FACTORS INFLUENCING TAX REVENUE GROWTH AT KENYA REVENUE AUTHORITY: A CASE OF MERU STATION

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ABSTRACT

Kenya has been over years faced by challenges of meeting its budgets resulting to too much domestic and external borrowing. It is due to this fact that Kenya Revenue Authority was incorporated in 1995 in order to strengthen revenue collection and harmonize the separate tax collection arms that existed before then. It was expected that KRA would put in place an efficient tax system to seal the widespread loopholes in the tax system, bring down the vice of tax evasion, and enlist as many as possible tax payers into the tax net. To accomplish this, KRA has been allocated more budgetary support to enhance pay structures of revenue Officers, attract and retain professional staff as well as establishing structures for identifying and dismissing incompetent and corrupt staff. This was necessary since efficient revenue collection was seen as a means to lower Government borrowing and easing pressure on inflation and interest rates as well as increasing Government revenues to meet both recurrent and capital expenditure. This study focused on measures undertaken by Kenya Revenue Authority to bring reforms that have enhanced Tax revenue growth in the recent few years. The study analyzed factors that influence Tax Revenue growth at Kenya Revenue Authority Meru Station. The following variables were examined; Information Communication Technology, Tax Administration, Tax Payers' awareness, and staff ethics. Descriptive research design was used. The scope of the study was Kenya Revenue Authority Meru Station where total of 32 employees were interviewed in the office. The researcher used census method since the target population was less than one hundred persons. Data was collected using Questionnaires which were both closed ended and open ended, where descriptive statistics were utilized to organize and describe the data while excel computer package was used to present the analysis in tables, pie charts and bar graphs. The study will benefit Kenya Revenue Authority in strategy formulation. The findings will also help KRA in future policy making process as it will always be used as a reference tool. Other Government Revenue Agencies e.g. Courts; County Governments, National Government Ministries and other Institutions will use the report to benchmark their revenue collection activities. Lastly, other Researchers will also base their studies on this study.

Key Words: *tax revenue growth, Kenya Revenue Authority, Meru station*

INTRODUCTION

To tax is to impose a financial charge or other levy upon a taxpayer either an individual or a legal entity by a state or the functional equivalent of a state such that failure to pay is punishable by law. Taxes are also imposed by many sub-national entities. Taxes consist of direct tax or indirect tax and may be paid in money or as its labour equivalent. A tax may be defined as a pecuniary burden laid upon individuals or property owners to support government. A tax is not a voluntary payment or donation but an enforced contribution exacted pursuant to legislative authority and therefore it is any contribution imposed by government (Akrani, 2010).

Money provided by taxation has been used by states and their functional equivalents throughout history to carry out many functions. Some of these include expenditures on war, the enforcement of law and public order, protection of property, economic infrastructure (roads, legal tender, enforcement of contracts, etc), public works, social engineering, and the operation of government itself. Governments also use taxes to fund welfare and public services. These services can include education systems, health care systems, pensions for the elderly unemployment benefits and public transportation. Energy, water and waste management systems are also common public utilities. Colonial and modernizing states have also used cash taxes to draw or force reluctant subsistence producers into cash economies (Hugh, 2010).

Governments use different kinds of taxes and vary the tax rates. This is done to distribute the tax burden among individuals or classes of the population involved in taxable activities, such as business, or to redistribute resources between individuals or classes in the population. Historically, the nobility were supported by taxes on the poor, modern social security systems are intended to support the poor, the disabled, or the retired by taxes on those who are still working. In addition, taxes are applied to fund foreign aid and military ventures, to influence the macroeconomic performance of the economy the government's strategy for doing this is called its fiscal policy or to modify patterns of consumption or employment within an economy, by making some classes of transaction more or less attractive.

The main factors contributing to an improved revenue performance are changes in tax legislation, tax administration and minimal tax evasion (Morrisset & Izquierdo, 2003). After independence in 1963, Kenya continued to operate under the tax system inherited from the colonial government until early 1970s when policy and administrative changes were initiated. According to KIPPRA (2006), there was little problem with revenue mobilization until 1970s energy crisis necessitated tax reforms to mobilize more revenue. Kenya adopted the income tax act in 1973 (African Development Bank Group, 2010).

According to a study by African Development Bank Group (2010), the initial measures were aimed at widening the tax base by way of introducing the sales tax in 1973 and the capital gains tax in 1975. This was a reactive strategy aimed at militating against the decline in duty revenues brought about by the imports substitution industrialization policies. The capital gains tax was later abolished in 1984. The major tax reforms began in 1985 following a study by World Bank (1985) which undertook a review of International Journal of Economics and Finance Vol. 6, No. 10; 2014 98 Kenya's economic policy that led to a Sessional Paper No. 1 of 1986.

The second phase of tax reforms was Tax Modernization Programme (TMP) which took place between 1986 and 2002. TMP had the following policy objectives; raise revenue from 22 to 28 percent of GDP, improve economic efficiency of the tax system through lowering and rationalization of tax rates, enhance greater reliance on self assessment system supported by selective tax audits, improve administrative efficiency through computerization, address constraints in existing tax structures as well as overreliance on direct taxes (KIPPRA, 2006). There are many good options for tax reform that can achieve a stronger economy by boosting revenues, reducing or eliminating the tax biases against saving and investment, lowering tax rates, and simplifying the tax system.

STATEMENT OF THE PROBLEM

Tax reform is the process of changing the way taxes are collected or managed by the government which may involve the adoption of a Value Added Tax (VAT), the expansion of the VAT, the elimination of stamp and other minor duties, the simplification and broadening of corporate income or personal or asset taxes, or the revision of the tax code to enact comprehensive administration and criminal penalties for evasion (Mahon, 2007). In Kenya, taxation is the single largest source of government budgetary resources. Between 1995 and 2004, tax revenue constituted 80.4% of total government revenue (including grants). Given its central role, taxation has been applied to meet two objectives. First, taxation is used to raise sufficient revenue to fund public spending without recourse to excessive public sector borrowing. Second, it is used to mobilize revenue in ways that are equitable and that minimize its disincentive effects on economic activities (Glenday, 2002). Mumo (2013) in his article, "the Taxman allays fears on new VAT regime" in the Daily Nation observed that the taxman has dismissed concerns that the new VAT law will hinder economic growth and called for all future tax policies to be based purely on research. Taxation is the key source of revenue that the government of Kenya uses to provide public services to its citizens. Due to its importance, tax policy debates and decision making becomes a critical issue to the public, businesses and the general economy owing to the varied impact that it will have on each of these entities. The passing of the new Constitution of Kenya in 2010 reflects a two tier system of government comprising the national and 47 county governments with the national government retaining the powers to impose taxes both direct taxes and indirect taxes. On the other hand the county governments' powers to impose tax will be confined to entertainment taxes, property taxes, and other taxes that are feasible at their jurisdiction. Of the total tax revenue collected by the government over the last 10 years, the largest contributors are income tax, followed by VAT (domestic taxes).

However it is important to note that the burden on income tax and in particular PAYE is felt by a small percentage of the total productive labour force raising fairness concerns despite income tax being the most progressive tax. Unlike personal income tax that follows a graduated rate structure; corporate income tax is charged on profits from registered business entities at a flat rate. However a number of businesses especially in the informal sector are not taxed again raising equity questions. The tax structure in Kenya is skewed heavily towards income taxes and VAT as the two largest source of total tax revenue (Mutua, 2012). Given the destabilizing effects of the budget deficits and the fact that they were becoming unsustainable, the Kenya .Government came up with measures to address this problem the most notable fiscal policy proposals adopted being the Tax Modernization Programme (TMP) and the Budget Rationalization Programme (Muriithi & Moyi, 2005). In spite of these efforts by the Government of Kenya there are still a myriad of problems militating against effective and efficient tax system in Kenya and hence affecting the tax revenue collected by the Kenya government. It was therefore against this background that the researcher examined factors that influence tax revenue growth at Kenya Revenue Authority Meru station.

GENERAL OBJECTIVE

The purpose of this study was to determine factors influencing tax revenue growth at Kenya Revenue Authority, Meru Station.

SPECIFIC OBJECTIVES

1. To determine how information technology influence Tax Revenue growth at Kenya Revenue Authority Meru Station.
2. To assess how tax payers' awareness influence Tax revenue growth at Kenya Revenue Authority Meru Station.
3. To examine how tax administration influences Tax Revenue growth at Kenya Revenue Authority Meru Station.
4. To assess how staff ethics influence Tax Revenue growth at Kenya Revenue Authority Meru Station.

THEORETICAL FRAMEWORK

Theoretical framework section defines theories used to support the study and therefore variables forming the research are anchored on the theories. This study is based on five theories; Adams smith canons of taxation theory, Benefit theory, ability to pay theory and cost of service theory.

Adams Smith Canons of Taxation Theory

Adams Smith canons of taxation theory as outlined in his book; "The wealth of Nations." states that a good tax system is one which is designed on the basis of an appropriate set of principles. The tax system should strike a balance between the interest of the tax payer and that of the tax Authorities. He based his argument on four principles otherwise known as canons of taxation .These are Canon of equity, Canon of certainty, Canon of convenience and Canon of economy.

Canon of Equality: The first canon or principle of a good tax system emphasized by Adam Smith is of equality. According to the canon of equality, every person should pay to the Government according to his ability to pay that is in proportion of the income or revenue. Thus under the tax system based on equality principle the richer persons in the society will pay more than the poor. On the basis of this canon of equality or ability to pay Adam Smith argued that taxes should be proportional to income, that is, everybody should pay the same rate or percentage of his income as tax.

However, modem economists interpret equality or ability to pay differently from Adam Smith. Based on the assumption of diminishing marginal utility of money income, they argue that ability to pay principle calls for progressive income tax, that is, the rate of tax increases as income rises. Now, in most of the countries, progressive system of income and other direct taxes have been adopted to ensure equality in the tax system. It may, however, be mentioned here that there are two aspects of ability to pay principle. First is the concept of horizontal equity. According to the concept of horizontal equity, those who are equal, that is, similarly situated persons ought to be treated equally.

This implies that those who have same income should pay the same amount of tax and there should be no discrimination between them. Second is the concept of vertical equity. The concept of vertical equity is concerned with how people with different abilities to pay should be treated for the purposes of division of tax burden. In other words, what various tax rates should be levied on people with different levels of income, A good tax system must be such as will ensure the horizontal as well as vertical equity.

Canon of Certainty: Another important principle of a good tax system on which Adam Smith laid a good deal of stress is the canon of certainty. To quote Adam Smith, 'the tax which each individual is bound to pay ought to be certain and not arbitrary. The time of payment, the manner of payment, the quantity to be paid ought all to be clear and plain to the contributor and to every other person. A successful function of an economy requires that the people, especially business class, must be certain about the sum of tax that they have to pay on their income from work or investment.

The tax system should be such that sum of tax should not be arbitrarily fixed by the income tax authorities. While taking a decision about the amount of work effort that a person should put in or how much investment should he undertake under risky circumstances, he must know with certainty the definite amount of the tax payable by him on his income. If the sum of tax payable by him is subject to much discretion and arbitrariness of the tax assessment authority, this will weaken his incentive to work and invest more.

Moreover, lack of certainty in the tax system, as pointed out by Smith, encourages corruption in the tax administration. Therefore in a good tax system, "individuals should be secure against unpredictable taxes levied on their wages or other incomes. The law should be clear and specific; tax collectors should have little discretion about how much to assess tax payers, for this is a very great power and subject to abuse." In the opinion of the present author the Indian tax system violates this canon of certainty as under the Indian income tax law a lot of discretionary powers have been given to the income tax officers, which have been abused with impunity. As a result, there is a lot of harassment of the tax payers and corruption is rampant in the income tax department (Mutua, 2012).

Canon of Convenience: According to the third canon of Adam Smith, the sum, time and/manner of payment of a tax should not only be certain but the time and manner of its payment should also be convenient to the contributor. If land revenue is collected at the time of harvest, it will be convenient since at this time farmers reap their crop and obtain income. In recent years efforts have made to make the Indian income tax convenient to the tax payers by providing for its payments in installments as advance payments at various times during the year. Further, income tax in India is levied on the basis of income received rather than income accrued during a year. This also makes the income tax system convenient. However, there is a lot of harassment of the tax payers as they are asked to come to the income tax office several times during a year for clarifications of their income tax returns.

Canon of Economy: The Government has to spend money on collecting taxes levied by it-Since collection costs of taxes add nothing to the national product, they should be minimized as far as possible. If the collection costs of a tax are more than the total revenue yielded by it, it is not worthwhile to levy it. More complicated a tax system, more elaborate administrative machinery will be employed to collect it and consequently collection costs will be relatively larger. Therefore, even for achieving economy in the tax collection, the taxes should be as simple as possible and tax laws should not be subject to different interpretations. According to Adams Smith and other political philosophies, taxes are justified as they fund activities that are necessary and beneficial to society. Additionally, progressive taxation can be used to reduce economic inequality in a society.

According to this view, taxation in modern nation-states benefits the majority of the population and social development (Oliver Wendell Holmes, Jr.) is "Taxes are the price of civilization "It can also be argued that in a democracy, because the government is the party performing the act of imposing taxes, society as a whole decides how the tax system should be organized. Compulsory taxation of individuals, such as income tax, is often justified on grounds including territorial sovereignty, and the social contract. Defenders of business taxation argue that it is an efficient method of taxing income that ultimately flows to individuals, or that separate taxation of business is justified on the grounds that commercial activity necessarily involves use of publicly established and maintained economic infrastructure, and that businesses are in effect charged for this use.

Benefit Theory

The benefit approach was initially developed by Wicksell (1896) and Lindahl (1919), two economists of the Stockholm School. According to this theory, the state should levy taxes on individuals according to benefit conferred on them. This means that, the more benefits a person derives from the activities of the state, the more he should pay to the government. This theory seeks to ensure that each individual's tax obligations are as far as possible based on the benefits that he or she receives from the enjoyment of public services3 .The application of this theories in Tanzania is such that there are various taxes(levies) that are collected in the local jurisdictions example, in market, bus stands which are collected by various local government authorities, at the end this fund is further used to develop various social facilities which results to social benefit to the society members.

A tax, as known, is compulsory contribution made to the public authorities to meet the expenses of the government and the provisions of general benefit. There is no direct quid pro quo in the case of a tax. Secondly, most of the expenditure incurred by the state is for the general benefit of its citizens. It is not possible to estimate the benefit enjoyed by a particular individual every year. Thirdly, if we apply this principle in practice, then the poor will have to pay the heaviest taxes, because they benefit more from the services of the state. Thus, if we get more from the poor by way of taxes, it is against the principle.

The Sacrifice Theory

This theory attempts to determine the burden that rests upon an individual in virtue of his payment of taxes and how much of his or her income remains for purpose of his own subsistence. According to this theory payment of tax is a sacrifice that an individual makes towards the support of the government. The measure of such sacrifice is found in the giving up of enjoyments, which is, giving up a portion of individuals' means (income) of satisfying wants (consumption). Practically the sacrifice theory demands that individuals should only pay tax on that portion of income that is spent on luxuries, the sacrifice should only be in respect.

However, the application of this theory should provide that, it is mandatory to the suppliers of goods and services to be charged in accordance with the provisions of Value Added Tax Act. So, it touches to every individual as long as he/she purchases some products. Thus, sacrifice theory has come in form of indirect tax. Applicability of this theory is conceptually difficult unless it is expressed in terms of income and consumption.

Ability to Pay Theory

This theory was developed due to inadequacies in benefit and sacrifice theories of taxation. This is the most popular and commonly accepted principle of equity or justice in taxation, that is, citizens of a country should pay taxes to the government in accordance with their ability to pay. It appears very reasonable and just that taxes should be levied on the basis of the taxable capacity of an individual. For instance, if the taxable capacity of a person A is greater than the person B, the former should be asked to pay more taxes than the latter. It seems that if the taxes are levied on this principle as stated above, then the justice can be achieved. However, there are still some difficulties putting this theory in practice. The trouble arises with the definition of ability to pay. Thus, the main viewpoints have been advanced in connection with the ability to pay which are as follow:

Ownership of Property: Some economists are of the opinion that ownership of the property is a very good basis of measuring one's ability to pay. This idea is out rightly rejected on the ground that, if a person earns a large income but does not spend on buying any property, he will then escape taxation. On other hand, another person earning income buys property; he will be subjected to taxation. So, the question here may arise, is this not absurd and unjustifiable that a person earning large income is exempted from taxes and another person with low income is taxed?

Tax on the Basis of Expenditure: Some economists assert that ability to pay tax should be judged by the expenditure which a person incurs. The point of view seems unsound and unfair in every respect; for example, a person having a large family to support has to spend more than a person having small family. Therefore, if we make expenditure as a test of one's ability to pay, the former person who is already burdened with many dependents will have to pay more taxes than the latter that has a small family. So this is unjustifiable14 Income as the basics: Most of the economists are of the opinion that income should be the basis of measuring a man's ability to pay. It appears very just and fair that if the income of a person is a greater than that of another, the former should be asked to pay more towards the support of the government than the latter. That is why, in the modern tax system of the countries of the world, income has been accepted as the best test for measuring the ability of a person to pay.

The Cost of Service Theory

Some economists were of the view that, if the state charges actual cost of the service rend from the people, it will satisfy the idea of equity/justice in taxation. The cost of service principle can no doubt be applied to some extent in those cases where the services are rendered out of prices and are a bit easy to determine, such as, postal, railway services and supply of electricity. However, most of the expenditure incurred by the state cannot be fixed for each individual as it cannot be exactly be determined.

For instance, how can we measure the cost of service of the police, armed forces and judiciary to different individuals? Also, the theory is rejected because there is no quid pro quo in a tax. Proportionate theory/principle: J. S Mill and other classical economists were of the opinion that if taxes are levied in proportion to the incomes of the individuals, it will extract equal sacrifice. The modern economists, however, differ with this view. They assert that when income increase, the marginal utility of income decreases. The equality of sacrifice can only be achieved if the persons with higher rates and those with low income at lower rates. They favour progressive system of taxation, in all modern tax systems.

EMPIRICAL REVIEW

Gachanja (2012), in his research on the effect of tax reforms and economic factors on tax revenues in Kenya observed that Kenya introduced the tax modernization programme in 1986 with the hope that this would, among other things, enhance revenue collection. The objective of this study was to establish the effect of tax reforms and economic factors on tax revenues in Kenya. A co relational study design was selected. Secondary data was collected for a ten year period (2000-2009) from various sources included the Central Bank of Kenya website, the Kenya National Bureau of Statistics, Transparency International website and the World Bank website.

Trend analysis was used to graphically present some of the trends in the data. With the aid of SPSS, a multivariate analysis was employed with the OLS regression being used. The dependent variable was tax revenues while the independent variables were tax reforms (measured as a dummy variable). The regression model was controlled for corruption (measured by the corruption perception index). The trend analyses revealed that there corruption index in Kenya had been improving since 2000 while tax revenues had been rising over the period. The OLS regression revealed that the independent variables accounted for 91.6% of the variance in tax revenues. Reforms were negatively and significantly correlated with tax revenues, which had a positive and significant influence on tax revenues, while corruption had a positive but insignificant impact on tax revenues.

The study concludes that tax reforms have negatively contributed to tax revenues in Kenya while economic conditions (GOP) have positively impacted on revenues. The effect of tax reforms is therefore counterintuitive. The study recommends that the Kenya Revenue Authority relook into the issue of reforms and modernization programs to check on whether some of the reforms they have instituted lead to better revenue collections. The study also recommends that reforms and measures need to be carried out in all sectors of the economy to spur economic growth and therefore improving the tax revenues. Future studies should also perform the normality of distribution tests to determine which type of multivariate analysis to be carried out. Other tests to check whether the conditions for parametric analysis as well as for OLS regression analysis are met can be performed.

Okech and Mburu (2011), in their research 'Analysis of responsiveness of tax revenue to changes in national income in Kenya 1986-2009', observed over the years, the Kenyan government had continued to experience budget deficit. This had been partly attributed to the inability of the tax system to generate sufficient revenue to finance public expenditure. Inadequacy of tax revenue to finance public expenditure had largely been attributed to lack of responsiveness of tax revenue to changes in national income.

RESEARCH METHODOLOGY

Research Design

The researcher used descriptive research design. This enabled the researcher to deeply analyze the phenomena with a view to generalization about a wider population which would have been suitable for finding out the effects of taxation on tax revenue growth. The major purpose of using descriptive design method is that it measures the accuracy of the variables. Descriptive research is restricted to facts findings and may result in formulation of important principles of knowledge and solutions to significant problems. It's more than collection of data and it involves measures, classification, analysis and interpretation (Kothari 2008)

Target Population

According to Mugenda and Mugenda (2003) population means all elements in a research area of interest. It is the group of individuals or objects from which samples are taken for measurement. Target population is the totality of cases that conform to some designated specifications, which could be people, events or things of interest to the researcher (Sekaran, 2000). The target population comprised of workers from the management level (the station managers, tax compliance managers, debt managers, Quality Management Systems managers, recruitment supervisors, tax officers as well as itax support team. A total of thirty two (32) officers were interviewed.

Sampling Frame, Sampling technique and Sample Size

A sample is a subset of a particular population while sampling is the practice concerned with the selection of individual observations intended to yield some knowledge about a population of concern especially for the purpose of statistical inference (Mugenda & Mugenda, 2003). In this case, the researcher accessed all the population and hence no sampling was required. The researcher accessed the entire population and hence there was no sampling techniques used. The researcher used census method because the target population was less than one hundred persons. This method of data collection is also known as complete enumeration technique or 100% enumeration technique. Under this technique, each and every item or unit constituting the universe is selected for data collection. The result of the enquiry is likely to be exact and accurate. This is because the information's are collected from each and every unit of the universe without ignoring any one and the target population is very small and manageable. A sample size of 32 staff members of Kenya Revenue Authority Meru Station was used for the purpose of this study.

Data Collection Instruments

This sets out how data for the study was to be collected and analyzed. To achieve the research objectives both primary and secondary data were used to answer the research questions. Questionnaires were used to collect primary data from the respondents. According to (Mugenda & Mugenda, 2003) descriptive data are typically collected through a questionnaire survey. Questionnaires consisting of structured and non structured questions were used to collect data from the top management, middle level management and operational staff of the Kenya Revenue Authority Meru office. The structured questions were used to collect quantitative and qualitative data by analyzing the following variables: Information Communication Technology, Tax Administration, Tax payers' awareness and Staff ethics.

Data Collection Procedures

The researcher asked for permission to carry out the research from the station manager, Kenya Revenue Authority, Meru Office. The researcher's own opinions did not influence the respondent to answer questions in a certain manner. There are no verbal or visual clues to influence the respondent. The respondents only gave what was required and therefore remain relevant to the objectives of the study and therefore all the data given was used to the research. The questionnaire was hand-dropped and picked later for analysis. Hand-dropping will be appropriate as the researcher is closer to the respondents. The researcher used one questionnaire with common questions to all the respondents. The respondents just needed to indicate the level they work in the organization. The point of the data collection was the Kenya Revenue Authority – Meru station situated at Angaine Plaza next to main bus stage.

Pilot Study

According to Connelly (2008), extant literature suggests that a pilot study sample should be 10% of the sample projected for the larger parent study. In order to test validity of data collection instruments, the researcher sampled some few questionnaires; picked some few respondents of the target population before the actual research period for a sample study. This helped the researcher to attest how reliable the data collected by the questionnaires would be.

Data analysis and Presentation

Data analysis involves coding the data into forms that it is well understood whilst presentation of data involves putting data into labels that are well understood for interpretation. The initial phase of analysis involved coding of the raw data into an orderly sequence of information in the form of tables. It is imperative that objective data categorization methodologies are used to isolate and highlight relevant trends Averages, dispersion frequencies and percentages should accurately serve this purpose. A content analysis was performed on the data to allow for in-depth understanding of the issues in the case. Nachmias and Nachmias (1996) noted that content analysis is a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same approach to relate to trends. The data obtained after performing content analysis was cleaned and interpreted to form useful information. The content analysis technique was chosen for the purpose of having clarity, preciseness, and ease of understanding and better interpretation of the results. According to Miller (1991), descriptive statistics is used to describe collected data. It is imperative that objective data categorization methodologies were used to isolate and highlight relevant trends. Dispersion frequencies and percentages served this purpose. There was further processing for presentation of results in tables and charts using Ms Excel.

RESEARCH RESULTS

The study analyzed factors that influence tax revenue growth at Kenya Revenue Authority, Meru Station. The research used descriptive research design which enabled me to analyze the phenomenon under study in the view of finding out the factors influencing tax revenue growth .A total of 27 respondents responded to the questionnaires. The researcher adopted census method where all the respondents in the population were interviewed. Data was collected using questionnaires entailing both closed and open ended questions. The collected data was analyzed using graphs and charts where conclusions were drawn from the findings and recommendations were made.

Effects of implementation of ICT systems on Tax revenue growth

The main objective of the study was to find out how information technology affects Tax revenue growth at Kenya Revenue Authority. The research found that effect of modern technology to KRA revenue collection was very good .The introduction of ICT has boosted tax collection a level higher in the recent years.

Effects of Administration on Tax Revenue Growth

The study found that modernized tax administration policies have seen KRA sealing all the possible loopholes and that management of taxes by the Authority has become efficient and effective .This has helped the Authority to effectively consolidate taxes with little administration challenges as the Tax payers could easily assess Tax services online.

Effects of tax payers' awareness on Tax Revenue Growth

The study further found that Tax payers' awareness about taxation has taken tax collections a notch higher in resent past. This has come as a result of enhanced Tax payers' trainings conducted at both urban and rural areas in the regions.

Effects of staff ethics on Tax Revenue growth

Lastly, the research found that improved personnel integrity at KRA and upholding of morals and code of ethics, has seen the Authority boost its revenues as corruption cases have gone down.

CONCLUSIONS

Effects of implementation of ICT systems on Tax revenue growth

Information Technology systems have of late affected Revenue growth positively. Information Technology has brought Tax process closer to the Tax payers. The introduction of Integrated Tax Management Systems (ITMS) has been able to give a single view of a tax payer for all the tax obligations as well as registration process.

Effects of Administration on Tax Revenue Growth

Since tax administration measures and systems were modernized, most of tax departments have been able to register notable high tax collections and Revenue growth. Majority of the respondents were for the opinion that if the same can be improved a little bit, the government of Kenya can enjoy maximum Tax Revenues.

Effects of tax payers' awareness on Tax Revenue Growth

The principle of "ability to pay" is the central aspect that guides the Kenyan Tax payers in payment of Taxes. However, awareness is a factor that cannot be avoided in any way. Kenya Revenue Authority has concentrated in conducting awareness Trainings almost monthly and this has gone a long way with tax payers complying with KRA's Taxation measures.

Effects of staff ethics on Tax Revenue growth

More than half of the respondents were for the opinion that good moral and professional ethics have contributed highly to high revenue returns in the country. Most of Revenues find ways into the National grid and this has been contributed by mostly tax online services where members of staff are no longer having direct access to tax payers one on one.

RECOMMENDATIONS

The Government should employ more staff as a way of improving service delivery system. In line with this, Promotion of the existing staff should also be done on merit through performance contracts and staff appraisals. Secondly, ICT Networks should be improved to allow Tax payers access services online more effectively and efficiently. ITMS on the other hand should be upgraded to improve both Tax payers' registration as well as tax filing process.

Though the reform experience seems encouraging, there are still gaps which need some improvement. Review and rationalization of tax rates should be enhanced to improve taxation process. Further improvements are required in the areas of rates and exemptions, increasing administration capacity through a higher budgetary outlay, increasing tax collectors' salaries and reviewing staff employment schemes. Stringent penalties should be levied on Tax evasion and avoidance vices. Lastly, additional capacity is required in areas such as automation, audit, risk profiling and general skills development. The tax authority should pay more attention to tax payers' education, compliance and tax audit to give taxation process acceptable rationality.

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