find out how personal factors affect tax compliance among university students in Kenya and To determine the effects of age on tax compliance, how a taxpayer attitude affects to tax compliance and to determine how the knowledge level on tax affects tax compliance. The significance of the study to the researchers was that it would help them to determine the relationship between attitude, age and knowledge level on tax of individuals towards tax compliance. This study looked into personal factors affecting tax compliance amongst university students in Kenya. The research focused on Riara University in Nairobi, Kenya. The research was aimed at ascertaining whether the personal factors in this case, Attitude, knowledge level on tax and Age do indeed affect tax compliance amongst the target group. The scope of the study was to establish how personal factors affect a university student's tax compliance in Kenya. The researchers therefore focused on personal factors which are age, attitude and knowledge level on tax paying to try to establish how all these personal factors encourage tax compliance. In this study the researchers adopted the fiscal illusion theory to try and elaborate on this. The theory of Fiscal illusion states that when government revenues are not completely transparent the government's cost is seen to be less expensive than it is this is because taxpayer benefits from government expenditure from inconspicuous revenues therefore heightening their need for government expenditure hence laying a ground for politicians inducement to enlarge the government s size. The type of research design that was used is the exploratory study design that was adopted as it is prone towards the loosing of the structures and attempt to highlighting areas for future research. Questionnaires were used for data collection because it's cheap, the study will employ pie charts to analyze the data collected from the research. The population under study was approximated to be one hundred and twenty students (120) at Riara University, mostly aged eighteen (18) years and above. The sampling technique used was the stratified random sampling.

1.0 CHAPTER ONE; INTRODUCTION

This chapter focused on personal factors affecting tax compliance amongst university students in Kenya. It contains the background of the study of the problem under study, problem statement explaining what problem the researchers are attempting to address, objectives of the research which explains why the research was conducted, significance of the study explaining how various parties benefited from this study, delimitation which shows the extent of the study and the limitation of the study which were the challenges during the study.

1.2 Background of the Study

The only things certain in life are death, and taxes and there is no level of government that does not need endowment to assist its activities. Different sources of kitty have been taxes, loans, donations and even investments, but the most reliable source has always been taxes (Amahalu, 2018). Gitaru and Kelvin (2017) define tax as a mandatory levy pressed by the government on expenditure and income and the one paying does not necessarily receive anything in return. Since time immemorial taxation has been the main way kingdoms and nations raise revenue. Governments use the revenue to ensure economic growth, fair distribution and stability. In the early centuries, governments used military force to ensure tax compliance, but today, tax compliance is ensured mostly by citizen's honesty in taking their responsibility.

Tax compliance is said to be the heart of the healthy functioning of societies. This makes understanding it an important topic in economics. It is the truthful reporting and payment of taxes due. This should be both willfully and fully, (Stephen & Bernadette 2010). The significance of taxation has been increasing with its historical development. The purpose is to collect funds for the state authority for them to meet their needs and functions. It also has economic importance and goals such as price stability, full employment and a balanced balance of payments (Valbona, 2015).

In Kenya, taxes add up to 80% of the government's budget and different methods are used to raise them. This huge percentage places a heavy burden on the population. It also calls for a defined body to collect it. In 1995 the Kenya Revenue Authority was incorporated. Its work is to ensure tax compliance and giving civic education on the same (Japhet, et. al. 2015).

Kenya introduced what is known as The Tax Modernization Program in 1986 with the hope that this would, among other things, enhance revenue collection, improve tax administration and reduce compliance and collection costs (Eliud & Eric 2006).

In 1994 Kenya by an act of parliament established the Kenya Revenue Authority as an independent tax administration organization with power from the Treasury. It has been operational since 1995. The body now has the responsibility of collecting revenue on behalf of the Kenyan government (Gitaru & Kelvin, 2017). In 1995, the government introduced domestic commodity tax (Value Added Tax), with an aim of strengthening revenue collections. In 1996/7 they decided to impose import duty for agricultural products. This was to protect the Kenyan producers who were faced with continual stiff competition. Then was the introduction of Corporate income taxes (CIT), whose rates have been reduced from the 45 per cent peak in 1989/90 to 30 per cent today (James 2017).

Any tax system is a combination of history, experience of the people, politics, economics and the law (Attiya 2007). Taxes are necessary both to finance desired public spending in a non-inflationary way and also to ensure that the burden of paying for such spending is fairly distributed. In Kenya like many other countries, increased economic growth and the disparity between the rich and the poor does influence tax (Indraneel 2017). Nicoleta (2011), noted that taxpayers' stands on tax compliance are predisposed by a variety of factors which differ from country to country. This research is aimed at showing the different personal factors that affect tax compliance. The main focus will be among campus students.

1.3 Statement of the Problem.

Tax compliance is a law that requires one to fulfill all the tax obligations. There has been no charging of taxes proportionately among small and medium enterprises (SMEs) internationally. Some of the factors that can lead to tax evasion and tax fraud are as follows; high compliance costs, inadequate understanding, high tax rates and tax penalties. The size, nature and operation make the issue of tax compliance critical among the SMEs and individuals which are not well established in terms of resources and expertise. Williams and Round (2009) stated that individuals neglect to comply with tax laws either willingly or unwillingly making the tax compliance a challenge to them. It include tax avoidance and tax evasion whereby tax avoidance is the attempt to evade the payment of taxes using alternative interpretations of the tax laws, while tax evasion is deliberately refusing to pay a tax for

conscientious reasons. The size, uncertainty, innovation and evolution are part the features of an individual.

Proper understanding of an individual would require a good understanding of his/her operations that includes tax operations states (Webley, 2004). Students being the leaders of tomorrow and therefore and also a fact remains that SMEs are the blue chips companies of tomorrow. Stable and most established companies started as small and medium enterprises or at personal level up to the current. Therefore, the stepping stone of big companies is likely to be small and medium enterprise. Kenya as a developing country should heavily encourage the SMEs and other private sectors in order to promote the business performance within Africa and worldwide for the better taxation operations. For a very conducive environment for them to operate, their problem was addressed. Economy wise the country tends to grow when a conducive environment for business is created says (Hijattulah & Pope, 2008).

The main objective of taxation is to raise revenue, and for this to be achieved maximally the tax system should be economic, effective and efficient in to ensure that SMEs are not affected negatively. The consequence of poorly set tax systems, operations and policies are among the difficulties with the tax authorities. Therefor proper and detailed research should be done before any tax policy are placed in order to achieve a properly working tax system. Abiding with tax laws should be the aim and focus of the tax policy (James & Alley, 2004).

1.4 Objectives of the study

1.4.1 General objectives

The general objective of this study was to find out how personal factors affect tax compliance among university students in Kenya.

1.4.2 Specific objectives.

- i) To determine the effects of age on tax compliance.
- ii) To determine how a taxpayer attitude affects to tax compliance.
- iii) To determine how the knowledge level on tax affects tax compliance.

1.5 Research Questions

- i.) How does age affect tax compliance?

- ii.) How the attitudes of tax payers affect tax compliance?
- iii) How does the knowledge level on tax affect tax compliance?

1.6 Significance of the Study

To the researchers, it helped them to determine the relationship between attitude, age and knowledge level on tax of individuals towards tax compliance. This hence helped the researcher to attain a deep understanding of tax compliance on why tax is complied.

To the organization and individuals, the research helped them be aware of the impact of being tax compliance and how being tax compliant goes a long way to help a country grow and develop. At the same time, it informed them of the ramifications of not being tax compliance such as penalties they will suffer which will cost more out of their pocket than if they had just complied hence saving them the loss of cash.

To the government, the research helped them in understanding what can be put into account in order for them to raise more taxes by encouraging tax payers to be tax compliant such as improving on knowledge of tax systems by the tax payers so they don't feel as if the need to pay tax is a punishment rather than a help to their country. This will in turn provide the government with more resources for development and provision of much needed services to the public.

To the tax authorities like Kenya Revenue Authority, the research provided lime light on how different factors such as age and attitude and knowledge of tax by individuals influence how much taxes are collected. By making tax filling systems understandable by a tax payers, they will be able to increase tax compliance levels hence raising more taxes which in turn help the government. The study provided much needed information on why individuals are tax compliant and help all stakeholders that is the government, tax payers and tax collection authorities understand their roles in tax compliant and areas of improvements.

1.7 Delimitation.

The scope of this study was to establish how personal factors affect a university student's tax compliance in Kenya. The researcher therefore focused on personal factors which are age, attitude and knowledge level on tax paying to try to establish how all this personal factors encourage tax compliance.

A research done by Ampona and Adu(2017) was studying the relationship between tax compliance and socio-demographic factors which included age, attitude and household size, Education, Occupation and location. However the researchers in this paper adopted only three variables because of the intention to study tax compliance amongst university students for which only age, attitude and knowledge on tax are the main variables the researcher can adopt.

1.8 Limitation of the Study.

There was lack of enough data that caused us to limit the scope of our research to personal factors and not on corporate level which may be an impediment in establishing a clear trend or relationship between personal factors and tax compliance since access to corporations Information may be difficult.

CHAPTER TWO; LITERATURE REVIEW

2.1 Introduction

The main goal of this chapter is to present and evaluate the literature of other scholars who have extensively studied factors affecting tax compliance. It summarizes the information from other researchers who have studied the field. Furthermore, this chapter has covered both the theoretical and empirical reviews of the existing literature. The theoretical review enabled the researcher to understand the current body of knowledge on the research topic. On the other hand, the empirical review helped in understanding what other related studies have found and suggested. Moreover, the reviews were used to develop a conceptual framework. The conceptual framework was used to analyze the relationship between independent and dependent variables. Additionally, the research gaps within the reviewed literature were declared.

2.2 Theoretical framework

2.2.1 Fiscal Illusion Theory.

Tax revenue is vital for economic development and funding of infrastructure and a societal growth (Ibrahim, Musah & Abdul-Hanan, 2015). This brings the need to understanding how a tax compliance setup can influence tax payer behaviour to pay or not pay taxes. In this study the researcher will adopt the fiscal illusion theory to try and elaborate on this.

The theory of Fiscal illusion states that when government revenues are not completely transparent the government's cost is seen to be less expensive than it is this is because taxpayer benefits from government expenditure from inconspicuous revenues therefore heightening their need for government expenditure hence laying a ground for politicians inducement to enlarge the government's size (Puviani's, 1903).

Fiscal illusion will always make Leaders want to know how the tax system should be arranged (Res Mourao, 2008). Revenue authorities in the world therefor should be put on setting a fine tax compliance result in order to get the best results from tax compliance. However level of taxpayer discernment and conduct make it hard for a good compliance result (Organization for economic co-operation and development [(OECD), 2004].

Taxpayers embrace various motivational points of views of jurisdiction and they agree that it is not easy to tell why they comply with taxation or don't comply (OECD, 2004). Stephen (2017) found that tax compliance is about an individual's view point and if the government depends on fiscal illusion theory they won't be able to marshal huge tax funds without a wide social agreements hence efficient public service and more readjustments.

Mugabe and Kulabako (2016) found that the reciprocation of positive deeds by the government will improve non-tax compliance by citizens and that fines to those who don't comply may be required for them to comply but his can cause individuals to shy from their tax duty because of viewing the system as unjust An example of this situation is in Uganda where economists and the business world have warned Ugandan government against raising taxes because Ugandan taxpayers would dive into tax evasion.

2.3 Conceptual framework

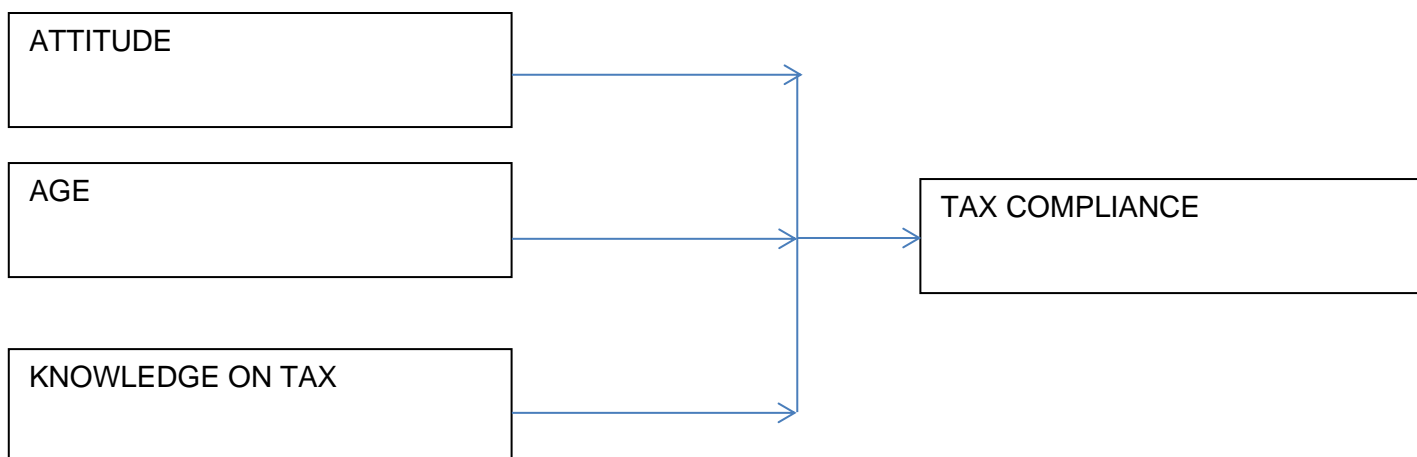


Figure 2.1

Dependent variable

Independent variable

Source; Authors (2019)

2.4 Empirical Review.

2.4.1 Tax Compliance

Empirical review is a research that is based on observed and measured phenomena and deriving knowledge from actual experience rather than from theory or belief. Tax compliance

refers to the degree in which a taxpayer fulfils all his tax obligations as required by the tax laws of his or her country (Gitaru & Kelvin, 2017). This involves filing, reporting and payment of tax to the respective authorities. Violation of payment of taxes is referred to as tax non-compliance. Tax non-compliance includes tax evasion and tax avoidance. Tax evasion refers to the illegal activity in which a person or an entity avoids paying a true tax liability deliberately and it is subject to criminal charges whereas tax avoidance uses legal methods to modify an individual's or entity's financial situation to lower the amount of income tax owed to the relevant tax authorities (Cummings, 2007). While the ethicality of tax evasion as an illegal act of reducing tax is clear, the consensus regarding the morality of tax avoidance as a legal act of minimizing tax is mixed (Norasmila & Azan, 2014).

Like in all countries tax plays a very major role in contributing to Kenya's income. McKerchar and Evan (2009) stated that tax non-compliance is a growing global problem and it is crucial to identify the underlying factor which impacts a tax payer's decision whether to comply with tax laws. This can be through individual taxes, taxes on SMEs and also taxes on import and export of goods. The issue of tax compliance has been studied broadly from different fields of study yet; tax non-compliance is still a problem not only in Kenya but for most of the countries around the world (Gitaru & Kelvin, 2007).

According to Williams and Round (2009) suggested that persons fail to comply with tax laws either willingly or unwillingly. Whereas some people have their own reasons for not paying taxes there is always a factor that influences them either to pay or not to pay taxes. Those who refuse to pay taxes fall under the category of tax resisters and tax protesters where tax protesters find various ways or loopholes in the tax laws that enables them to evade taxes (Williams & Round, 2009). Tax resisters on the other hand refuse to pay a tax for conscientious reasons. Damayanti (2015) suggested that attitude, subjective norms, and perceived behavioural intention affect the intention. In turn, the intention affects the tax compliance. Trust plays a moderating role while uncertainty does not. This shows that the attitude of tax payers to the taxes imposed and the tax regulations in place affect how tax payers tend to comply with them (Francis, 2019). Attitude is the most important variables followed by ethical sensitivity, culture and perceived behavioural control has mixed findings while subjective norms have no significant effect on tax compliance behaviour to tax law (Abdul, 2014). The government can increase tax payers' trust in them so as to comply more with taxes by good usage of tax revenue. Price and income inequity has negative effect on compliance while government subsidies have a positive effect (Ling, Yeng, & Jin, 2016). This applies to businesses and companies in the respective countries.

According to Oladipupo and Obazee (2016) tax knowledge is the level of awareness or sensitivity of the taxpayer to tax legislation. In Kenya the sensitivity of awareness to taxes is very low as many do not have knowledge in regards to the tax legislations that are in place. Some people are not even aware that some tax laws are in place hence they end up not complying the taxes and accruing penalties. The level of knowledge of taxes can also be influenced by the level of education of taxpayers in a country. Cuccia (2013) also stated that those with a higher education level are more likely to have a higher level of moral development and higher-level attitudes toward compliance compared to low level ones and thus will tend to comply more. Iyoke (2016) from her studies in Nigeria also supported that level of education has an influence on tax knowledge. Savitiri stated that (2015) Tax socialization, knowledge and service quality affects the awareness while the tax socialization and knowledge affect the tax compliance. In addition, awareness played a full mediating role. The level of awareness therefore plays a major role for tax payers to be compliant with the taxes imposed.

Jimenez and Iyer (2016) suggested that social factors affect tax compliance. Social norms influence compliance intentions indirectly through personal norms. Such personal norms can include individual's trust in government which has a significant influence on both perceived fairness of the tax system and compliance decisions. Furthermore, fairness has direct effect on tax compliance. For the government to be trusted it has to impose fair tax laws where offenders will be punished fairly irrespective of who it is. According to Mohdali and Yusoff, (2014) punishment has insignificant effect on the tax compliance. Although punishment has insignificant effect on tax compliance it is still useful to be used as deterrence. According to Castro and Scartascini (2015) found that taxpayers that received the deterrence message have a higher probability to comply than the taxpayers who do not receive the deterrence message.

2.4.2 Attitude

Attitudes represent the positive and negative evaluations that an individual hold of objects. It is assumed that attitudes encourage individuals to act according to them. Thus, a taxpayer with positive attitudes toward tax evasion is expected to be less compliant than a taxpayer with negative attitudes. Attitudes towards tax evasion are often found to be quite positive (Kirchler, Hoelzl & Wahl 2008). Many studies on tax evasion found significant, but weak relationships between attitudes and self-reported tax evasion (Trivedi, Shehata, and Mestelman, 2004). Data collected from fined tax evaders and honest tax payers showed that attitudes explain in part self-reported tax evasion, but are insignificant predictors of actual

behavior. However, the correlations between self-reported tax noncompliance and attitudes are significant but fairly weak. The attitudes are important for both the power and the trust dimension.

On the one hand, favorable attitudes will contribute to trust in authorities and consequently will enhance voluntary tax compliance. On the other hand, attitudes towards the authorities will be relevant for the interpretation of the use of power as benevolent or malicious. Tax attitudes in general also depend on the perceived use of the money collected and therefore are connected to knowledge (Kirchler et al., 2008). The taxpayer attitude may be influenced by the following factors, which extremely influence taxpayers' behavior. Some of those factors influence tax compliance behavior and non-compliance behavior. The factors are may be differing from one country to another country.

Moreover, Ondara et al. (2016) found that between attitude electronic tax system and tax compliance there is a strong relationship. Also, Chan et al. (2000) suggests out that in Hong Kong, taxpayers have low promising attitude towards electronic tax system that always results into lower level of tax compliance. Kiringa and Jagongo (2017) prefers that by trust and perceived website reputation, consumer attitudes towards online system is positively and directly affected; this implies that if taxpayers evaluates the e-tax system to be secure, they will trust the system and will have favorable attitudes towards the online tax system leading to high tax compliance rate. Maisiba and Atambo (2016) however recorded that due to many features on the Web portal, electronic filing system is still a problem to many taxpayers; furthermore, tax terms are not easily understood by individuals, as most of them are not educated which affects their compliance behaviors greatly.

James and Alley (2004) states that e-commerce, global economy emergency and self-assessments developments are new considerations that influences tax compliance. In case of any of body of knowledge used to explain tax compliance, tolerance compliance behavior with a particular context is relevantly high. Kirchler et al. (2008) argued that taxpayer is less complaint when with favorable attitude towards tax evasion and unlike taxpayer with unfavorable attitude is more compliant.

2.4.3 Age.

Taxpayers age is viewed as being an element for non-compliance and younger taxpayers are viewed as being less compliant (Ritsema, Thomas & Ferrier, 2003). This is attributed to the fact that young taxpayers are risk aggressive and less responsive to penalties (Annan, Bekoe

& Amanposah, 2013) as opposed to older taxpayers are more responsive to penalties and tax compliant because over the years they have gained a social status so there is an increments in the cost of penalties as stated by (Torgler & Valev, 2006). Social norms also causes older taxpayers to be tax compliant and not tax evasive. When people view tax payment as a moral issue then as one gets older the more the age affects tax evasion negatively (Hokamp, 2014).

Palil (2010) suggested that demographic, factors in this case age, have come up with varying outcomes. For example a study conducted in Malaysia, Abdul (2003) stated that age bracket 30-50 years were the non-compliant; Perumal (2008) found that older taxpayers were very compliant; lee and Carley (2009) found older taxpayers compliant because of them not being risk aggressive. Alm and toggle (2006) found that older taxpayers are more compliant because of the regard that they have for authority. The difference in findings between age and compliance led Togler (2007) to explain and say that age does not factor in compliance to all taxpayers and that effects on tax compliance is weakened when age is linked with a number of variables and lastly that examining age in relation to other variables is difficult.

Another study carried out found that tax compliance is high on households where the head of the family or the spouse's head is above 65 years of age as opposed to households in which the head is married. As one ages the need for public goods such as health care increases too and this causes older taxpayers to value tax and comply as opposed to younger taxpayers (Andreoni, 2008). The other argument is that the older taxpayers are in better off financially than younger taxpayers and hence the older taxpayers can afford being tax compliant since their financial status is good (Kirchler, 2007). Due to increase in awareness on tax paying law as one age, then tax compliance also increases (Eriksen & Fallan, 2012).

2.4.4 Knowledge Level on Tax.

Tax compliance is a major issue in Kenya, this is due to various personal factors one of them being tax knowledge. One cannot pay tax without knowing, to whom it is being paid to, why it is being paid, or even how to pay? Tax knowledge is the understanding of a country's tax policies by the general public. This is the degree of awareness of the one paying taxes to legislation. (Newman et al., 2018). According to Oladipupo and Obazee (2016). Tax knowledge is the process by which taxpayers become aware of tax legislation and other tax-related information. This suggests that it can grow from one level to another. It also calls for

an increase in tax awareness in order to inform all Kenyan taxpayers about the direction and objectives the authorities wish to achieve by administering taxation policy.

A careful study by Baru (2016), shows that taxpayer's general knowledge on tax is inadequate. This makes tax knowledge a major factor affecting tax compliance. Kenya has a voluntary compliance tax system making many citizens misinformed and/or confused in determining their accurate tax liability. There are various factors that affect the knowledge of tax, this includes; the tax system, complexity of tax laws and education (Yayuk 2017). The three are the major ones though there are many others. A general knowledge of those factors will have a great impact on tax compliance either positively or negatively and our study will focus on how they will affect.

A tax system can either be traditional or digital. A traditional one is the one that uses a lot of paperwork while there is a digital tax system also known as the e-filing system. The Electronic tax filing or e-filing uses technology and is a process where tax papers are submitted online through the internet. This calls for capability in computer usage, awareness of e-filing and knowledge about the process. (Newman et al., 2018). National ICT Survey Report (2011) gave a report that only 29.1% of Kenyans living in rural areas have access to the internet. This makes it even more difficult since our tax system is through the internet. Tax laws and how complex they are is the other factor affecting tax knowledge hence tax compliance. Complexity can be of many forms ranging from tax law interpretation to computation of taxes. Richardson and Sawyer (2014). Argued that tax law complexities arise due to sophistication of tax laws and hence computations thereof.

The study's last factor under tax knowledge is the level of education. Education is geared towards changing an individual's behavior. This is both the level of literacy, the formal education, and also the general awareness and sensitization of taxes and tax compliance. Taxpayer education programs are one of the strategies of improving service delivery to the taxpayers. Improving service delivery is critical to enhance voluntary tax compliance (Clifford & Jairus, 2018).

Gitaru and Kelvin (2017) conducted a study and the following were their findings 92% of their respondents were assisted to file their returns, while only 8% of the respondents were not assisted to file their returns. Educated taxpayers may be aware of noncompliance opportunities, but their potentially better understanding of the tax system and their higher

level of moral development promotes a more favourable taxpayer attitude and therefore greater compliance (Newman et al., 2018). In Kenya there are six different types of taxes and many people are aware of only two, pay as you earn and value added tax. According to the Kenya Revenue Authority (2019) the following taxes should be paid; Income Tax, Rental Income Tax, Value Added Tax (VAT), Excise Duty, Capital Gains Tax (CGT), and Agency Revenue.

2.5 Research gap.

According to Richardson (2010) determinants of tax compliance include gender, education and occupation, while economic determinants include income level, income source, tax rates and sanctions which are attributed to complexity, fairness, revenue authority contact, peer influence and ethics. Noor (2014) found that profit performance in Malaysia influenced tax compliance but did not observe a relationship between firm size and tax compliance and therefore Tax compliance was positively associated with public disclosure and unfavorably associated with the marginal tax rate.

David (2018) reveals that licensed SACCOs in Kenya engage in higher compliance with mandatory disclosures, and this improves from the pre- to the post-regulation period. SACCOs under inquiry engage in lower compliance with mandatory disclosure requirements, especially in the post-regulation period there is a significant and positive association between SACCO size, co-operative governance and compliance with mandatory disclosure requirements. Another study by Musimenta (2017) found that tax equity, isomorphic forces and planned responses have a foretelling force on tax compliance. Notable mediation effects of tax fairness and strategic responses are found which caused the respondent types to perceive the study variables independently by providing an understanding of why the tax compliance puzzle has remained a growing concern. For example, the tax-collecting body respondents noticed more tax fairness than SME respondents, suggesting that tax fairness depends on whose “lenses” you scan.

Awang (2014) found that tax compliance arises from an inner sense of social responsibility without having to use any force that comes about from a point of good education on tax and seeing taxes being used effectively by the government to provide quality public services such as infrastructure. Awang and Amran (2014) stated that Tax compliance is based on an

individual ethics and social responsibility and no enforcement mechanisms are required. According to Richardson (2008) Gender, education and occupation, while economic determinants include income level, income source, tax rates and sanction. Therefore it is clear that no other research study has been done on student compliance behavior.

From the literature it can be deduced that taxpayer compliance behavior is related with the revenue generation, and factors determining tax payer compliance are all well covered and adequately tackled. The purpose of this research was to bridge the gap between the previous available information on tax compliance behavior and what is optimal in order to understand the tax compliance behavior of students as the leaders of tomorrow and design appropriate policies to lead to an improvement in tax performance in Kenya.

3.0 CHAPTER THREE; METHODOLOGY.

3.1 Introduction-

The chapter below specifies the type of model that was used for this study and also is in place to help provide an overview of the methods that were used to collect, analyze and interpret the data to come up with findings important to answer the research questions that came up.

3.2 Research design.

It was an exploratory study design that was adopted as it is prone towards the loosening of the structures and attempt to highlighting areas for future research. Measuring instrument such as questionnaires for the interviews, an interrogation/communication approach was followed as a way of data collection from respondents (Cooper & Schindler, 2003:146-147). The professional fieldworkers barely recorded the respondent's response and did not attempt to control the variables in any way. Consequently, the followed design was an ex post facto which was a descriptive study concerned with establishing the likelihood (how much) that taxpayers' (who) perceptions with regard to taxation would influence their attitudes towards tax compliance (what) in Riara University (where) during January-April semester 2020 (when) (Cooper & Schindler, 2003 p149). It was a cross-sectional study where only on one occasion data was collected and a snapshot of the respondents' responses is represented at that specific point in time (that is, during Jan-April Semester 2020). It was also a statistical study designed for scope rather than deepness. It tended to highlight the perceptions of a sample of Riara University taxpayers with regard to taxation and data obtained based on the made numeric inferences (Cooper & Schindler, 2003 Pp149-150). Finally, the research was conducted under field conditions as it was carried out under conditions that was actual environmental (in other words, the respondents were interviewed in their homes and the fieldworkers barely documented the respondents' responses with no influence of variables taking place) (Cooper & Schindler, 2003p 150).

3.3 Study population

The study focused on student in Riara University who are 18 years and above. The size of the population approximately 1000 student and the research had a sample size of 120 students.

The students comprised of those in; Business, Computer Science, International Relations, Education, Journalism and Law school.

3.4 Sampling procedure.

The researcher used the stratified random sampling. This is because as observed by Maravelakis (2019) the stratified random sampling method will allow for the splitting of the population based on their important attributes for sufficient representation within the sample. The researcher identified the strata under study which is Riara university students aged 18 years and above in all five schools which are school of law, education, business, computer science, journalism and international relations. Each strata included 20 students, half male and half female. Random sampling was used to select an adequate number of sample populations under each school for substantial representation.

3.5 Data collection method.

The data was collected from respondents using questionnaire to obtain substantial information. The questionnaire entailed closed-answer format which allowed the respondents respond as they wish, (Dominic et al., 2018). Mugendaa (2018) found that Questionnaires have advantages over some other types of surveys in that they are cheap, do not require as much effort from the questioner as verbal or telephone surveys, and often have simple and easily understood answers that make it simple to compile data. They are limited to the fact that respondents must be able to know how to read the questions and how to respond to them.

The researcher conducted the study among university students in Riara University which included the Riara university schools which are the school of law, education, business, computer science, journalism and international relations. The study target was the students aged above 18years approximated to range about 100-120.

3.6 Data analysis presentation.

Data analysis is highlighted as the inspection, cleaning, transforming and modelling of data in order to highlight useful information to draw conclusions and to support decision making

(Cooper & Schindler, 2011). The questionnaires were edited first for completeness and consistency to ensure that respondents complete them as required. Data collected from the questionnaires was then edited, coded which enabled responses to be grouped into categories. This involved giving all statements numeric codes based on meaning for ease of data capturing. The data gathered was analysed by use of descriptive and qualitative statistics. The descriptive statistics helped in describing the data and determining the respondents' degree of agreement with the various statements under each factor. The use of means, percentages, modes and standard deviation were employed. Information was presented in the form of detailed descriptions and use of presentation techniques like graphs, pie charts, and tables.

3.7 Sampling frame.

The study covered the education sector in Kenya, specifically higher education. The researcher conducted the study among university students in Riara University which included the Riara university schools which are the school of law, education, business, computer science, journalism and international relations. The study targeted the students aged above 18years approximated to range about 100-120.

3.8 Ethical Concerns

The study was useful to the policy makers, especially the government and the Kenya Revenue Authority. The government will be able to know the ways to use and make young people tax compliance. It helped the government know the awareness need in campuses. Students on the other hand became aware of their need to be tax compliant due to the study making them aware of the issue.

The study addressed confidentiality and privacy by letting the respondents give or withhold information at will. Their names were not mentioned in the study hence maintaining anonymity. Students who participated in the questionnaire were assure that the information will be gathered was not to be used for self-gain but for academic purposes.

The last ethical concern is plagiarism. This was solved by using a plagiarism checker. After that adjustments were made. Paraphrasing the original work was the other way of minimizing

plagiarism. The study rightly did this in text referencing by citing sources. At the end of the research, a referencing list was done in the APA format to rightly acknowledge the research's sources.

4.0 CHAPTER FOUR; DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

This chapter reviews analysis and quantitative findings of the study. The data gathered was solely from the questionnaire. The questionnaire was designed in line with the aim of the study, to enhance the quality of data obtained. An extensive description of the research methodology was presented in Chapter 3.

4.2 Response Rate

The study targeted 120 respondents, and the turnout was 87 responses as shown below. That represents a response rate of 72.5 percent. Response rate was made reality after the researchers sent emails to remind the respondent to fill in the questionnaire.

Response	Frequency	Percentage
Responded	87	72.5
Not responded	33	27.5
Total	120	100

Table 4.1 Response Rate as per the questionnaire.

4.3 Demographic Profile

4.3.1 Gender of the Respondents

From the questionnaire responses, fifty-one (51) that is fifty-eight point eight percent (58.6%) were females while thirty-six (36) that is forty-one point four percent (41.4%) were male. This indicated gender equity existed in matters tax.

Percentage

males vs. Females

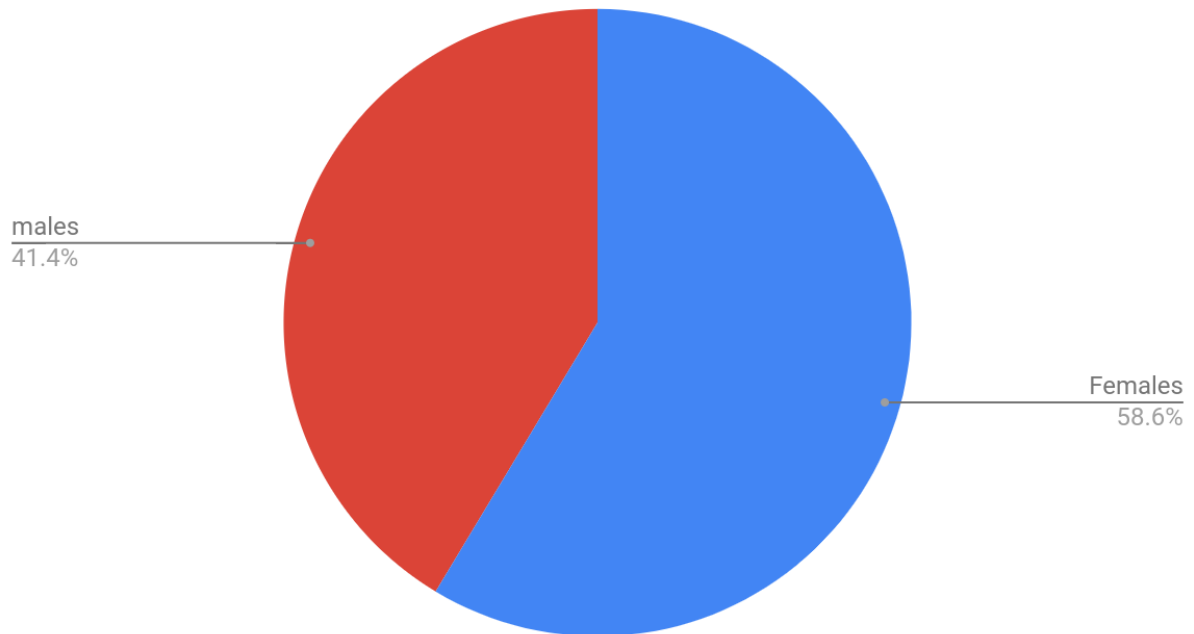


Figure 4.1 Demographic of the respondents as per the questionnaire.

4.3.2 Age Bracket

The study aimed at assessing the age of the respondents. According to table 4.2, 71.3% indicated that they were between 21-30 years, 28.7% indicated that they were under 20 years. This was due to the nature of the study, which focused on University students.

Age	Frequency	Percentage
Below 20years	25	28.7
21-30years	62	71.3

Table 4.2 Age bracket as per the questionnaire.

4.4 Factors affecting tax compliance among Riara university students.

The study assessed the factors affecting Tax compliance among Riara university students. Questionnaires were used where different statements were posed to the respondents where they were supposed to tick where appropriate according to their levels of agreements with the statement.

4.4.1 Age.

The study aims at assessing the opinions of the respondents on the different aspects that surround Age in relation to tax compliance.

It posed two statements in which the respondents were to tick where appropriate along the Likert scale. The first statement was

“If you were older you would be more tax compliant”. The following were the findings

Table 4.3 If you were older you would be more compliant.

Findings	Frequency	Percentage (%)
Strongly agree	14	16.1
Agree	45	51.7
Not sure	11	12.6
Disagree	16	18.4
Strongly disagree	1	1.2

Source; questionnaire

Forms response chart. Question title: If you were older you would be more tax compliant.
 Number of responses: 87 responses.

If you were older you would be more tax compliant.
 87 responses

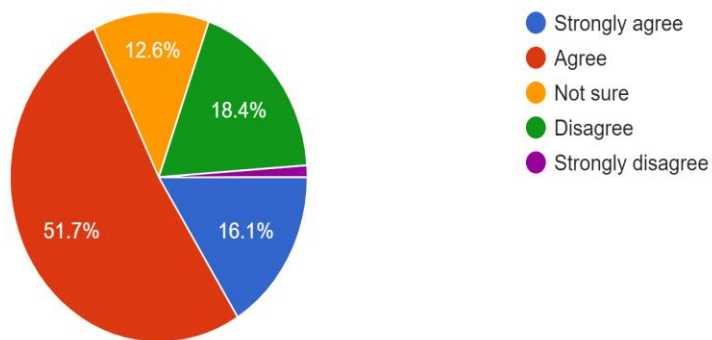


Figure 4.2 A pie chart of the level of agreement and the frequency Source; questionnaire

From the above figure it is clear that most respondents agreed with the statement that if they were older they would be more tax compliant 16.1% disagreed while 18.4% were not sure. The second was, " **The tax system is unfair to young tax payers**". The following were the findings

Table 4.4 The tax system is unfair to young people.

Findings	Frequency	Percentage (%)
Strongly agree	28	32.2
Agree	26	29.9
Not sure	8	9.2
Disagree	22	25.3
Strongly disagree	3	3.4

Source; questionnaire

Forms response chart. Question title: It is unfair to young people. Number of responses: 87 responses

It is unfair to tax young people.
87 responses

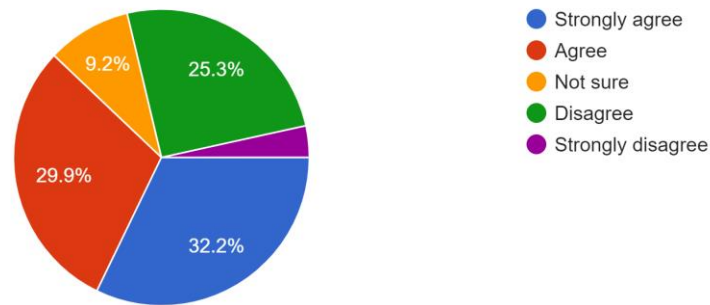


Figure 4.3 A pie chart of the level of agreement. Source; questionnaire

From the above figure it is clear that most respondents strongly agreed with the statement that the tax system is unfair to young people 29.9% & agreed while 25.3% disagreed.

4.4.2 Taxpayer attitude.

The study aims at investigating the relationship between attitude of tax payers and tax compliance. The section had four statements that were posed to the respondents where they were supposed to tick where appropriate according to their own opinions. The first statement read-“**The tax system is easy to use**”. The following are the findings

Table 4.5 The tax system is easy to use.

Findings	Frequency	Percentage (%)
Strongly agree	4	4.5
Agree	18	20.7
Not sure	26	29.9
Disagree	33	37.9
Strongly disagree	6	6.9

Source; questionnaire

Forms response chart. Question title: The system is easy to use. Number of responses: 87 responses

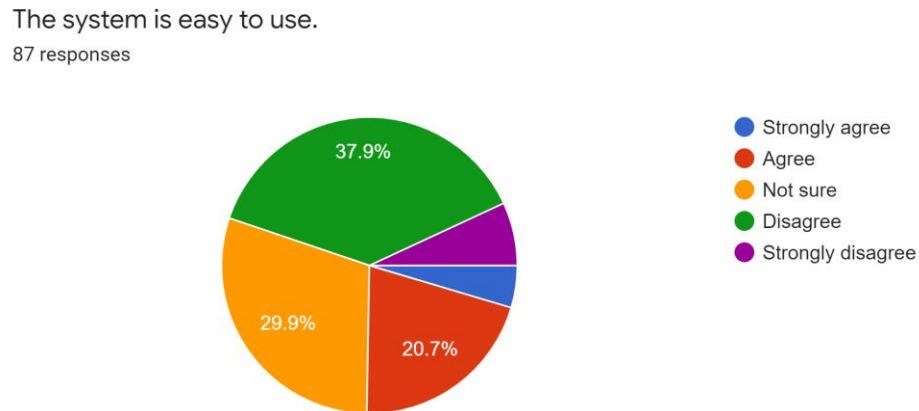


Figure 4.4 A pie chart of the level of agreement. Source; questionnaire

It can be seen that most of the respondents disagree with the statement that the tax system is easy to use. 29.9% are not sure and 20.7% agree with the statement.

The second statement was-“**Tax system is user friendly**”.

The findings were;

Table 4.6; Tax system is user friendly.

Findings	Frequency	Percentage(%)
Strongly agree	4	4.5
Agree	21	24.1
Not sure	25	28.7
Disagree	28	32.2
Strongly disagree	9	10.3

Source; questionnaire

Forms response chart. Question title: The Tax system is user friendly. Number of responses: 87 responses

The tax system is user friendly.
87 responses

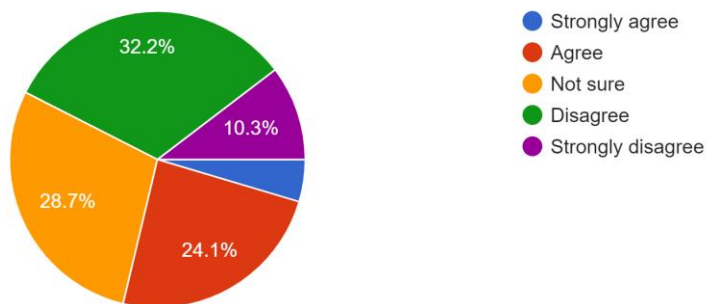


Figure 4.5 A pie chart of the level of agreement. Source; questionnaire

From this analysis it can be seen that most of the respondents Disagree with the statement that the tax system is user friendly.28.7% are not sure and 24.1% agree.

The third statement was –“**The tax system is reliable**” The findings were

Table 4.7 The tax system is reliable.

Findings	Frequency	Percentage(%)
Strongly agree	1	1.15
Agree	24	27.6
Not sure	21	24.1
Disagree	30	34.5
Strongly disagree	11	12.6

Source; questionnaire

Forms response chart. Question title: The Tax system is reliable. Number of responses: 87 responses.

The tax system is reliable.
87 responses

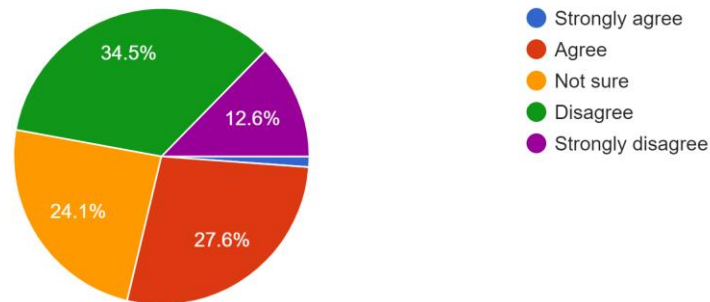


Figure 4.6 A pie chart of the level of agreement. Source; questionnaire

From this analysis it can be seen that most of the respondents Disagree with the statement that the tax system is reliable. 27.6% agree and 24.1% are not sure.

The fourth statement was “**The tax system is fair**”. The findings were

Table 4.8; The tax system is fair

Findings	Frequency	Percentage(%)
Strongly agree	18	20.7
Agree	19	21.8
Not sure	21	24.1
Disagree	29	33.3
Strongly disagree	0	0

Source; questionnaire

Forms response chart. Question title: The Tax system is fair. Number of responses: 87 responses.

The tax system is fair.
87 responses

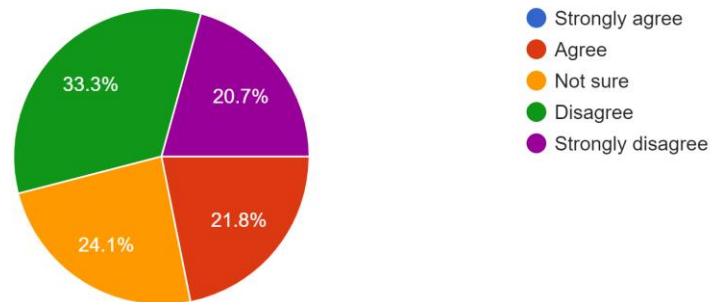


Figure 4.7 A pie chart of the level of agreement. Source; questionnaire

From this pie chart it can be seen that most of the respondents Disagree with the statement that the tax system is fair. 24.1% are not sure and 21.8% agree

4.4.3 Knowledge of tax system

The study aimed at seeking the respondent's opinions on the knowledge on tax compliance. This was done by this section of the questionnaire where three statements were posed and the respondents gave their feedback by putting a tick on their choice. This was along a likert scale. The first statement read as "Tax evasion reduces compliance costs" The following were the findings and discussions.

Table 4.9; Tax evasion reduces compliance costs.

Findings	Frequency	Percentage(%)
Strongly agree	7	8
Agree	22	25.3
Not sure	27	31
Disagree	26	29.9
Strongly disagree	6	6.9

Source; questionnaire

Forms response chart. Question title: Tax evasion reduces compliance costs. Number of responses: 87 responses.

Tax evasion reduces compliance costs.
87 responses

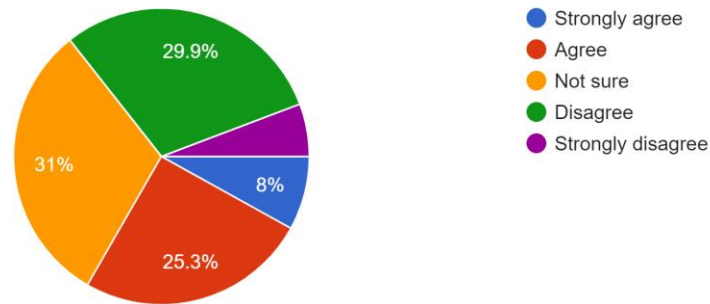


Figure 4.8 A pie chart of the level of agreement. Source; questionnaire

From this pie chart it can be seen that most of the respondent are not sure of the statement that tax evasion reduces compliance costs. 29.9% Disagree and 25.3% Agree.

The second statement was “**You are aware of the tax system in Kenya.**” The following were the findings and discussions.

Table 4.10 You are aware of the tax system in Kenya.

Findings	Frequency	Percentage(%)
Strongly agree	5	5.7
Agree	36	41.4
Not sure	17	19.5
Disagree	21	24.1
Strongly disagree	8	9.2

Source; questionnaire

Forms response chart. Question title: You are aware of the tax system in Kenya. Number of responses: 87 responses

You are well aware of the tax system in Kenya.
87 responses

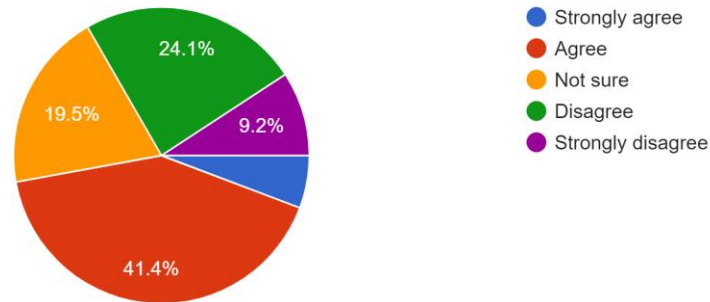


Figure 4.9 A pie chart of the level of agreement. Source; questionnaire

From this pie chart it can be seen that most of the respondents agree with the statement that they are well aware of the tax system in Kenya. 24.1% Disagree and 19.5% are not sure.

4.5 Tax Compliance.

The general objective of this study is to find out how personal factors affect tax compliance among university students in Kenya. The respondents were asked to state the level of agreement to which they agreed with given statements on personal factors affecting tax compliance on a five point. The results are represented in table 4.11 below.

Table 4.11 Tax compliance.

Response	1	2	3	4	5	Mean	SD
If the students were older they would be more compliant.	14	45	11	16	1	2.37	.855
The tax system is unfair to young people(University students).	28	26	8	22	3	2.38	.076

The tax system is easy to use.	4	18	26	33	6	3.22	1.92
Tax system is user friendly.	4	21	25	28	9	3.20	1.68
The tax system is reliable.	1	24	21	30	11	2.85	.258
The tax system is fair	18	19	21	29	0	2.70	0.41 6
There is a vast knowledge on tax systems.	7	22	27	26	6	3.05	.562
Many students are aware of the tax system in Kenya.	5	36	17	21	8	2.90	.148
Average mean	2.83						

Source; questionnaire

From table 4.11 above, the results obtained from the study on the respondents to find out the level of agreement regarding personal factors affecting Tax compliance in Riara university shows that the average mean was 2.83 Which implied that the respondents disagreed to these personal factors and parameters affecting Tax compliance. This is because the average mean ranged between $1.5 \leq S.A. < 3.0$ which was rated —disagree. The findings in average are in

table 4.11 above where a mean of 2.37,2.38,3.22,3.20,2.85,2.70,3.05 and 2.90 acknowledged that majority of Students claimed The tax system is unfair to young people(University students), the tax system is easy to use the tax system is not user friendly and the tax system is unfair.

5.0 CHAPTER FIVE; SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of chapter four and gives the conclusion and recommendations of the study based on the objectives of the study.

5.2 Summary of the Findings

Chapter four presented and discussed the results of empirical testing of the personal factors affecting tax compliance amongst university students in Kenya. The research focus was on Riara University in Nairobi, Kenya. The research was aimed at ascertaining whether the personal factors in this case, Attitude, Knowledge level on tax and Age do indeed affect tax compliance amongst the target group.

The findings of the analysis indicated that a majority of young people find it unfair to be taxed. This is because 32.2% strongly agreed while 29.9% agreed making it 62.1%. This indicates the attitude that young people have towards tax. A further indication of that is 16.1% strongly agreed while 51.7% agreed (making it 67.8%) if they were older they would be more tax compliant.

On taxpayer attitude, the research was looking to find out if the tax system was easy to use, if it was user friendly, if it was reliable and if it was fair. The study's findings indicated that there was a mixed reaction when it comes to attitude. 24% agreed that the system was easy to use, with only 6% strongly disagreeing. A vast majority were not sure while 37% disagreed. None disagreed of the tax system being fair but only 1% agreed that the tax system is reliable. 47.1% agreed that they are aware of the tax system in Kenya with only 9.2% disagreeing. Majority of the respondents were 21-30, hence showing the impact the digitization of the tax system has had. There was a high percentage that agreed that tax evasion reduces compliance costs.

5.3 Conclusion

The study was on determining the personal factors that affect tax compliance amongst university students in Kenya. The research focused on Riara University in Nairobi, Kenya. The research was aimed at ascertaining whether the personal factors in this case, Attitude,

knowledge level on tax and Age do indeed affect tax compliance amongst the target group. The findings were presented using the simple tables and graphs.

Attitude was found to affect tax compliance. This came to a conclusion after analysing the feedback from the respondents. There was a large percentage that felt that the tax system, though easy to use, is not user friendly and not reliable. This is in spite of their tax knowledge of the tax system in Kenya. There was also a feeling of unfairness, in the government taxing young people, with them responding that they would be more tax compliant if they were older.

From the findings of this study, it is therefore concluded that are factors that Attitude, knowledge level on tax and Age do indeed affect tax compliance among young people, which was a case study in a University. The government should therefore check on these three factors to ensure the young people have a good attitude towards tax hence being tax compliant and law abiding citizens.

5.4 Recommendations

There are implications that could be drawn from the literature and findings of the study hence there are three recommendations which were drawn and if put into consideration would help the Tax system in Kenya to reap the advantages that would come from University students tax compliance. Firstly it is clearly outlined from the findings that most young tax payers strongly agree that the tax system is unfair to young people. The tax system in Kenya should therefore be revised to accommodate tax young individuals which would in turn serve to ensure more tax compliance from them as their attitude would be changed.

Secondly, the tax filing system should be simplified enough since the findings show that young people disagree that the tax system is easy to use which is evident in the lack of their knowledge on how to file tax returns without the assistance of cyber attendants or professionals in this. This would ensure that more individuals find the system easy to use which would raise the tax compliance form young University students.

Thirdly, Most young individuals disagree that they have the knowledge on tax systems. This brings forth the recommendation that the tax authority in Kenya should conduct sensitization

campaigns to enlighten the young taxpayers on tax systems in Kenya which in turn increase their tax compliance.

5.5 Suggestions for Further Research

This study investigates the personal factors affecting tax compliance among students in Riara University. The variables that were picked were specific to the School and are not the only variables that affect tax compliance. It is therefore suggested that future research could be conducted to establish whether there are more variables affecting tax compliance among university students. This was arrived at by the low explanatory power of the selected independent variables on the change in the dependent variables in the study.

Furthermore there is a need to conduct a study outside the University institutions, and conduct among the millennial workforce and compare the results with those that were found in the University institution.

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Appendix I: Questionnaire that Determines Personal Factors Affecting Tax Compliance Amongst University Students in Kenya.

We are in the process of conducting research on the Personal Factors Affecting Tax Compliance Amongst University Students in Kenya. We would like to hear your opinions about this important issue. This will help us to write a paper on the same. The questionnaire will take only five minutes of your time and your responses are completely anonymous and will be used for academic purposes only.

SECTION A.

1. Gender () Male () Female.
2. Age () Below 20 ()21-30

SECTION B.

In all the questions please tick in the bracket where appropriate, against the statement as defined below;

1. Strongly Agree 2. Agree 3. Not Sure 4. Disagree 5. Strongly Disagree.

Attitude.

2. The tax system is fair.

() Strongly Agree () Agree () Not Sure () Disagree () Strongly Disagree.

3. The tax system is reliable.

() Strongly Agree () Agree () Not Sure () Disagree () Strongly Disagree.

4. The tax system is user friendly.

() Strongly Agree () Agree () Not Sure () Disagree () Strongly Disagree.

Age

1. If you were older you would be more tax compliant.

() Strongly Agree () Agree () Not Sure () Disagree () Strongly Disagree.

2. Tax evasion reduces compliance cost.

Strongly Agree Agree Not Sure Disagree Strongly Disagree.

3. It is unfair to tax young people.

Strongly Agree Agree Not Sure Disagree Strongly Disagree.

Knowledge on tax.

1. You are well aware of the tax system in Kenya.

Strongly Agree Agree Not Sure Disagree Strongly Disagree.

2. The system is easy to use.

Strongly Agree Agree Not Sure Disagree Strongly Disagree.

Budget Category	Unit Cost	Item	Total Cost
Printing of Questionnaires	5	120	600
Transport	2,000	1	5,000
Other Costs	5,000	1	5,000
Total Costs			10,600

Table 3.1: Budget Table

Time Frame	1st Week	2nd Week	3rd Week	4th Week
Activities				
Single out research topic	✓			
Data gathering from books and journals	✓			
Formulating research Design		✓		
Selection research techniques		✓		
Data collection and interpretation.			✓	
Finding analysis.				✓
Report submission.				✓