

# **EFFECT OF TAX ADMINISTRATION PRACTICES ON REVENUE GROWTH OF KISII COUNTY GOVERNMENT, KENYA: A MODERATING ROLE OF GOVERNMENT POLICIES AND REGULATIONS**

**Jackline Onderi.**

Department of Accounting and Finance, School of Business and Economics, Kisii University, Kenya.

**Dr. Andrew Nyangau (PhD).**

Department of Accounting and Finance, School of Business and Economics, Kisii University, Kenya.

**Dr. Joshua Wafula (PhD).**

Department of Accounting and Finance, School of Business and Economics, Kisii University, Kenya.

©2024

**International Academic Journal of Economics and Finance (IAJEF) | ISSN 2518-2366**

**Received:** 5<sup>th</sup> June 2024

**Published:** 14<sup>th</sup> August 2024

Full Length Research

**Available Online at:** [https://iajournals.org/articles/iajef\\_v4\\_i2\\_475\\_495.pdf](https://iajournals.org/articles/iajef_v4_i2_475_495.pdf)

**Citation:** Onderi, J., Nyangau, A., Wafula, J. (2024). Effect of tax administration practices on revenue growth of Kisii County Government, Kenya: A moderating role of government policies and regulations. *International Academic Journal of Economics and Finance*, 4(2), 475-495.

## **ABSTRACT**

Tax administration practices provides an overview of policy design principles and their implications for tax administration by establishing linkages between tax practice and administration and showing how functions feed into one another. Revenue growth provides a conceptual framework that discusses the channels through which tax changes can affect economic performance, including the many ways in which a positive substitution effect in response to a tax rate that might be dissipated or even reversed by other factors. The purpose of the study was to evaluate the effect of tax administration practices on revenue growth. The specific objective includes; tax collection practice on revenue growth, the effect of tax rates litigations practice on revenue growth. The study was anchored on Allingham and Sandmo theory. Cross-sectional research design was used. The study was conducted in

Kisii County. The study targeted all 256 employees. The sample size of 223 comprised of 156 plus 30% of non-response respondents was selected. Questionnaires were used to collect primary data; secondary data was collected from revenue document. Reliability was measured by level of consistency using test and retest method. Data for this study was analyzed using time series and panel data analysis for a period of 10 years. Correlation analysis showed that there was weak and positive significant correlation between tax collection procedure and revenue growth. This implied that tax collection procedures improve revenue growth of the county. Further study can be done on tax rates and performance of other counties.

**Keywords:** Tax administration practices, tax collection, tax rate, revenue growth of county government.

## **INTRODUCTION**

### **Background of the Study**

Tax administration has been a challenge on revenue growth of the current years. Commonly the term "tax administration practices refers to tax management, conduct, direction, and supervision of the execution and application of the internal revenue laws or related statutes (or equivalent laws and statutes of a State) and tax conventions to which was started in United States. This involves tax report preparations, Submission, Execution and Audit and Evaluation. A good tax administration practice should meet five basic conditions: fairness, adequacy, simplicity, transparency, and administrative ease. Although opinions about what makes a good tax system will vary, there is general consensus that these five basic conditions should be maximized to the greatest extent possible (Caled, 2019).

In modern business world, Tax administration practices provides an overview of policy design principles and their implications for tax administration by establishing linkages between tax practice and administration and showing how functions feed into one another. The tax was started in Ancient Egypt around 3000 to 2800 BC widespread form of corvee and tithe taxation for public needs and government functions. The percentage rate of taxation on employee income is based on income amounts; curve was given as a way of forcing labour to provide services to the public by poor peasants as a form of taxation in ancient Egyptian. Collecting tithes was recorded from time to time during pharaoh biennial tour of the kingdom. Many records of government tax administration was also introduced in Europe since 17<sup>th</sup> century which is still available currently but tax practices are difficult to follow on the flow of revenue in the economy.

Tax administration practice on government expenditure or revenue is about government debt (Okauru, 2001).

Tax administration practices were based on ordinary taxpayers ultimately paying taxes on revenue sources in France. The government intends to have a particular tax exclusively from rents, wages and profits or other income sources. It is evitable to fall tax on resources of persons differently intended for good tax practices as proportionate to incomes or abilities to pay, certain rather than arbitrary, payable at times and in ways convenient to the taxpayers and cheap to administer and collect. Taxation is almost never a simple transfer of wealth, looking at the impact of tax cuts for different income groups; it was tax cuts for low-income groups that had the greatest positive impact on employment growth. Tax cuts for the wealthiest top 10% had a small impact. Tax Administrators administer taxes; they implement and enforce tax laws, and receive their mandates by law. Tax Administrations, like private companies and other organizations, have a core business. The core business of Tax Administrations is the levying and collection of taxes imposed by law (Akadémiai, 2020).

It is a policy given by a government as to what taxes to levy, in what amounts, and on whom in Ghana. It has both microeconomic and macroeconomic aspect. The tax administration practice aims to collect taxes as one component of fiscal policy. Tax administration is the administration, management, conduct, direction, and supervision of the execution and application of a government, country or state's taxation laws and related statutes. The government's tax service provided an effective tax administration service to its citizen's. Identifying Central Issues Identify and explain three criteria for an effective tax system. The three criteria's for an effective tax system are equity, simplicity, and efficiency. Equity is that taxes should be impartial and just. Poll taxes are administratively cheap because they are easy to compute and collect and difficult to cheat (John, 2009).

The practice involves tax assessment, collection, enforcement, litigation, publication, and statistical gathering functions under such laws, statutes, or conventions (Adams, 2010) a Kenyan businessman. Taxation is a burden in which citizens must bear to sustain their government since the government has certain activities for the benefits of those in it governs. Though taxation may not be most significant source of revenue to the government in terms of enterprise size, however, taxation is important raising government revenue from the point of view of business certainty but not consistency in performance. Despite the inherent power of government to impose taxes, identifying the means of taxations has been used to promote fiscal distributions of income, but not

identify the problems that militate against the use of taxations as financial performance in small enterprise (Dasgupta, Ghosh & Mookherjee, 2014).

### **Tax collection practice**

Tax collection practice in some societies on tariffs could be imposed by local authorities on the movement of goods between regions (or via specific internal gateways). A notable example is the link which became an important revenue source for local governments in the late Qing China. The basic principle of excise duties was that they were taxes on the production, manufacture or distribution of goods which could not be remitted through the customs house, and revenue derived from that source is called excise revenue property. The fundamental conception of the term is that of a tax on articles produced or manufactured in a country. Excises (or exemptions from them) are also used to modify consumption patterns of a certain area social engineering. For example, a high excise is collected to discourage alcohol consumption, relative to other goods (Rani, 2011).

Tax collection practice provides publicly funded retirement or health-care systems in Tanzania. In connection with these systems, the country typically requires employers or employees to make compulsory payments; these payments are often computed by reference to wages or earnings from self-employment. In Kenya, some have argued that such taxes on wages are a form of "forced savings" and not really a tax, while others point to redistribution through such systems between generations from newer cohorts to older cohorts and across income levels from higher income-levels to lower income-levels which suggest that such programs are really tax and spending programs (Mullin, & Phillippe, 2013).

### **Tax rates litigations practice**

Tax rates litigations practice had a great impact on economic financial performance and regulations of money circulations. The increase in tax rate affects financial performance of the enterprise (Cioponea, 2007). The influence of tax rate was negative to return on assets. According to Zhang (2013) effective tax collection had a significant impact on financial performance of firms in terms of profitability of the business. The total returns raised have more positive impact on tax rates in the firm. The influence of taxation rates is positively or negatively related to performance; however, tax imposed by the government affects the rate of tax charged on tax deductions which lead to more taxation than earnings (Zhang, 2013).

Tax rates litigations practices are charged on business enterprises include corporation tax, value added tax, withholding tax among others. The Income Tax Act gives guidance in assessment and computation of taxes. The Kenyan government has made some recommendable efforts to promote development through taxation. Tax is generally referred to as a compulsory levy imposed by assessments, and is a compulsory and non-refundable contribution imposed by government for public purposes (Manasseh, 2000). rates litigations practice is a considerable fraction of the enterprises are sole traders operating small scale business, locally owned and managed by individuals or families, and often with very few employees working at a single location. Taxation in Kenya is based on system that existed in Britain as it was a British colony. Taxation began in 1900 with the hut tax regulation which imposed a standard charge for every hut or dwelling. During that period, taxation was aimed at raising revenue for the administrative structure imposed by the colonial government but also as a means of encouraging monetary or economic activities (Waweru, 2014).

## **Revenue Growth of County Governments in Kenya**

Revenue growth is an important topic addressed in tax administration; derived from the income tax's central role in revenue generation, its impact on the distribution of after-tax income, and its effects on a wide variety of economic activities. The importance of tax is only heightened by concerns about the long-term economic growth rate and concerns about the long-term fiscal status of the federal government (Auerbach & Gale, 2016).

Revenue growth is one fact that often escapes unnoticed is that broadening the tax base by reducing or eliminating tax expenditures raises the effective tax rate that people and firms face and hence will operate, in that regard, in a direction opposite to rate cuts and mitigate their effects on economic growth. But base-broadening has the additional benefit of reallocating resources from sectors that are currently tax-preferred to sectors that have the highest economic (pre-tax) return, which should increase the overall size of the economy (Quinter, 2016).

Revenue growth has an impression that tax administration related issues are complex subjects that should be left to experts; a perception has contributed to the huge gap in information available to the public on tax-related issues. Despite the setting, the cumbersome impacts of tax administration has not been considered in other problems militating against revenue growth of county governments in Kenya such as tax purpose, tax administrations, awareness and tax rates problem. Thus, the study seeks to bridge the information gap on the effect of tax administration policies on revenue growth of Kisii County -Government, Kenya (Micheni, 2013).

### **Statement of the Problem**

The county government improves revenue growth through tax administration. This is possible when taxation collection practice and administration are properly implemented. Tax administration practices improve revenue growth of county government in Kenya and thus it becomes very useful on revenue growth of county governments. Revenue is mainly collected from property tax, rent, rates, business permit and packing fees in Kisii County. The county government of Kisii recorded revenue decreased by 12.4 % in the year 2020, compared to 15.3 percent in 2019 this is in respect to the Kenya National Bureau of Statistics (KNBS), 2021 report. Decrease in revenue growth is characterized by tax administrations in 2020 compared to the previous years due to ineffective practices. The decrease in revenue was reported in 2020 and evidenced by the on-going public infrastructure development, recovery in the sector and a stable revenue growth (Budget Policy Statement, 2018).

### **Objectives of the Study**

The purpose of the study was to evaluate the effect of tax administration practices on revenue growth of Kisii County –Government in Kenya

### **Specific objectives**

- i. To examine the effect of taxation collection practice on revenue growth of Kisii County Government in Kenya
- ii. To determine the effect of tax rates litigations practice on revenue growth of Kisii County Government in Kenya

## **LITERATURE REVIEW**

### **Theoretical literature Review**

#### **The Allingham and Sandmo Theory**

This theory was proposed by Allingham and Sandmo in 1972, it holds that the government deters tax evasion through a sanction arrangement and audits. A tax payer may opt to violate the fiscal laws and evade his or her tax obligations when he or she perceives that the cost of evading tax is too low, believing he or she does that he or she is unlikely to be detected or audited. In addition, tax payers would also evade tax when they perceive the cost of compliance is high. Tax systems and procedures that are involving and cumbersome tend to encourage tax evasion. Tax payers who feel that tax rate is high and punitive are also likely to evade tax.

The theory assumes that there is comparative static result is that when the tax rate goes up, competing income and substitution impacts might lead to more or less tax compliance. The substitution impact encourages evasion since the marginal benefit of cheating goes up with the tax rate. On the contrary, the income impact tends to suppress evasion since a higher tax rate makes the taxpayer with decreasing absolute risk aversion feel worse-off, and thus decrease risk-taking; thus, the net impact is uncertain (Wana, 2018).

This theory is criticized in that; making policy for tax collection may not be logic to taxpayers. The theory is rationally to enhance model of choice to pay tax for revenue collection which may not prevent tax evasion of individual incomes. The taxpayers make choice on their income tax rationally which can be tradeoffs on benefit evaded from cost of taxation.

There was a negative correlation between tax evasion, the probability of detection, the degree of punishment and high transactional costs associated with tax laws (Vannove, 2020).

The theory assumed that tax administration is rational and taxpayers maximize utility, which solely depends on income. The tax administration depends on compliance levels perceived by individual tax rates, detection of evasion for penalties. Tax administration practices will control tax evasion. When caught, the agent must pay penalties imposed on the amount of evaded income. Tax payers may not be happy when they incur fines during tax administration. Therefore, the net impact is better compliance. Listed firms are prone to tax evasion as they face difficulties in complying with tax laws, meet strict deadlines and keep proper books of accounts (Yitzhaki, 2012). This theory is relevant in that it explains that tax administration will be commonly protected and supported by the national government to its citizen. County government will receive revenues from its people collected as taxes.

The theory is relevant as it explains also that tax administration practice improves revenue growth which will enable the county government to perform their operations and benefit its people. The issue of tax evasion can be explained by this theory that the amount evaded is treated as a penalty under tax laws. The fines and penalty are explained on individual income and relevant tax rates, impact of tax on taxpayers can be well captured by this theory.



## **Empirical Literature Review**

### **Tax collection procedures and revenue growth**

The study of Benur, and Bramwell, (2015) analyzed tax collection procedures on revenue growth. The study aimed at analyzing the development of tax collection procedures on revenue growth. The target population of 234 respondents comprised of residents in the area was selected in which the researcher adopted chi-square test to report the results. The study found that different modes of tax collection are under tax payment act based on payment by deduction at the source, direct payment, advance pay, and self-assessment under tax regulation act 140 A.

Tax collection features was the main aim of revenue growth. Further, correlation results indicated that tax collection procedures affect revenue growth in forest management. Regression results model indicated that there are other factors that influence different tax collection procedures and financial innovation. The tax collection authority in identifying the obligations of taxpayers in transactions with related parties, as in the case prescribed in the second or third paragraph, and in determining the correct calculation of the tax payable by the taxpayers may, in accordance with the tax laws, make adjustment of the calculation. Tax collection authority can be supported by a research conducted by Cugno (2012) on how local revenue collection can be enhanced through modes of payment in Italy. The study targeted school students to provide data.

Descriptive statistics was used which showed that the core aspect of tax collection procedure depends management of revenue collection and growth. The factor analysis models showed that tax collection procedure affect revenue growth. Management ideas are currently known to have structural problems. Institutional sustainability is interesting in the major revenue authority features through tax collection procedures. The study conducted by Coros (2017) on tax collection procedure on revenue growth in Romania. The study aimed at investigation of tax collection procedures in sectors. The correlation design was used to establish whether a relationship between tax collection procedures and development exists. The study showed that tax collection procedures had significant influence on revenue growth in Romania; however, competitiveness factors can be critical interventions by different determinants. Taxation is the means by which a government or the taxing authority imposes or levies a tax on its citizens and business entities. From income tax to goods and services tax (GST), taxation applies to all levels. Wachira (2017) examined the effectiveness of tax administration on revenue generation in Kitui County government. The results noted there are different ways in which we pay types of taxes starting from income taxes, sales taxes, excise taxes, payroll, property, estates and gift taxes.

Based on the findings, different tax collection procedures are influenced by tour operators, hotel lodge attendants. Therefore, tax collection procedures had impact on revenue growth. Different government activities rely on revenue collection sites with market value from competitive advantage. A tax collection procedure is based on revenue growth. The three main sources of federal tax revenue are individual income taxes, payroll taxes, and corporate income taxes. Other sources of tax revenue include excise taxes, the estate tax, and other taxes and fees.

### **Tax Rate litigations and growth**

*Tax rate Litigation* depends on a number of factors including: whether the case was tried in civil or criminal court; the criminal charge; and the court. Revenue Department is made up of departmental

officers who are responsible for adjudicating tax disputes and making a decision on the case. Appeals on these decisions are considered by the Income Tax Appellate Tribunal (ITAT), which consists of tax experts with a background in law and/or accounting very important in growth of the economy.

The study conducted by Luebke (2010) did a study on *Tax Rate Litigation* on revenue growth in Pacific coastal areas. The study used mixed survey design. This was used to explain the *Tax Rate Litigation* towards tax sites. The simple random sampling procedure was used to determine the sample size of 74 from 1789 respondents. Using descriptive statistics, the study found that *Tax Rate Litigation* affect revenue growth. *Tax rate Litigation* perception determined the level of loyalty to the company. Managers were reluctant to expect more information about loyalty of the customer to the company. The flow of information is better from tax payers as it can verify taxes. A study done by John and Neill (2006) on the effects of *Tax Rate Litigation* on revenue collection in hospitality and development in Virginia found that brands affect revenue collection. The study used questionnaire to collect data from 277 franchisers of taxes and hotel lodges. Correlation research design was employed to establish the variations. The study targeted green practices restaurants brands using descriptive analysis to determine the effect of *Tax Rate Litigation* on revenue growth. Diagnostic analysis was also employed to determine how revenue growth is independent to each other.

Predictive analysis was applied to assess whether revenue growth affect tax. The results showed that *Tax Rate Litigation* affected positively to revenue growth and it enhanced customer satisfaction. An investigation conducted by Jazmin (2017) found that there are many factors influencing *Tax Rate Litigation* on taxes in Kenya. The study investigated *Tax Rate Litigation* in destination management trends using 196 respondents. Questionnaires were used to collect Primary data from 178 response rates in Kisumu. The descriptive design was used to determine the drivers on *Tax Rate Litigation* and how it influenced tax in the county. Tables and charts were used to present data analysis by percentage and mean in descriptive statistics. The chi-square was used to determine the level of education. The results indicated that perceived drivers influenced *Tax Rate Litigation* of taxed samples. The repeat and first taxed visit was satisfied with brands. The study further noted that revenue growth exists through *Tax Rate Litigation* warrantees. Geographical location and demographic factors influenced tax collection centers which late determine *Tax Rate Litigation* of an area. Conceptualization of Garcia (2016) noted that *Tax Rate Litigation* and revenue growth.

The study of Smith and Brown (2023) assessed the impact of tax rate litigation on revenue performance. The study used descriptive design. The questionnaires was distributed and collected by self-administration procedure. The study used descriptive and inferential statistics which found that *tax Rate Litigation* in the major factors for *Tax Rate Litigation* and taxes development. The results further indicated that *Tax Rate Litigation* in industry is related to product promotion preferences in different activities. Revenue growth support industry to growth competitively and favor quality aspects of customer repeat. Tax rate has improved revenue performance through proper administration.



### Conceptual framework

The relationship between the dependent and the independent variables were illustrated in the conceptual framework presented in figure 2.1.

#### Independent variable

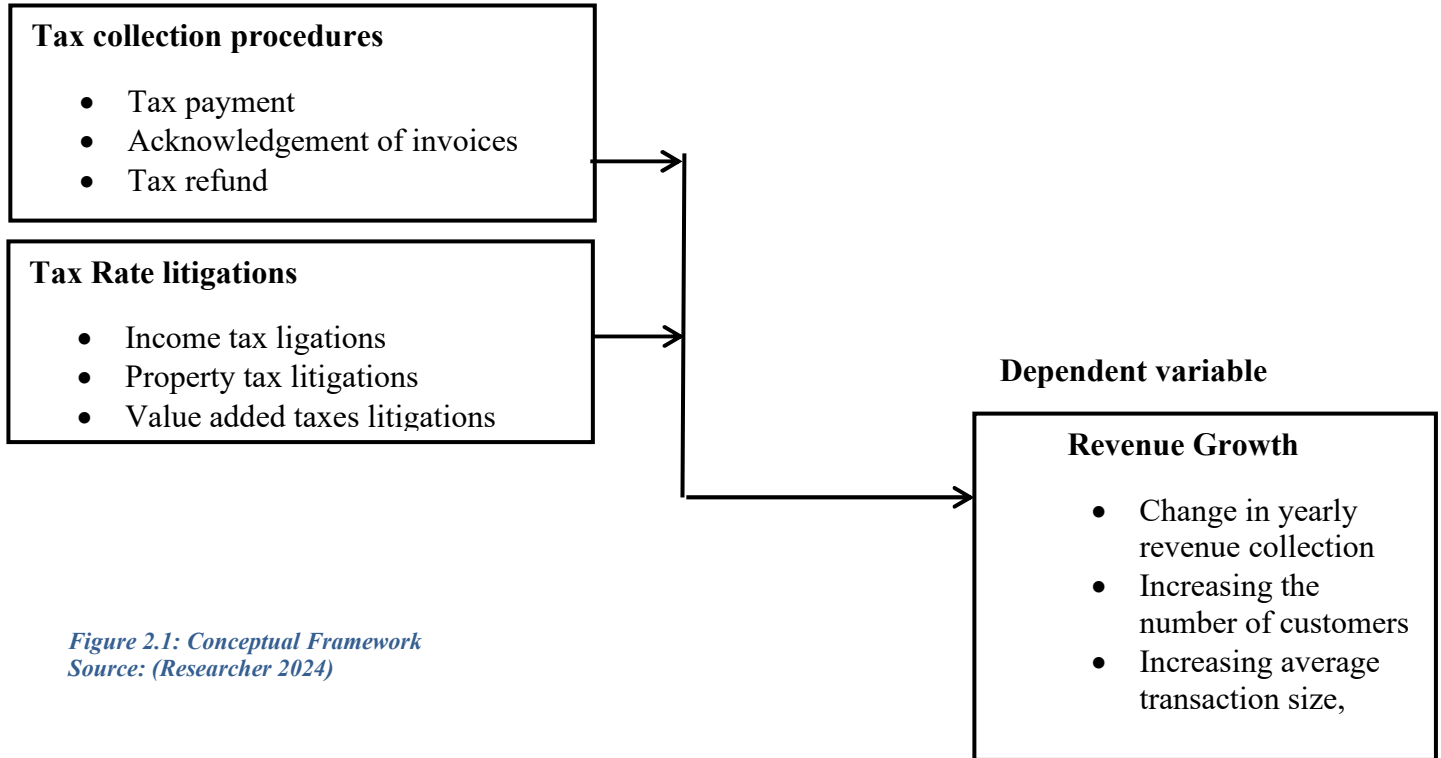


Figure 2.1: Conceptual Framework  
Source: (Researcher 2024)

### RESEARCH METHODOLOGY

The study used cross-sectional research design. Cross-sectional research design is applicable to explain accurate and systematic explanations of a study. It explained the research phenomena by answering questions on how, where, and when varieties of data are collected and arranged under investigations (Kothari 2014). The target population of the entire 256 county employees was used. This included employees from Kisii county revenue collection department, and also from sub county revenue collectors, directors and accountants. A sample of respondents was used for the study. Stratified random sampling procedures were used. The sample size was determined by Yamane formual as  $n = 1 + \frac{N}{1+N(0.05)^2}$

$$n = 1 + \frac{N}{1+N(0.05)^2}$$

$$n = \frac{256}{1 + 256(0.05)^2}$$

$$n = 156$$

Close ended questionnaires was adopted to collect data. The questionnaire items were arranged with likert point scale, the questionnaires were divided according to general information of participant and specific information for each research objectives.

## **RESULTS AND DISCUSIONS**

The study distributed 223 questionnaires, and 216 were returned, resulting in a response rate of 96%. Seven questionnaires were not returned, accounting for 4%. This high response rate was deemed sufficient for the analysis of the findings.

### **Descriptive analysis**

#### **Tax collection procedure**

The study sought to examine the effect of taxation collection practice on revenue growth of Kisii County Government in Kenya.

*Table 4.1 Tax collection procedures*

	N	Minimum	Maximum	Mean	Std. Deviation
The revenue department undertakes tax payment	216	1.00	5.00	4.1620	.83896
Tax collection payment reports are given within the set timeline.	216	1.00	5.00	3.7269	1.13072
We receive acknowledgement of tax invoices within the set timelines.	216	1.00	5.00	3.1713	1.45100
Acknowledgement of invoices is convenient to tax payers.	216	1.00	5.00	4.1343	.91780
Tax refund procedures are precise and simple to follow.	216	1.00	5.00	1.1157	.88425
The tax payer are aware of the tax to be refunded.	216	1.00	5.00	4.1528	.87327
Valid N (listwise)	216				

The study indicated that The revenue department undertook tax payment had mean of 4.1620 with standard deviation of .83896, The tax payer are aware of the tax to be refunded had mean of 4.1528 with standard deviation of .87327, Acknowledgement of invoices is convenient to tax payers had mean of 4.1343 with standard deviation of .91780, Tax collection payment reports are given within the set timeline had mean of 3.7269 with standard deviation of 1.13072, We receive acknowledgement of tax invoices within the set timelines had mean of 3.1713 with standard deviation of 1.45100, Tax refund procedures are precise and simple to follow had mean of 1.1157 with standard deviation of .88425.

From the study, it was indicated that the revenue department undertakes tax payment had mean of 4.1620 with standard deviation of .83896 and tax refund procedures are precise and simple to follow had mean of 1.1157 with standard deviation of .88425

### **Tax rate litigations**

The study used descriptive statistics to describe the variables under study as presented in table 4.2

*Table 4.2 Tax rate litigations*

	N	Minimum	Maximum	Mean	Std. Deviation
Income tax litigations are adoptable to variations of taxes.	216	1.00	5.00	4.0833	.96086
Nil tax return is accepted among taxpayers earning below the exemption limit.	216	1.00	5.00	3.7639	1.13907
Property tax disputes involve criminal taxes reviewed at inappropriate avenues.	216	1.00	5.00	3.1296	1.47596
The property tax litigation is managed properly.	216	1.00	5.00	4.1343	.91780
The value added tax litigations is well known to people	216	1.00	5.00	3.9676	1.04497
Value Added Tax is well taxed and is accepted among taxpayers using tax policies.	216	1.00	5.00	4.0602	.98410
Valid N (listwise)	216				

The study showed that the property tax litigation was managed properly had a mean of 4.1343 with standard deviation of .91780, Income tax litigations were adoptable to variations of taxes had a mean of 4.0833 with standard deviation of .96086, Value Added Tax was well taxed and is accepted among taxpayers using tax policies had a mean of 4.0602 with standard deviation of .98410, The value added tax litigations was well known to people had a mean of 3.9676 with standard deviation of 1.04497, Nil tax return was accepted among taxpayers earning below the exemption limit had a mean of 3.7639 with standard deviation of 1.13907, Property tax disputes involve criminal taxes reviewed at inappropriate avenues had a mean of 3.1296 with standard deviation of 1.47596.

### **Revenue growth**

The revenue growth was examined as follows as presented in table 4.3.

**Table 4.3 Revenue Growth**

	N	Minimum	Maximum	Mean	Std. Deviation
Change in government policies affects revenue growth	216	1.00	5.00	4.1852	1.18634
There is increasing change in yearly revenue collection	216	1.00	5.00	4.2037	1.24832
We are increasing number of customers by tax collection	216	1.00	5.00	3.2593	1.21518
Quality services and value improves revenues	216	1.00	5.00	3.4491	1.26388
Increasing average revenue depends on business size	216	1.00	5.00	1.3102	.22794
It can increase its revenue by increasing sales, adding other sources of income and increasing the amount of money collected	216	1.00	5.00	4.4769	1.24990
Valid N (listwise)	216				

The results showed that it can increase its revenue by increasing sales, adding other sources of income and increasing the amount of money collected had a mean 4.4769 and a standard deviation of 1.24990, There is increasing change in yearly revenue collection had mean of 4.2037 and standard deviation of 1.24832, Change in government policies affects revenue growth had a mean of 4.1852 with standard deviation of 1.18634, Quality services and value improves revenues had a mean 3.4491 and standard deviation of 1.26388, We are increasing number of customers by tax collection had a mean 3.2593 and standard deviation of 1.21518, Increasing average revenue depends on business size had a mean 1.3102 and standard deviation of.22794.

**Inferential analysis**

**Correlation analysis**

The study used correlation to establish the relationship between variables as presented in table 4.4.

Table 4.4 Correlation analysis

		tax collection procedure	tax rate litigations	revenue growth
tax collection procedure	Pearson Correlation	1	.272**	.274**
	Sig. (2-tailed)		.000	.000
	N	216	216	216
tax rate litigations	Pearson Correlation	.272**	1	.552**
	Sig. (2-tailed)	.000		.000
	N	216	216	216
revenue growth	Sig. (2-tailed)	.001	.000	.000
	N	216	216	216
	Pearson Correlation	.274**	.552**	1
	Sig. (2-tailed)	.000	.000	
	N	216	216	216

Correlation analysis showed that there was weak and positive significant correlation between tax collection procedure and revenue growth [ $r=.274^{**}$   $p=.000<.05$ ]. This implied that tax collection procedures improve revenue growth of the Kisii county government.

Tax rate litigations had a moderate correlation effect with revenue growth as [ $r=.552^{**}$   $p=.000<.05$ ]. This implied that tax rate litigations were positively correlated to improve revenue growth of the Kisii county government.

### Regression analysis

#### Direct model

This was conducted to show the strength of the regression between tax administration and revenue growth of the county as presented in table 4.5

Table 4.5 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.694 <sup>a</sup>	.482	.472	.90675

a. Predictors: (Constant), tax collection procedure , , tax rate litigations

The study showed that  $R=.694$  indicated there was a strong correlation effect and therefore a change in a variable resulted to R square of .482 implied 48.2% while other variables would be checked.

ANOVA indicated that [ $f=48.810, df = 4, 214, p= .000<.05$ ], this implied that the model was statistically significant and fit to predict the relationships.

Table 4.6 ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	160.522	4	40.131	48.810	.000 <sup>b</sup>
	Residual	172.659	210	.822		
	Total	333.181	214			

a. Dependent Variable: revenue growth

b. Predictors: (Constant), tax collection procedure, tax rate litigations

The results affirmed that the model was fit to predict tax administration on revenue growth of the county.

Regression coefficient showed a change of variables as one unit was varied within the model

Table 4.7 Regression Coefficients

Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	1.278	.580		2.205	.029
	Tax collection procedure	.169	.077	.114	2.199	.030
	Tax rate litigations	.089	.071	.091	1.244	.215

a. Dependent Variable: Revenue Growth

The following panel regression equation were established as follows

$$Y=1.278 + 0.169X_1 + 0.089X_2 + \dots$$

From the above regression equation, the study indicated that tax collection procedures had [B=0.169, t=2.199 p .030<05], implied that a change in tax collection procedures could improve revenue growth by 16.9% and statistically significant at 5%. Tax rate litigations had [B=0.089, t=1.244 p .215>05], implied that a change in tax rate litigations could improve revenue growth by 8.9% and insignificant at p >5% hence accept null hypothesis.

## CONCLUSION AND RECOMMENDATION

### Conclusions

The study aimed to examine the effect of taxation collection practices on the revenue growth of Kisii County Government in Kenya. It found that the revenue department implements clear and straightforward tax payment and refund procedures. Correlation analysis revealed a weak yet positive significant correlation between tax collection procedures and revenue growth, suggesting that effective tax collection practices contribute to the county's revenue growth

The study employed descriptive statistics to characterize the variables under investigation. It highlighted that property tax litigation was effectively managed, income tax litigations were adaptable to changes in tax rates, and Value Added Tax (VAT) was well-implemented and accepted among taxpayers due to effective tax policies. However, property tax disputes often involved criminal taxes reviewed through inappropriate avenues. Furthermore, the study indicated that tax



rate litigations showed a moderate positive correlation with revenue growth. This suggests that handling tax rate litigations effectively could potentially enhance revenue growth for the county.

### **Recommendation of study**

Taxation Collection Practice on Revenue Growth; the study should examine the effect of taxation collection practice on revenue growth of Kisii County Government in Kenya. Income tax litigations should be flexible and adaptable to changes in tax regulations and economic conditions. Authorities should regularly update tax laws to reflect current economic realities and ensure that taxpayers are well-informed about these changes. Additionally, implementing a more personalized approach in handling income tax disputes can help address the unique circumstances of each case, fostering a fairer taxation system. Simplify and automate tax collection procedures to reduce administrative burdens and increase efficiency. This can include implementing online payment systems and ensuring easy access to tax-related information for taxpayers.

Tax Rates Litigation Practice on Revenue Growth; the study recommends the need to create specialized tax tribunals or mediation panels to handle tax disputes swiftly and fairly, reducing the backlog of litigation cases and promoting timely resolution. Maintain open and transparent communication between the tax authority and taxpayers to clarify tax obligations, litigation processes, and rights, thereby reducing misunderstandings and litigation incidences.

### **REFERENCES**

- Aguolu, O. (1999): *Taxation and Tax Management in Nigeria (Revised Edition) Enugu, Meridian Associates, Tia printers, Lagos.*
- Akae E, (2020) Discretion versus tax and policy rules in practice.” *Carnegie-Rochester Conference Series on Public Policy* 2(39): 195–214
- Adi D., (2018) Taxation aggregate activity and economic growth: cross-country evidence on some supply-side hypotheses. *Journal of Economic Inquiry* 1(27), 367-386
- Ambler Bird, R. M., Martinez-Vazquez, J., & Torgler, B. (2012). Tax effort in developing countries and high income countries: The impact of corruption, voice and accountability. *Economic analysis and policy*, 38(1), 55-71.
- Attinay S., (2013) Growth Effects of Flat-Rate Taxes.” *Journal of Political Economy* 103(3): 519- 550.
- Ambler (2014) *Tax rate Litigation in hotel brands and its influence on revenue growth, Journal of commerce and economics*, 20(12). 68-78-
- Aryeetey & Ahene, Bird, R. M., & Martinez-Vazquez, J. (2014). Tax Effort in Developing Countries and High Income Countries: The Impact of Corruption, Voice and Accountability. *Economic analysis & policy*, 38(1).
- Auerbach L., & Gale H., (2016). “Economists’ Views About Parameters, Values, and Policies: Survey Results in Labor and Public Economics.” *Journal of Economic Literature* 36 (3): 1387-1425.
- Akadémiái A, 2020). “The Economic Effects of the Tax Reform Act of 1986.” *Journal of Economic Literature* 35 (2): 589-632.
- Adams W., and David Reifschneider (2010) “Short Run Effects of Fiscal Policy with Forward-

- Looking Financial Markets.” *National Tax Journal* 55 (3): 357-386.
- Acharya S, (2015). Taxation and Economic Growth. ” *National Tax Journal* 49 (4): 617-642.
- Ariyo S., (2005). Tax policy and state economic growth: The long-run and short-run of it. *Economics Letters*, 116(2), 161-165
- Aryal E., & Anderson G., (2015). Shifting Tax Burdens through Exemptions and Evasion: An Empirical Investigations of Uganda,” *World Bank Working Papers*, December 2001
- Amblers A., (2012) the effect of statistical tax collection on performance of firms in Netherlands
- Bryman P., (2013). Tax Rates and Economic Growth in the OECD Countries (1950-1990).” *Economic Inquiry* 39 (1): 44-57.
- Brondolo Y., & Zhang, (2016). “Restoring America’s Future: Reviving the Economy, Cutting Spending and Debt, and Creating a Simple, Pro-Growth Tax System.” *Washington, D.C: Bipartisan Policy Center*
- Benur, Alm, J., & Duncan, D. (2015). Estimating tax agency efficiency. *Public Budgeting & Finance*, 34(3), 92-110.
- Benur H., and Bramwell G., (2015) Tax collection procedures on revenue growth in Minolai. *International journal of Business and Economics*, 4(1) 34-45
- Cugno D., (2012).the effect of tax publication in revenue growth in Tasmania Australia, *International journal of Business and Innovation*, 2(3) 341-348
- Chu, K., & Benzing T, (2008), The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks.” *American Economic Review*. 100 (3): 763-801
- Coros W., Cyan, M., Martinez-Vazquez, J., & Vulovic, V. (2017). Measuring tax effort and Performance of firms in India, *International marketing and finance* 3(4) 132-143
- Cummings D., (2019).tax administrations in public revenue and expenditures to citizens, *Kenya chambers of commerce and industry* pp 122
- Cioponea E., (2007). Taxing Profits in a Global Economy” Domestic and International Issues, *OECD, Paris. Inida printing press, p 12-19*
- Caled W., (2019) Effects of Income Tax Changes on Economic Growth William G. Gale, The Brookings Institution and Tax Policy Center Andrew A. Samwick, *Dartmouth College and National Bureau of Economic Research* Cugno and Alm, J. (2012). Tax compliance and administration. *In Handbook on taxation* (pp. 741-768). *Routledge*.
- Coros & Torgler, B. (2017). Do ethics matter? Tax compliance and morality. *Journal of Business Ethics*, 101(4), 635-651
- Dean Bird, R. M. (2012). Taxation and development: what have we learned from fifty years of research? *IDS Working Papers*, 2012(427), 1-19.
- Deania E., (2017) the effect of statistical tax publication on organization performance of Hotels in Hawaii, *International journal of finance*, 4(3) 119-156
- Dasgupta H., Ghosh F., & Mookherjee W., (2014). “Federal Government Debts and Interest Rates.” Cambridge: *National Bureau of Economic Research Working Paper 1068*
- Donald Johnson (1980): *Corporate Taxation*. London: *Oxford Press Ltd*
- Deni, (2015) “The Bush Tax Cut and National Saving.” Berkeley: *University of California, Berkeley and NBER*. P 45-56

- Decree T., (1996) Finance (Miscellaneous Taxation Provisions) and performance firm's in Ghana. *Journal of accounting and taxation* 8(9) 121-134
- Effy T., (2016). "The Impact of Fundamental Tax Reform on the Allocation of Resources" in M. Feldstein, ed., *The Effects of Taxation on Capital Accumulation*, Chicago: *The University of Chicago Press*
- Enahoro S., (2012). Post-Keynesian economic theory: An overview and evaluation. *The American Economic Review*, 70(2), 20-25.
- Elezue, F. A. (1984): Statistic for business. Enugu: University Press.
- Ezejelue A. C. & Ihendinihu (2006): Basic Principles in managing Research Projects. Onitsha: *Africana – Fep*.
- Fashola G., (2009) Effects of income tax changes on economic growth. *Journal of Economic Studies* 341-355.
- Federal Republic of Nigeria (1990), Companies Income Tax Act CAP 60 LFN, Lagos, *Federal Government Printer*.
- Gee R., (2018). Improving tax administration in developing countries (Vol. 19). *Washington: International Monetary Fund* 1(9) 177-191
- Gian, Vi. (2019). "Welfare and Macroeconomic Effects of Deficit-Financed Tax Cuts: Lessons from CGE Models." *Tax Policy Lessons from the 2000s: 145-193. Washington, D.C: The AEI Press*.
- Gordon S., (2016). "Budget Deficits, Tax Incentives, and Inflation: A Surprising Lesson from the 1983-1984 Recovery." Edited by Lawrence H. Summers. *Tax Policy and the Economy* (3). Cambridge: *National Bureau of Economic Research*. 3(1) 13-23
- Garcia, Garg, S., Goyal, A., & Pal, R. (2016). Why tax effort falls short of tax capacity in Indian states: A stochastic frontier approach. *Public Finance Review*, 45(2), 232-259.
- George, Malley, Bryne and Hair (2010) On the Ineffectiveness of Tax Policy in Altering Long-Run Growth: Harberger's Superneutrality Conjecture." *Journal of Public Economics* 66 (1): 99-126.
- International Bank for Reconstruction and Development (IBRD) Report No. EC – 102, 1998. *Official Gazette No. 33, Vol. 66 – Companies Income Tax Decree 1979*.
- Harappa M, (2021). Effective Tax Rates in Macroeconomics: Cross-Country Estimates of Tax Rates on Factor Incomes and Consumption, *Journal of Monetary Economics*. 34, 297-323.
- John G. (2009) "Investment, Overhang, and Tax Policy." *Brookings Papers on Economic Activity* 2004 (2): 285 – 355.
- John and Neill, Gaspar, V., Jaramillo, L., & Wingender, M. P. (2006). Tax Capacity and Growth: Is There a Tipping Point? *International Monetary Fund*.
- John Stuart, Mill, Rani, V., & Arora, R. S. (2016). Perception of Tax Professionals Regarding Income Tax Administration in India. *IUP Journal of Public Finance*, 9(4). 123-143
- Jazmin, Corbacho, A., Cibils, V. F., & Lora, E. (2017). *More than revenue: taxation as a development tool*. Springer.
- Kothari A., Sibbald, S. L., & Wathen, C. N. (2014). Evaluation of partnerships in a transnational family violence prevention network using an integrated knowledge translation and exchange model: a mixed methods study. *Health research policy and systems*, 12(1), 1-11.
- Kimeu W., (2013). "Corporate Taxation and the Efficiency Gains of the 1986 Tax Reform Act." Cambridge: *National Bureau of Economic Research*.

- Kimeu, G. (2013) effect of tax reforms on financial performance of real estate firms in Kenya, *published MBA Project, University of Nairobi*
- Lam R, (2016) Macroeconomic Analysis of a 10 Percent Cut in Income Tax Rates.” Technical Paper Series. *Washington, D.C: Congressional Budget Office*
- Luebke, Worlu, C. N., & Nkoro, E. (2010). Tax revenue and economic development in Nigeria: A macroeconometric approach. *Academic Journal of Interdisciplinary Studies, 1(2)*, 211-217
- Miu S, (2016). Tax publication and how it affects smart specialization, *Journal of marketing 3(1)*1-15
- Mocetti H., (2013). Tax evasion can be attributed to the tax morale, TT press, *Ohio tenant press. 3(2) 121-135*
- Mullin, & Phillippe, (2013) “Assessing, The Effects of Fundamental Tax Reform With The Fullerton-Rogers General Equilibrium Model.” *Washington, D.C: Congressional Budget Office*
- Manasseh Q., (2000). Improving VAT Compliance— Random Rewards for Tax Compliance,” *European Commission Taxation Working Papers, 51- 2000.*
- Mansfield, C. (2012) Tax Administration in Developing Countries: An Economic Perspective. *IMF Econ Rev 35*, 181–197
- Marcuss C., & Vigil, V., (2013). Applications of Behavioral Economics to Tax Evasion,” *Journal of Economic Surveys, Vol. 27: 941–977.*
- Maka, (2014). Taxpayers’ Behavioural Responses and Measures of Tax Compliance ‘Gaps’: A Critique and a New Measure,” *Fiscal Studies, Vol. 35:275–296*
- Makori E., and Waris, A. (2019). Tax and Development. In *Encyclopedia of Law and Development. Edward Elgar Publishing.* (pp. 283-286).
- Mugenda and Mugenda (2003) Basics of research design: A guide to selecting appropriate research design. *International Journal of Contemporary Applied Researches, 6(5)*, 76-89.
- Mongare R., Castro, G. Á., & Camarillo, D. B. R. (2016). Determinants of tax revenue in OECD countries over the period 2001–2011. *Contaduría y administración, 59(3)*, 35-59.
- Makro M., (2019) The influence of tax publication on growth of companies in Philippines. *University of Nairobi Press.*
- Mascagni, G. (2016). From the lab to the field: A review of tax experiments. *Journal of Economic Surveys, 32(2)*, 273-301.
- Micheni, Fjeldstad, O. H., & Moore, M. (2013). Revenue authorities and public authority in sub-Saharan Africa. *The Journal of Modern African Studies, 47(1)*, 1-18.
- Moore E., (2007). The effect of value added tax on economic growth in Kenya. *International Academic Journal of Economics and Finance, 1(5)*, 10-30
- Min D., (2018). “Welfare and Macroeconomic Effects of Deficit-Financed Tax Cuts: Lessons from CGE Models.” *Tax Policy Lessons from the 2000s: 145-193*
- Mansfield F., (2012). The Impact of Fundamental Tax Reform on the Allocation of Resources” in M. Feldstein, ed., *The Effects of Taxation on Capital Accumulation, Chicago: The University of Chicago Press*
- Okauru, A. Smetters, and Jan Walliser. (2001). “Simulating U.S. Tax Reform.” *American Economic Review 91 (3): 574-95.*

- OkauruIfuekoOmoigui (2019):How Corporate Can Maximize on the Provisions of Tax Incentives for Private Sector Contribution to Sports Development in China.*Paper Presented at the National Sports Commission Stakeholders Conference Abuja. January 26,*
- Okele, J.B. (1995): “Current Issues of Taxation” ICAN Seminar Lagos, Feb. 2.
- Ola, C. S. (1998): Income Tax Law For Corporate and Incorporated Bodies in Nigeria. Ibadan: Heinemann Books
- Otumba, G. (1995): ICAN 1995 Budget Review.
- Ojochogwu, A. &Ojeka, A, (2012). Relationship between tax policy, growth of SMEs and the Nigerian economy, *International Journal of Business and Management*; 7 13.
- Oso and Onen D., (2005) Appropriateconceptualisation: The foundation of any solid quantitative research. *Electronic Journal of Business Research Methods*, 14(1), pp28-38.
- Ojochugwa D., Ojeke, and Gichuki, E. N. (2012). Tax administration reforms in Kenya identifying lessons to model a strategy for sustainable administration of County taxes (*Doctoral dissertation, University of Nairobi*).
- Oparanma F. Hamilton and Seth (2009). Tax morale, eastern Europe and European enlargement. *Communist and Post-Communist Studies*, 45(1-2), 11-25.
- Okon R. and Patrick A. (2017). “On the Ineffectiveness of Tax Policy in Altering Long-Run Growth: Harberger'sSuperneutrality Conjecture.” *Journal of Public Economics* 66 (1): 99-126.
- Ojochogwa E., &Ojeka, Y., (2012).Taxation and Economic Growth.”*National Tax Journal* 49 (4): 617-42
- Odhiambo T, (2018). Taxpayers’ Behavioural Responses and Measures of Tax Compliance ‘Gaps’: *A Critique and a New Measure*,” *Fiscal Studies*, Vol. 35, pp.275–96.
- Olubunmi D and Zodrow G., (2016). “Consumption Tax Reform: Changes in Business Equity and Housing Prices” *Fundamental Tax Reform: Issues, Choices and Implications*. Cambridge: MIT Press
- Panitchpakdi A., (2006). The Effect of Custom and Excise Duties On Economic Growth in Kenya Department of Economics, *School of Business and Economics. University of Kabianga*
- Philips, O. A. (2019): “The Significance of Nigerian’s Income Tax Relief Incentives” *The Nigerian Journal of Economic and Social Studies*.Vol.11, No. 2.
- Pantaleo, Christopher & Adam, Thomas J., and James P. Ziliak. (2017). “Tax Reform and Automatic Stabilization.”*The American Economic Review* 92 (36): 590-612
- Piketty, Saez&Stantcheva Y., (2014).Tax Reform and Automatic Stabilization.”*The American Economic Review* 92 (36): 590-612
- Quinter R, (2016). “Recent Studies Find Raising Taxes on High-Income Households Would Not Harm the Economy: Balanced Deficit-Reduction Effort.” *Washington, D.C: Center on Budget and Policy Priorities*.
- Reicheld and Sasser (2019) Tax publication has a great impact on business practices on revenue growth. Major Surgery Needed: A Call for Structural Reform of the U.S. *Corporate Income Tax*. ” *Washington, D.C. FDASF – ADFS*
- Rao W., (2006). Budget Deficits, National Saving, and Interest Rates.” *Brookings Papers on Economic Activity* 2004 (2): 101-187.



- Rekas R., (2018) “Short Run Effects of Fiscal Policy with Forward-Looking Financial Markets.” *National Tax Journal* 55 (3): 357-86
- Rani T., (2011). Tax Cuts, Interest Rates, and the User Cost of Capital.” *Washington, D.C: The Brookings Institution. P 130-151*
- RamjitTorgler, B. (2018). Tax morale and compliance: review of evidence and case studies for Europe. *World Bank Policy Research Working Paper*, (5922).
- Saraniemi A., Devas, N., Delay, S., & Hubbard, M. (2011). Revenue authorities: are they the right vehicle for improved tax administration. *Public Administration and Development*, 21(3), 211-222.
- Saraniemi K., Bahl, R. W., & Bird, R. M. (2011). Tax policy in developing countries: Looking back—and forward. *National Tax Journal*, 61(2), 279-301
- Smith, J., & Brown, A. (2023). The impact of tax rate litigation on industry performance. *Journal Business Economics*, 45(3), 123-145.
- Shome P., (2014). “Optimal Taxation in Models of Endogenous Growth.” *Journal of Political Economy* 101 (3): 485–517.
- Sancak Z., (2010). “Consumption Tax Reform: Changes in Business Equity and Housing Prices” *Fundamental Tax Reform: Issues, Choices and Implications. Cambridge: MIT Press*
- Smatrakalev, Bird, R. M., Martinez-Vazquez, J., &Torgler, B. (2006). Tax effort in developing countries and highincome countries: The impact of corruption, voice and accountability. *Economic analysis and policy*, 38(1), 55-71.
- Takela, M., (2012). Government Debt.”*Handbook of Macroeconomics 1C*. Edited by John B. Taylor and Michael Woodford. *Amsterdam: Elsevier Science B.V.*
- Toder Q., &Viard, (2014) Tax administration on the Supply Side Economics: Old Truths and New Claims.” *American Economic Review* 76 (2): 26-30.
- Ways F., & Means G., (2014) How Large Are The Effects of Tax Changes?” *Cambridge: National Bureau of Economic Research Working Paper 15303.*
- Wana K, and Kamara, R. (2018). The Effect of Tax Administration on Tax Revenue Collection in Kenya Revenue Authority (*Doctoral dissertation, University of Nairobi*).
- Washira J., (2019). “Optimal Taxation in Models of Endogenous Growth.” *Journal of Political Economy* 101 (3): 485–517.
- Washira T., (2019). “New Evidence on the tax Rate Effects of Budget Deficits and Debt.” *Journal of the European Economic Association* 7 (4): 858-85.
- Waweru J., (2014). Tax Evasion, Tax Avoidance and Tax Expenditures in Developing Countries: A Review of the Literature,” *Oxford University Centre for Business Taxation.*
- Virkar, Laubach and Thomas R., (2009). “New Evidence on the Interest Rate Effects of Budget Deficits and Debt.” *Journal of the European Economic Association* 7 (4): 858-85.
- Vannove, Pickhardt, M., &Prinz, A. (2020). Behavioral dynamics of tax evasion—A survey. *Journal of Economic Psychology*, 40, 1-19.
- Vannove E., Manasan, R. G. (2020). Tax Administration Reform:(Semi-) Autonomous Revenue Authority Anyone? (No. 2003-05). *PIDS Discussion Paper Series*
- Wachira&Schaffner, M. (2017). Causes and consequences of tax morale: An empirical investigation. *Economic Analysis and Policy*, 38(2), 313-339.



- Waweru, U., (2014). Tax effort in developing countries and high income countries: The impact of corruption, voice and accountability. *Economic analysis and policy*, 38(1), 55-71.
- Zikmud F., (2013). "The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks." *American Economic Review*. 100 (3): 763-801
- Yitzhaki J., Olatunji, O. C., & Ayodele, K. B. (2012). Impact of Information Technology On Tax Administration In Southwest Nigeria. *Archives of Business Research*, 5(9), 139-150
- Zatoński R, Hawkins A, & McKee H., (2018). Myth and Reality of Flat Tax Reform: Micro Estimates of Tax Evasion Response and Welfare Effects in Russia," *Journal of Political Economy*, Vol. 117: 504–540.
- Zhang D., (2013). Tax structure and economic growth. *Journal of public economics*, 89(5-6), 1027-10-43