Effects of Electronic- Tax System on the Revenue Collection Efficiency of Kenya Revenue Authority: A Case of Uasin Gishu County.

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Abstract: Electronic tax system is a computerized tax administration system that is especially designed to handle general tax administration from registration, assessment, filing returns and processing of claims and refunds. Its intended purpose is to reduce the cost of the tax payer complying with Kenya Revenue Authority (KRA), increase tax collection and remove the inefficiencies associated with costs of movement by tax payers to KRA offices to do business and present to tax payers a system that reduces their cost of compliance. This study therefore set out to investigate the effect of the electronic tax system on revenue collection efficiency of Kenya Revenue Authority at Uasin Gishu County. The study was guided by the following objectives; to establish the effects of electronic tax payment on revenue collection efficiency by KRA in Uasin Gishu County, to find out the effect of electronic tax filing on revenue collection efficiency of Kenya Revenue Authority in Uasin Gishu County and to establish the challenges facing the use of electronic tax system and give possible recommendations. The study employed a case study research design of KRA Uasin Gishu County. The main data collection tools were questionnaires that were administered to the respondents. The study targeted a population of 102 respondents who included employees of KRA and tax payers. Data from the field was analyzed using SPSS that included use of descriptive & inferential statistics. The key findings were that most respondents agreed that KRA has good electronic tax payment System and that for the KRA officials; most of them are conversant with its use and are trained. However, most tax payers indicated difficulty in using the system and blamed lack of computer knowledge, poor internet and unstable power supply as major reasons. This however does not deter them from paying their taxes and filing them because however hard it is, they do beat deadlines to do so. One of the major reasons why tax payers found it difficult to use the electronic tax system is because they like last minute rush when deadlines are approaching therefore congestion of the systems a fact that can lead to a break down. Conclusions included that Kenya Revenue Authority has the best electronic tax system; most officials at the research area are sufficiently trained and updated about the system and that revenue collection activities including tax payment, registration, returns and filing have improved since the inception of the system. Moreover, most tax payers are still finding it difficult using the electronic system in terms of accessibility, internet connections, lack of computer knowledge and poor power supply systems. These are the areas where the researcher recommends improvement in addition to comprehensive civic education of the public. First the findings of the study will be very useful to government for it will be to know how much and far has the introduction of electronic tax system has affected the revenue collection by its tax man. The study is expected to be of help to Kenya Revenue Authority policy makers in identifying the key challenges involved in converting to Electronic tax system from the former manual system and coming up with strategies that will lead to improved performance. The study will also be helpful to future researchers who will use this study as a source of reference.

1. INTRODUCTION

Electronic revenue collection in developing countries has gained increasing prominence in the policy debate recently. For instance Nisar (2013) argued that recent trends in public taxation stress the need of developing a system of tax assessment and collection that involves internet services. Several factors explain this, including the potential benefits of taxation for state building; independence from foreign aid; the fiscal effects of...
trade liberalization; the financial and debt crisis in the “West”; and the acute financial needs of developing countries. Governments in developing countries face great challenges in collecting tax revenues, which result in a gap between what they could collect and what they actually collect. One of this challenges according to Muita (2011), is the embracing of emerging technologies and tax payment methods that are more efficient so as they can reduce wastage. One of the technologies he argues is electronic tax system which so far has been embraced by the Kenya Revenue Authority. According to Cobham (2010), the electronic tax system has been around, globally, for the last 30 years. Its history began in 1986 as a small test program in which only 5 tax payers from Cincinnati, Raleigh Durham, and Phoenix agreed to participate. Since then, electronic tax system has grown to become common place, serving millions of taxpayers every year.

Wasao (2014), describes electronic tax system is an online platform whereby the taxpayer is able to access through internet all the services offered by a financial authority such as the registration for a personal identification number, filing of returns and application for compliance certificate, a perfect example of such system is the Electronic taxation system that was rolled out in 2013 by the Kenya Revenue Authority. Kenya Revenue Authority for instance as one of the financial authorities in the world conducts this Electronic tax system through the Business Process Improvement (BPI) and increases scope of electronic interaction with taxpayers to boost staff productivity and taxpayer service.

For Stanislav (2012), governments world-wide, have invested heavily in electronic systems for the past two decades. These range from registration services (birth, car, company) to licence/document applications (driver, dog, and passport) and tax and social welfare services. As already noted, when looking at progress to date, it is not surprising to find that the aspect of e-government which tends to be most developed and most widely used is electronic tax system.

Gideon and Alouis (2013) wrote that an efficient national revenue collection system is the hub of every public administration system and the cornerstone of sound fiscal management. It enables governments to finance budget deficits from domestic sources, thus dissuading recourse to off-shore sourcing. Basing their study on public revenue collection in Zimbabwe, the two argued that there is need to review the structural and operational frameworks governing the national revenue authority, tighten treasury control over all national revenue sources, strengthen legislative oversight and the public audit functions, plug loose areas in income tax frameworks as well as instituting transparency in national revenue remittance processes. One of their recommendations included the introduction of an electronic system which the national revenue collector Zimbabwe Revenue Authority (Zimra) introduced in 2015. Other countries regionally have introduced such electronic systems more so those that are online for the same purposes in several government departments and organizations. Kenya Revenue Authority is one such organization that relies heavily on electronic systems strategy in order to deliver on its core responsibility of collecting revenue on behalf of the Government of Kenya. Kenya Revenue Authority (KRA) is a public sector organization that relies heavily on electronic systems strategy in order to deliver on its core responsibility of collecting revenue on behalf of the Government of Kenya. According to the Kenya Revenue Authority website (2015), KRA is a Semi Autonomous Government Agency (SAGA) whose purpose is assessment, collection, administration and enforcement of laws relating to revenue and tax administration. It was established in 1st July 1995 by an Act of Parliament, Cap 469 (www.kra.co.ke, 2015).

According to Atika (2012), electronic tax system forms part of the revenue collection reforms by Kenya Revenue Authority whose main motive is enhancing tax collections and tax efficiency and thus, tax revenues have been increasing rapidly due to the country’s rapid economic development accelerated by the new systems. In this regard, the planning and formulation phase of an elaborate electronic system strategy was done in the KRA Corporate plan of 2003 and was implemented in the fourth corporate plan of 2009. KRA has a centralized Information Communication Technology (ICT) department that provides support services in terms of electronic systems to the entire organization all these to try and achieve its goals for achieving increased revenue collection and facilitating voluntary compliance by taxpayers (Atika, 2012).

Despite all these efforts, challenges still exist though not much than the increased revenue collection indicators that the country is enjoying. Other economic and finance experts argue that the increase may not be necessarily because of the introduction of the electronic system but other factors (Wasao, 2014). This argument corresponds by an earlier statement by Andarias (2006), who argued that while looking at the importance of technology established that, the electronic system is considered as an efficient tool when properly used;
otherwise it can also become a problem which needs to be solved, rather than the solution. The electronic tax system comprises modern Technology that has in the form of computers, internet and software applications. Such technology is considered to be only efficient when handled by well-trained personnel and embedded in the workflow of the organization.

This researcher is therefore motivated by the above background to conduct a study on the effects of the electronic systems in KRA services provision more specifically on the area of efficient revenue collection. The researcher has chosen Uasin Gishu County as a case study for and will try find out how online tax payment and filling has impacted on revenue collections in that area.

1.2 STATEMENT OF THE PROBLEM

Electronic tax system was introduced by Kenya Revenue Authority to increase financial collection, administration, avail services to the tax payers all the time from anywhere, reduce costs of compliance and improve tax compliance. However, tax compliance levels remain low and tax collections are below the targets set by Kenya Revenue Authority. Despite the increasing need to increase revenue collection and enforcement so as to provide public services, and the introduction of electronic tax systems in most countries across the global divide, developing countries like Kenya, still face the challenges of low tax compliance and tax administration.

Muita (2011) argued that online tax systems are rapidly replacing paper-based tax reporting systems. Promising many advantages over the traditional method of hard copy tax filing, these systems promise faster process, lower costs and increased efficiency.

An electronic system for filing and paying taxes, like the one introduced by KRA, if implemented well and used by most taxpayers, benefits both tax authorities and taxpayers. For tax authorities, electronic filing lightens the workload and reduces operational costs – such as the costs of processing, storing and handling tax returns. In the previous years, the Kenya Revenue Authority has revised all its targets downwards in the last four years. Despite this, it failed to meet the 2011/12 target. To meet the 2014/15 target of a record Sh1.18 trillion, the taxman had to raise collections by over 20 per cent through new efficient measures that heavily relied on the introduction of electronic tax system. However, taxpayers, KRA staff and even other government bodies have complained on the cumbersome processes of tax payment filing and compliance through the electronic system. Some argue that the increase of revenue collection is not related to electronic tax system but other factors like stable economy, population growth and increase in donor borrowing.

There has been limited research done to evaluate the effects electronic tax system on the efficiency of revenue collection. Duncan (2000) looked at the factors that facilitate the successful adoption of technology as a tax compliance enhancement tool. In his study, he concluded that three factors must be in place to realize this objective, namely: flexible Information Technology structure, competent IT skill base and strong customer orientation. Kamau (2014), sought to determine the impact of adoption of technology as a strategic tool in enhancing tax compliance in Kenya. The study focused on the large taxpayers of Kenya Revenue authority. The study concludes that indeed the adoption of technology does impact on the tax compliance levels of the large taxpayers. Additionally it was concluded that the Kenya Revenue Authority has effectively implemented its Internet and Communication Technology strategy.

1.3 OBJECTIVES OF THE STUDY

The general objective of this study was to assess the effects of electronic- tax system on the revenue collection efficiency of Kenya Revenue Authority, case of Uasin Gishu County. This study was guided by the following objectives;

i) To establish the effects of electronic tax payment on revenue collection efficiency by Kenya Revenue Authority in Uasin Gishu County.

ii) To find out the effect of electronic tax filing system on revenue collection efficiency by Kenya Revenue Authority in Uasin Gishu County.

iii) To establish the challenges of using electronic- tax system on revenue collection efficiency by Kenya Revenue Authority in Uasin Gishu County and their possible solutions.

2. LITERATURE REVIEW

2.1 Electronic Tax System

Electronic tax system is the system that has been developed to replace the current KRA Online system. It is a web-enabled and secure application...
system that provides a fully-integrated and automated solution for administration of domestic taxes. It enables Taxpayer internet-based PIN registration, returns filing, payment registration to allow for tax payments and status inquiries with real-time monitoring of accounts (Waweru 2013).

According to Kun, et al (2008), for a long time, government services have been regarded as synonymous with bureaucracy in both developing and industrialized countries. The tenets of Weberian bureaucracy include such factors as organized hierarchy, development of standardized and impersonal procedures, formal division of labor and responsibility, and emphasize efficiency in all procedures.

All countries have bureaucratic state mechanisms; and while many commercial organizations are strongly inspired by the tenets of bureaucracy, their efficiency varies widely. Whatever the level of efficiency of the bureaucracy, the availability of computers to people from all walks of life has brought them better and more convenient access to public services. Additionally, through the Internet and computer technology, governments can provide services in the original positive sense of Weberian bureaucracy. In other words, e-government can facilitate public service offerings in a truly standard, impersonal, efficient, and convenient manner for both service provider (the government) and service recipient (the citizens). In some cases a government agency can also be a service recipient of an e-government service. In economic terms, the ability of citizens to access government services anytime, anywhere helps to mitigate the transaction costs inherent in all types of government services (Kun, et al, 2008).

According to Harold (2011), computer-generated returns, transmitted electronically, generally are easier to process than paper returns; since the information on the forms doesn't have to be keyed in, number by number, by IRS staff into the Service's computers hence there is less chance of errors. Electronic transmittal is instantaneous, bypassing the frustrating vagaries of the postal system and the client receives confirmation within a day or two that the return not only was received by the IRS, but was received accurately.

However, from an American experience, electronic tax systems’ biggest advantage, from the taxpayer's point of view, is that it shortens the time for refunds from an average of 12 weeks to about 3 weeks. Refunds can even be deposited directly into taxpayers' bank accounts. As an added incentive, some vendors that provide electronic filing services for tax preparers also offer a service in which clients due a tax refund can apply for an immediate bank loan equal to the expected IRS check. As a result, a client could receive the refund (less bank and preparer fees) within three days of the filing (Harold, 2011).

Different literatures point out ICT use to be extremely beneficial; Mugisha, (2001) attests that, the use of ICT enhances timely access to accurate and relevant information, which is a prerequisite for good planning, programming, implementation as well as monitoring and evaluation which forms the key component in development; Suluo, (2001) shows that, ICT use has lead to high level organizational growth; and yet Crede,(2008) reveals two facts, first; ICT has the capacity to increase productivity and create more cost effective output with the same or less inputs and second; Development of ICT applications for business use alter the approach organizations function and eventually, improve their services as well as products. What these scholars are trying to emphasize is that; the spread of ICT use in various sectors brings new opportunities for economic growth and development. New organization design, new markets, new products and improved services are being created which brings with them new sources of revenue.

In Tanzania for example, according to the TRA (2010), after the introduction of electronic tax systems with the most central being the Integrated Tax Administration System (ITAX), Taxpayer Identification System (TIN), Computerized Motor Vehicle Registration System (CMVRS), Customs Administration System (ASYCUDA++) and Computerized Drivers’ License System (CDLS) by the Tanzania Revenue Authority, There are no more rooms full of clerks posting entries by hand in large ledger books as it used to be; instead there is a widespread use of computers to administer tax.

2.2 Tax Collection and Electronic Tax System

Tax collection and administration can be improved through measures such as; shifting towards an electronic tax payer registration system where a uniform Tax Identification Number (TIN) would apply regardless of whether a tax payer is registering for Personal Tax, Corporate Tax or VAT. Simplify the tax code: Since income tax and value added tax (VAT) rates are punitive and lack in-built mechanisms that would enhance self-assessment, there is need to simplify tax laws, forms and procedures developing systems that can enhance access to third-party sources of
information. KRA still lacks adequate and frequently updated information systems on registered taxpayers.

Computerization of taxpayer records is still incomplete. There is need to develop systems that can access third party sources of information, such as withholdings, bank transactions, foreign exchange transactions, transactions in securities and large transactions (involving real estate, cars, tax-deductible transactions, customs payments). Use of tax amnesties can prove useful. Enhancing administration through measures such as entrusting sensitive negotiations to special teams; minimizing contacts between tax payers and tax collectors and reducing the discretionary powers of tax officers; setting up supervisory systems with at least three hierarchical levels to reduce opportunities for collusion; and devise incentive systems that match public and private interests. There is the possibility of relying on banks in collecting taxes. (Moyi 2006)

The Authority aims to continue on the path towards financial administration excellence through surpassing set financial targets at least cost. Under this perspective, a key strategy to be pursued is the strengthening of the Enforcement function. KRA acknowledges that the majorities of taxpayers are honest and law abiding and deserve efficient, professional and fair tax administration. Therefore enforcement programs must rest on sound foundation of observing taxpayer rights. The Electronic tax system endeavors to provide the balance between quality service delivery and enforcement to enhance voluntary compliance. (Waweru 2013)

KRA was formed to develop improve on financial collection measures as well as making sure that all financial leakages are closed. It was also to ensure that it expedites trade by putting in place those measures that allow digital controlled movement of goods and services. KRA therefore have put in place those measures to reduce the leakages. They invariably include segregation of duties, custody of assets, strict authorization procedures, internal audit, and the use of passwords, proper record digital controls and management supervision. (Obat, 2010)

2.3 Theoretical Literature Review

It is appropriate to lay out the theoretical underpinnings of this study. This is henceforth undertaken in the sections hereunder

2.3.1 Neoclassical Economic Theory

According to the neoclassical economic theory which makes use of the Smithian concept of homo economic us, taxpayers are selfish rational utility maximizes who, following the optimal strategy, try to evade taxes as a means of obtaining the best outcome.

Slemrod et al. (2010) found a higher level of compliance among low and middle-income taxpayers and a higher propensity to avoid taxes in the high-income group. Vary audit rates from 5% to 30% and 60% and report a significant increase in tax compliance. In the same vein, Trivedi et al. (2009) shift from an audit probability of 0% to 25% and observe higher tax compliance in the latter case. Other studies report that compliance diminishes in the first rounds after an audit and then increases again

Guala and Mittone, (2005). The phenomenon was coined “bomb-crater” effect and refers to the following situation: “a taxpayer who has recently been audited seems to believe that the likelihood of a subsequent audit is very remote; therefore, the risk of evasion appears to be low. After several periods, however, the assumed likelihood of audits increases again, and compliance increases” Some studies report a negative relationship between tax rate and compliance behaviour.

Anderhub et al. (2001) for example, showed that an increased tax rate discouraged tax evasion. In a 25-round experiment, He report that compliance level lessens when the tax rate is boosted from 10%, 30% to 50%.

2.3.2 Control Theory

Mwachiro (2011), Control theory has been described as “an interdisciplinary branch of engineering and mathematics that deals with the behavior of dynamical systems with inputs. The external input of a system is called the reference. When one or more output variables of a system need to follow a certain reference over time, a controller manipulates the inputs to a system to obtain the desired effect on the output of the system.

The objective of a control theory was to calculate solutions for the proper corrective action from the controller that result in system stability, that is, the system will hold the set point and not oscillate around it. Systems have inputs and outputs to bring a product after processing and so inputs and
outputs of a control system are generally related by differential equations.

Setting objectives, budgets, plans and other expectations establish criteria for control. Control itself exists to keep performance or a state of affairs within what is expected, allowed or accepted. Control built within a process is internal in nature. It takes place with a combination of interrelated components-such as social environment effecting behavior of employees, information necessary in control, and policies and procedures. Internal control structure is a plan determining how internal control consists of these elements.

2.3.3 Technology Acceptance Model (TAM)

Davis et al (2003), TAM theorizes that an individual’s intention towards using a system is jointly determined by perceived usefulness, the user’s “subjective probability that using a specific application system will increase his or her job performance” and perceived ease of use (PEOU), “the degree to which the . . . user expects the target system to be free of effort.” The effects of external variables (e.g., system design characteristics) on behavioral intention (BI) are mediated by these beliefs. According the PEOU also has a direct effect on PU. In predicting usage; TAM models might be useful within and across organizations for evaluating applications or technologies, or to make comparisons between user groups or applications. However, TAM has limitations in being applied beyond the work place because its fundamental constructs do not fully reflect the variety of user task environment and constraints.

Paul and John (2003), suggested that TAM is a useful model but has to be integrated into a broader one which would include variables related to both human and social factors. The theory of planned behavior (TPB) takes these factors into account.

2.4 Empirical Literature Review

2.4.1 Electronic Tax Payments

There has been several studies concerning the electronic tax payments across the globe, Seelmann, Lerche, Kiefer and Lucante (2011) did a study Benefits of a computerized integrated system for taxation in Tanzania, they argued that Taxation is often the most important source of state revenue. However, many developing countries lack effective tax administration structures and processes. Technological innovations have not filtered through to the daily working reality of tax officials. They concluded that Computerization of tax and revenue authorities can contribute to reaching the goal of good (financial) governance. It improves accountability and transparency of the revenue authorities. Nevertheless, while reforming and modernizing the tax system is an essential part of improving domestic resource mobilization, such a reform will be sustainable only in conjunction with more profound changes in the administrative and political structure of a state.

Sagas, Nelimalyani and Kimaiyo (2015), did an assessment of the impact of electronic tax register on revenue collection by Kenya Revenue Authority western region, Kenya. Findings from their study indicated that indicated that 75% of the respondents were of the opinion that ETR machines have helped to curb cases of tax evasion 86% of the respondents were of the opinion that ETRs have helped increase revenue collection due to their efficient nature.

Wang’ombe (2009) did a study on the revenue productivity and some administrative factors of the Kenyan tax system for the period 2001–2008. The result of this study came up with buoyancy estimates of the total tax system as 1.26 while elasticity was 1.27. The study thus concluded that the tax system in general was both elastic and buoyant implying that tax reforms had greatly improved productivity. Discretionary tax measures had a very small effect on tax productivity implying improved efficiency.

Wawire (2000) did a study on the tax buoyancy and income-elasticity of Kenya’s tax system. Tax revenues from various sources were regressed on their tax bases. The study concluded that the tax system had failed to raise necessary revenues. However, the shortcomings of the study were that it never considered other important determinants of tax revenue, for instance the unusual circumstances that could have affected tax. It also never disregarded tax revenue data by source hence it was difficult to say which tax bases contributed more to the exchequer. Finally, it never considered the time series properties of the data used.

Muriithi and Moyi (2003) did a study on the productivity of Kenya’s tax structure in the context of the tax reforms focusing on pre and post reform period. In the study, they assessed the buoyancy and elasticity of individual taxes and the overall tax system. Their findings suggested that tax reforms had a positive impact on the overall tax structure and on the individual tax handles, even though the impact of the reforms was not always uniform. The reforms had a bigger impact on direct taxes than on
indirect taxes, suggesting that revenue leakage is still a major problem for indirect taxes. Even though the current study adopted model used by Murithi, it differs from their study in some dimension. First, this study used data of since 1963–2010. Second, nominal figures were converted to real figures. Finally this study considered stationary of a time series data and the data regressed for the whole period of the study.

Lastly, Ayodeji (2014) looked at the Impact of electronic tax systems on Tax Administration in Nigeria. He argued that the dwindling global fortune occasioned by the fall in the price of crude oil, the major source of wealth for Nigeria shifted the attention of the government and major stakeholders in the country to the revenue generated locally. But the daunting task of boosting the Internally Generated Revenue necessitates the adoption of electronic tax systems technologies to drive Tax administration and concluded that electronic tax systems plays an important role in the increase of internally generated revenue in Nigeria by ensuring compliance thereby boosting productivity and economic activities in the country. It is a change agent for accelerated growth and poverty reduction in Nigeria and the whole of African continent at large. The major recommendation from their study was that necessary laws and regulations have to be passed by the appropriate authorities to reduce or abolish import taxes on information technology hardware such as computers, Servers, printers, biometric scanners and other devices.

2.4.2 Electronic Tax Filing

On filing, scholars and researchers have looked on the relationship between electronic filing and other factors in taxation including efficiency, revenue collection, work load reduction and many more. For instance, Kuznetsova (2010) investigated the factors that affect diffusion of tax return filing online (e-return) in Finland. Basing their studies on the Diffusion of Innovations theory, Bass Diffusion Model and Service Process Analysis he discovered that the diffusion of e-return is dependent on such variables as perceived attributes of e-return system, interpersonal communication channels, performance of related services, and extent of Tax Administration’s promotion efforts.

Another study by Anna Yusniza (2009) looked at the relationship of perceived risk and its facets within the technology acceptance model (TAM) within the tax e-filing context in Malaysia. They based their study on the argument that e-government is becoming increasingly more important in today’s world due to its effectiveness and applicability in various areas. Tax e-filing is one of the e-government services that have been adopted by many developed countries today where the public has to discharge their responsibility to the government via online tax filing. And that despite the rapid adoption of tax e-filing in many countries, researchers have argued that it is yet to establish an integrated system that is reliable, especially in developing countries due to high perceived risk by the public. They concluded that many of these risk facets will be significant. Among the risks that could possibly be significant are performance risk, psychological risk, time risk and privacy risk. Past studies have shown that taxpayers tend to e-file near the tax deadline and this may lead to system crashes if the e-filing system is not tailored to accommodate this trend. Psychological and time risks could possibly be prevalent for taxpayers who are not IT literate, they may find themselves frustrated or anxious if a lot of time is spent learning about the e-filing system and then find that the system does not function as they had hoped it would. Privacy risk may possibly be a significant risk for e-filing adoption; this is because e-filing involves the transmission of taxpayers' confidential information through the Internet. Recommendations included a fact that risk reducing strategies could be formulated to encourage e-filing adoption such as improved security features for the user interface. The risk-reducing strategies could be developed to cater to the facets of risk that are the most prevalent in e-filing adoption.

In his study titled Influencing Tax Compliance in SMEs through the Use of ICTs Lubua (2014) argued that Revenue collection is an important determinant of the economy of any country. The adequacy of government revenues allows the government to support its operations ranging from administrative activities, infrastructure constructions and service provision. The study aimed to show how e-transparent services address the challenge of voluntary tax compliance by SMEs in the republic of Tanzania. The study observed the following factors to influence voluntary compliance: Awareness of tax laws, business experience, the integrity of employees, low frequency of visitation by tax officers and training needs. Recommendations read that the revenue authority must use relevant ICT tools to positively promote these factors; as the result, the position of taxpayers to voluntarily file their tax returns will be enhanced.

Amitabh et al. (2009) did a study on the antecedents of paperless income tax filing by young professionals in India. The objective of this
study was to study how young Indian professionals will adopt or behave towards paperless or online filing of tax returns with the aim of enhancing compliance. The regression analysis carried out found that the antecedents of young Indian professionals depended on the perceived ease of the tax system, personal innovativeness in information technology, relative advantage, performance of filing service, and compatibility. The implication of the findings to the current study is that for any online system to succeed whether for small, medium or large taxpayers’ category there must be the ease of use, innovativeness and accessibility.

Wamathu (2013) studied the effects of electronic taxation on financial performance of audit firms in Kenya. From the finding the study found that there has been timely filing of returns since inception of I-tax, there has been a reduction in audit period due to introduction of I-Tax, respondents were quite knowledgeable. System failure when login were less, I-Tax was user manual friendly , I-tax system was reliable and that I-tax was not user friendly, I-tax system cost effective, I-tax system was cost effective and respondent were aware of that I-Tax system was electronic cash register and electronic signature device. She recommended that there is need for the Kenya Revenue Authority to invest on technology in order to reduce the system failure as the study revealed that system failure affects system logins. System failure discourages use of technology.

Muita (2010) in her MBA thesis has also done a related study on the factors that influence adoption and use of e-filing system among Large Taxpayers in Kenya. The study examined the skills required by the users of e-filing, the technology required and the tax authority’s preparedness in enhancing the adoption of tax compliance based technology. The study found that for e-filing to effectively take off in Kenya skills, infrastructure and a conducive business environment are needed.

2.4.3 Challenges of Using the Electronic Tax System

Dowe (2008) argued that the basic prerequisites for implementing successful e-filing and e-payment systems are: (1) a reliable and accessible internet service; (2) cooperative financial institutions; (3) an IT oriented public; and (4) adequate financing to set up the appropriate infrastructure in tax offices. Ideally, the setting of an e-filing and e-payment system should form part of a comprehensive IT design, development and implementation strategy.

The implementation process for electronic tax systems begins with the development of a strategic business plan – documenting the ideas and actions, desired outcomes and the time frame for each component, taking into account the strengths and weaknesses of the tax administration and environmental opportunities and threats. The plan should also document the implementation strategy including the implementation approach. Many countries have taken a gradual approach by allowing voluntary e-filing and e-payment for select segments of the taxpayer base, e.g. individuals or companies only, in the initial stages to allow for live testing of the system. After testing is complete filing becomes mandatory for some taxpayers, e.g. companies (Dowe, 2008).

In Uganda, Akello (2014) reported that there are challenges such as intermittent power supply and Internet outages but says the tax body has made contingency plans to ensure that the system is operational 24/7. First, the e-Tax is hosted on a central server at their Kampala headquarters, which means that it’s not affected by power or network outages even when power or the Internet is off in some parts of the country. The electronic filing process still confuses a lot of people because the web portal has many features and yet most people cannot understand some tax terms.

Sheikh (2015) explains that as with any new system, there have been numerous teething problems with the electronic system. First, there are two concurrent tax systems — manual and iTax systems — without either system recognizing the other. Taxpayers are also receiving demand emails from the Integrated Tax Management System. This is bound to create discrepancies in taxpayers’ records, especially with regards to payment of tax obligations as well as submitting returns.

For instance, in the current setup, if a taxpayer pays taxes manually, the iTax system will not recognize the payment. Instead, the system automatically calculates penalties and interest on the perceived “missed” tax payments thereby leading to potential disputes between the KRA and the taxpayer. Second, the iTax system lacks historical records of taxpayers. Its record keeping is a “going forward” type in that it only stores tax records of taxpayers from the time of registering for iTax onwards (Sheikh, 2015).

According to Lubua (2014), employees play a vital role in ensuring that the revenue authority collects its tax from clients at the right time. They also ensure that clients have the right knowledge of business taxation. Low integrity to employees is reported to significantly affect efforts by the revenue authority toward improving revenue
collection. To a large extent, the use of ICTs in the Tanzanian revenue authority has addressed the challenge of corruptive behaviour by employees. In areas such as custom department, clients are able to conduct own assessments. However in domestic revenue there is a low usage of ICTs. Clients depend on employees for assessment and this assessment depends on employees’ rational ability and integrity.

The use of ICTs for self-assessment addresses the challenge of the integrity of employees and promotes voluntary compliance. Training is essential because it provides clients with the skills necessary in raising their attitude of voluntarily complying with taxation systems. In the Tanzanian revenue authority, employees organize seminars to educate stakeholders about the benefits of voluntary tax compliance. However, many respondents admitted that they never received training from tax officers. This is partly due to inadequate members of staff. The mobile technologies can be useful in providing trainings (Lubua, 2014)

2.5 Conceptual Framework

The electronic taxation conceptual framework components comprise of dependent and independent variables.

![Conceptual Framework](image)

2.5.1 Variable Interconnectivity

Electronic Tax Payment is measured in terms of the revenue collection efficiency of Kenya revenue authority and is dependent on the payments made by registered and active taxpayers. This is achieved by the presence and proper functioning of electronic tax payments such as the electronic cash registers and the I tax portal system that are used by taxpayers to make payments of their tax obligations through the internet. The organization realizes preset objectives of efficient and effective operations, collection of accurate, reliable and informative financial reports that comply with relevant legal and regulatory requirements. Electronic Tax Filing is measured in terms of Electronic filing potential on revenue collection efficiency of KRA for costs savings on the public sector side of the tax system, reducing tax administration costs. This applies to both individual and non individual taxpayers. In particular, computerization of all tax records may reduce errors and decrease the effort of tax authorities in sorting and analyzing the tax files, and administrating the system, besides the potential reduction in corruption and the informal interactions between tax payers and tax officials and directly helping firms reduce compliance costs. Challenges of Electronic Tax Systems are measured in terms of the good that comes with electronic tax system, there are challenges in its implementation, use and maintenance. From the
literature review, a good system will need: (1) a reliable and accessible internet service; (2) cooperative financial institutions; (3) an IT oriented public; and (4) adequate financing to set up the appropriate infrastructure in tax offices. Ideally, the setting of an e-filing and e-payment system should form part of a comprehensive IT design, development and implementation strategy. Training is essential because it provides clients with the skills necessary in raising their attitude of voluntarily complying with taxation systems, the designers must ensure that its user friendly and reduces its difficulty in accessing.

3. RESEARCH METHODOLOGY

The research adopted a case study research design. In case studies, the researcher explores a single entity or phenomenon that is bounded by time and activity (a program, event, process, institution, or social group) and collects detailed information by using a variety of data collection procedures during a sustained period of time. The case chosen for the study was Kenya Revenue Authority offices in Uasin Gishu County. The study targeted a population of 102 staff drawn from management and the employees of KRA (33) and Tax payers (69).

The study basically used census of the 102 respondents. It was used simply because the study was targeting custodians of the electronic tax systems. Simple random sampling technique was used in selecting the employees and taxpayers from whom data was collected. Sample of responding staff was drawn from top, middle and low staff working in various departments of Kenya revenue authority in Uasin Gishu County. Data was collected using both primary and secondary data collection techniques. Primary data was gathered basically through structured questionnaires. Secondary data on the other hand was gathered through review of available relevant materials.

Data collected from the field was analyzed using SPSS that included use of descriptive & inferential statistics. Descriptive statistics will involve the use of percentages and frequency tables; results were presented using frequencies tables and simple explanations.

4. RESULTS, FINDING AND DISCUSSION

The study sought to examine the effects of electronic tax system on the revenue collection efficiency of Kenya revenue authority in Uasin Gishu County. It was guided by three objectives first to establish the effects of electronic tax payment on revenue collection efficiency by Kenya Revenue Authority in Uasin Gishu County secondly To find out the effect of electronic tax filing system on revenue collection efficiency by Kenya Revenue Authority in Uasin Gishu County and Thirdly establish the challenges of using electronic- tax system on revenue collection efficiency by Kenya Revenue Authority in Uasin Gishu County and their possible solutions.

Regarding electronic tax payment 45% of the respondents agreed that KRA has good electronic tax payment System in place five of them strongly disagrees while none of the respondents was undecided on this matter. It can be therefore concluded that most respondents accept KRA as the best electronic payment system maybe compared with other similar initiatives in government functions like university portals and banking activities that have embrace electronic systems. When asked whether KRA Board of Directors are committed to the electronic payment System implementation, 34% of the respondents strongly disagreed while 22% and 17 % strongly agreed and disagreed respectively. It also should be noted that 20% of the total respondents were undecided on this matter. Finally, majority (33%) acknowledged while almost a similar number but with a wider margin (20%) disagreed. Eleven of them were undecided maybe because could not understand or simply disagreed.70% of the respondents claimed that there were less frequent failure when login in the online system while only 10% said they were very frequent. A similar percentage was acquired from the respondents who work at Uasin Gishu county KRA offices when asked whether the system was user friendly. However, most of the tax payers 85 (%) said the system was not user friendly to them and it had several failures when logging in and while using.

Regarding electronic tax filing Forty out of one hundred respondents said that Management assesses the system of filing from time to time with only two disagreeing. A smaller number (32) said that there are regular and periodic reviews of online filing before the end of year report. On the same note, 35 respondents strongly disagreed. When asked whether Electronic filing is easier to use by both individual taxpayers and limited companies, 27% strongly agreed, 25% agreed and 8% were undecided. Twenty two percent of the total respondents disagreed and a further 18% of the total respondents strongly disagreed. Sixty four percent of the respondents strongly agreed that Taxpayers face difficulties filing during the deadline periods, another 20% agreed while only 10% disagreed this factor. This is because of late applications by the same people who wait till the
last minute of given time so that they can do their registration and payments (Wasao, 2014). Asked whether they can assess their tax obligations accurately using the electronic tax filing system as compared to the old system 33 respondents strongly agreed, 29 agreed, 11 strongly disagreed, and 27 disagreed. This can be blamed by what Akello (2014) as lack of internet, electricity and last minute rush to beat deadlines. More than a quarter of the total respondents (34) strongly agreed that Electronic tax filing system is fast and convenient compared to the old manual system with almost the same number of 28 respondents agreeing. Nineteen of them disagreed strongly while nine disagreed the same. This is also evident to Wasao (2014) claims that several journeys to KRA headquarters and or district centers, cumbersome filling of pages of papers and expenses of similar activities have been replaced by online and computer based activities of tax payments and filing.

Regarding the challenges that face the electronic systems at KRA A total of 32 respondents agree that they feel uncomfortable using the electronic tax system as compared to the old manual system. Another 24 strongly agreed making it almost neck to neck. This can be attributed to Wasao (2014) presentation that computer illiteracy is the biggest challenge which is further demonstrated in the next question where a total of 74 agree that lack of computer knowledge on of the major challenges in using the electronic tax system. Around 24 strongly disagree this fact while 7 agree. In the same breadth, 25% of them strongly agree that KRA is making accessibility of the electronic tax system easy 38% are undecided and 22 of them disagree.

5. CONCLUSION

According to the results it can be concluded that most respondents accept KRA as the best electronic payment system maybe compared with other similar initiatives in government functions like university portals and banking activities that have embrace electronic systems. Most KRA officials interviewed are sufficiently knowledgeable about the electronic tax system Here the results indicate that KRA has got the best workers for the job and/or it conducts training sessions for their workers to update them on emerging trends in electronic tax systems in regard to efficient revenue collection.

When compared with the old manual system, the electronic system is good and convenient by far. It reduces queues, workload, physical filing of large files and cumbersome registration processes by both KRA officials and government. From the finding the study found that there has been timely filing of returns although there is a reduction in audit period due to introduction of electronic system.

The results indicate that revenue collection n has been affected upwards and KRA workers are comfortable using the process as compared with the old manual one. The electronic system has also reduced corruption loopholes by making moist payment through mobile phones and submitting returns online. This is good for efficient revenue collection and good for faster accessibility of KRA services for the tax payer without physically visiting KRA offices. On the contrary, most tax payers complain of a difficult process, lack of electricity, internet and knowledge to access computers and related media in filing and paying their taxes. Government has not conducted any civic education to the people to train them on how to use the system leaving the job to individual tax payers who complain of lack of time and skills to do so.

5.1. Recommendations

The researcher strongly recommends that the Kenya Revenue Authority should come up with an easy application that can make tax registration, filing and payment easy for the taxpayers. Deadlines and working hours should also be streamlined to suit the tax payer’s schedules in whatever means that the department may think is good for both.

Elaborate civic education should be conducted at the research area and beyond to ensure that the general public is aware of the new tax system, how to use it and if not able to, tax payers should be advised where they can get assistance at designated government centers like Huduma centre to avoid being robbed by fraudsters.

Lack of electricity can be solved in short term acts like Huduma Centres assistance above but the government should ensure all Kenyans access affordable electricity or power connection so as to maximize government revenue collection. This can also boost businesses and make work efficient by tax payers and hence, more revenue for the government. The websites hosting such services like itax should be strong and stable enough to avoid lack of accessibility and breakdown during congestion.
6. REFERENCES


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