



Perceived Determinants of Rental Income Tax Compliance in Eldoret Municipality

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ABSTRACT

Purpose : Taxes are an important source of government revenue across the globe. Hence, this study sought to assess the influence psychological factor comprising of perceived tax fairness, tax knowledge, and enforcement power, trust in government and social norm on rental income tax compliance from a developing region.

Method : The study was quantitative in nature. Data was collected using structured questionnaires. The sample consisted of 399 tenants who were selected using random sampling method in Eldoret Municipality. The hypotheses were testing using the results of multiple regression.

Findings : The empirical results demonstrated that perceived tax system fairness, enforcement power, tax knowledge, trust in government and social norm are significant determinants of rental income tax compliance.

Novelty : While the previous studies have focused on property owner, this study focused on tenants as key parties in residential tax compliance, thus providing new results regarding the influence of socio-psychological factors on rental income tax compliance.

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INTRODUCTION

Domestic taxes, such as the tax on rental income, are the principal source of revenue for the governments, which contributes to socio-economic development (Hanson, 2021). However, it was reported that the degree of rental income tax compliance among property owners is relatively below forty percent (Kenya Revenue Authority, 2012). More recently, Kenya missed its revenue collection target by Sh107 billion (Kenya Revenue Authority, 2022). Nevertheless, the Tax Base Expansion Programme implemented by KRA in 2022 greatly contributed to the collection of Sh14.65 billion in from rental income tax. According to KRA, the strategies employed included enlisting landlords to adhere to the Monthly Rental Income (MRI) requirement and developing the Block Management System (BMS) to identify potential taxpayers. It is estimated 76,025 landlords registered with the tax management system (The East African, 2022), with over 98% participation attributed to data gathered from banks and utility service providers. In spite of the difficulties encountered by Kenya Revenue Authority (KRA) in accurately identifying and including all property owners into the framework of the tax system, the tax that is levied on rental income had a considerable increase of 41% between 2018-19. Despite the low rental income tax collection, the real estate market in Kenya has had extraordinary growth, as demonstrated by the fact that it has increased from 10.5 percent of the country's Gross Domestic Product (GDP) in the year 2000 to 12.6 percent in the year 2012, and then it continued to rise to 13.8 percent in the year 2016, and it was expected to eventually reach 20 percent through the year 2022. The Kenya Alliance of Resident Association reported that in 2021 a considerable number of people living in metropolitan areas are tenants. Specifically, the percentage of people who fall into this category is estimated to range from 70 to 80 percent. Consequently, KRA continues to utilize sophisticated techniques to ensure compliance with rental income tax legislation. Despite the policy measures, several empirical research have examined both internal and external elements that affect an individual's attitude toward tax compliance. The primary technique of examining rental income tax collection is the attitudinal behavioral approach, which encompasses the views, feeling,

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and behaviours of landlords and tenants. One attitudinal behavioral component is fiscal exchange, a contractual agreement between ratepayers and local government. This transaction is predicated on the perception that the local government is reliable and delivers satisfactory services to its residents. This concept, also referred to as tax morale, pertains to the inherent drive to fulfil tax obligations. The inhabitants' perception of the local government as equitable indicates their belief in the effectiveness, efficiency, and ethicality of its decisions (Ab. Rahman et al., 2023). Levi (1988) posited that residents exhibit trust in the government when it is perceived as equitable. Hetherington & Husser (2012) assert that individuals utilize a straightforward decision-making criterion to determine their support for a government; if they believe the government can be trusted to act in the best interest of the populace, they are inclined to endorse its activities or actions. Research on trust and its impact on tax compliance has indicated that mutual trust between taxpayers and tax authorities fosters a robust symbiotic relationship, significantly enhancing voluntary tax compliance. Nonetheless, a deficiency of confidence between taxpayers and tax authorities markedly undermines taxpayers' readiness to endorse the tax authorities and, by consequence, the government (Rudolph, 2009). Jimenez & Iyer (2016) noted that trust between taxpayers and tax authorities is essential, as it is a key predictor of voluntary tax compliance.

The perception of taxpayers about the local authority's governance capabilities, decision-making efficacy, and tax policy formulation and implementation may affect their tax compliance behaviour (Allingham & Sandmo, 1972b) assert that individuals will evade taxes when the advantages of tax evasion surpass the repercussions of detection. In our context, social norms are the standards that influence compliance behaviour and the normative obligation to adhere to the law (Belahouaoui & Attak, 2024). This component aligns with the theory of planned behaviour, which posits that tax compliance stems from attitudes, subjective norms, and perceived behavioral controls, including tax morale, tax fairness, trust in government, and perceptions of authority power (Taing & Chang, 2021). A significant element identified as a potential determinant of voluntary tax compliance is understanding of the tax system. Fauziati et al. (2020) define tax knowledge as the comprehensive grasp of the tax system and its obligations within a specific jurisdiction. It is asserted that the greater the awareness of tax rules among SMEs, the higher their likelihood of voluntary compliance. Oladipupo & Obazee (2016) assert that tax knowledge significantly enhances voluntary tax compliance by increasing taxpayers' awareness of their obligations. Baru (2016) contends that the tax awareness of SME owners is a critical factor influencing their compliance with the tax system. With tenants serving as the focus point, compliance with residential income tax rules and regulations center around them. According to Obika (2020), the implementation of a rental income tax leads to an increase in the amount of tax burden that renters are required to bear. This is because property owners have a tendency to raise rental charges in order to compensate for the impact of the taxes. According to Liberati & Loberto (2019) property owners respond to increased taxes by raising rent, thereby compensating for the initial negative impact of taxes on their rental profits.

Four decades ago, Heilbrun (1983) noted that there is a high likelihood of some kind of burden shifting occurring in property taxes. The author contends that it is evident that one cannot ascertain the economic incidence of property taxes solely by observing the party responsible for making payments. Instead, one must depend on the insights offered by tax incidence theory. According to the author, the incidence of a tax is believed to affect the individuals who carry its weight. In the same line of argument, Graetz (1975) observed tax burden-shifting, whereby the initial burden is transferred from landlords (who bear the statutory burden) to tenants. As per the author's argument, landlords achieve this by utilizing their previously unrecognized monopolistic power, resulting in capital income being initially exempt from taxes or subject to lower taxes, while tenants bear the cost of taxation instead of a redistribution among consumers. Specifically, it is important to differentiate between the legal impact and the economic impact. As an illustration, the author claims that although the legal obligation lies with the owner, who is obligated to submit payment, property owners are able to increase the rent they charge to occupants following the implementation of the tax. Consequently, they would have effectively transferred a portion or the entire expense to the users of the property.

In addition, charging higher tax on residential rental income gives the possibility of rent changes, which in turn encourages tenants to opt for homeownership. As a consequence of this, there is a possibility that there will be a decline in the demand for rental homes, which would then lead to a reduction in the total amount of rental income that is obtained (Liberati & Loberto, 2019). In addition, Andrews et al. (2011) ascribed the demand for owner-occupied property to tax rates and exemptions on rental income, capital gains, and mortgage interest rates. Furthermore, KRA has the authority to request information from persons who are in possession of property, as stated in section 59 of the Income Tax Act. This authority allows the KRA to legally collect information from individuals. Also, KRA requires that tenants should disclose information of property owners as annual filing requirements.

Osoro et al. (1999) contend that property owners have the ability to collude with tenants as a means of avoiding rental income tax. Either the intentional withholding of tax receipts or the issuing of receipts that erroneously indicate the real amount of rent paid are two methods that might be utilized to accomplish this goal. Previous research has demonstrated that various psychological factors, including perceived fairness in the tax system (Gberegbe & Umoren, 2017), perceived enforcement power (Taing & Chang, 2021; Castro & Scartascini, 2015), perceived tax knowledge (Saad, 2014; Fauziati et al., 2020), perceived trust in government (Braithwaite & Makkai, 1994; Kim & Mauborgne, 1993; Scholz & Lubell, 1998), and the perceived social norms (Edlund & Aberg, 2002; James Alm et al., 1992), influence taxpayers' attitudes towards tax compliance.

The study applies several theories to explain perceived determinants of rental income tax compliance among tenants in Eldoret Municipality. The theory tax fairness proposed by Moromisato (2014) suggests that those who earn more than their neighbors should be subject to a higher tax rate. In this manner, implementing increased taxation on the affluent might effectively impede the progression of the societal ailment. Smith & Kinsey (1987) characterize a tax system as fair when taxpayers are taxed in accordance with their capacity to pay. However, other scholars Gerbing (1988; Christensen & Weihrich (1996); Christensen et al. (1994) propose that tax fairness is a notion that encompasses multiple dimensions. Gerbing (1988) performed a poll to determine the many aspects of tax fairness and identified five dimensions: general fairness/distribution, trade with government, specific provisions, preferred tax rate structure, and self-interest. Christensen et al. (1994); Christensen & Weihrich (1996) discovered that the five dimensions of tax fairness identified by Gerbing (1988) were also confirmed by Thomas (2012) in Barbados. Jackson & Milliron (2002) assert that tax fairness can be understood in two distinct ways. Firstly, it involves assessing the benefits received in relation to the amount of tax paid. Secondly, it involves ensuring that the burden of taxation is distributed fairly among taxpayers, taking into account their ability to pay. Consequently, the comprehension of tax fairness has remained circular in nature.

According to Moromisato (2014), tax fairness is often seen as a subjective concept. In this research, we define tax fairness as the overall justice and equality in the burden placed on taxpayers, taking into account their perceived ability to pay the tax. Nevertheless, taxpayers' function inside a specific framework. The theory of planned behaviour, sometimes known as the theory of intended behavior, was introduced by Ajzen (1991). This theory posits that an individual's behavior in society is impacted by certain variables, derives from particular motives, and occurs in a deliberate manner. An individual engages in a particular action when she perceives it as a favorable behavior (positive attitude towards the conduct), receives support from those considered significant (subjective norm), and possesses the necessary beliefs to carry out the action (cognitive behavior control). The interplay of these three criteria dictates the congruity between an individual's intentions and their actions. Several research have utilized the theory of planned behavior to examine tax compliance (Nawafleh, 2023). According to this study, the author posits that the level of tax compliance would be influenced by tax knowledge and social norms.

From an economic standpoint, deterrence has traditionally been regarded as a widely accepted approach for ensuring tax compliance, as evidenced by historical records. Deterrence theory, established by Becker (1968), posits that the mere prospect of legal consequences serves as a deterrent to unlawful behavior (Matthews & Agnew, 2008). The idea implies that every taxpayer should optimize the anticipated profit while making the decision to avoid taxes or not. This involves considering the advantages of successful tax evasion against the risks of tax audits and fines. Evidently, this theory is founded on the premise that taxpayers experience apprehension and retribution when they engage in tax evasion (Alm et al., 2019). Economic deterrence theory is widely applied in the field of compliance. Significant progress has been achieved in deterrence theory over time, specifically regarding the deterrent impact of various types of penalties (Devos, 2007). The deterrence theory aims to address the difficulties of tax compliance by seeking an enforcement method that can be supplemented or replaced by appealing to the citizen's tax morality. The notion of deterrence is intricate and challenging. The term deterrence is employed in a narrower sense, specifically referring to situations when a threat induces an individual who would have otherwise committed a crime to abstain from doing so. The study conducted by Allingham & Sandmo (1972) was the initial attempt to utilize the deterrence theory, which is derived from the criminal model proposed by Becker (1968) in order to develop the theory of tax non-compliance. The economic deterrence theory posits that the use of fines and tax audits serves as the main methods to enhance tax compliance. Tax audits refer to the likelihood of the tax authority uncovering taxpayers' failure to comply with tax rules through audit and inspection initiatives, whereas punishment entails imposing penalties and fines on taxpayers who do not adhere to tax regulations. Borrowing from this theory, we anticipate that the authorities possess a proficient method to examine and identify firms' failure to comply with tax regulations. Additionally, the author argues that the tax penalty is clearly defined, unambiguous, and sufficiently discouraging to dissuade taxpayers from engaging in tax non-compliance, whether it is done voluntarily or under enforcement. Thus, this theory is used to show that enforcement power has a significant effect on tax compliance.

The fiscal exchange theory suggests that government spending can incentivize compliance, and that governments can enhance compliance by delivering commodities that citizens desire in a more efficient and accessible manner (Cowell & Gordon, 1988). According to. According to Alm et al. (1992) compliance is positively correlated with the sense of the accessibility of public goods and services. People may pay taxes because they appreciate the goods and services supplied by the government and understand that their payments are essential for the government to fund these goods and services in an accessible manner. Research demonstrated that countries with taxpayers who have faith in and trust the transparency of government spending, the availability of public services, and the presence of good governance tend to exhibit high levels of tax compliance (Umar et al., 2019). We use this theory to argue that trust in government has a significant effect on tax compliance.

Social norms denote a psychological construct that consists of rules and standards that are comprehended by members of a community. These standard functions as a guiding principle and/or restriction on social conduct in situations when there is no legal framework. There are four distinct social norm constructs: doctrinal norm, descriptive norm, subjective norm, and personal norm. Doctrinal norms explicitly delineate the actions that should be taken, serving as the group's ethical code. Descriptive standards are derived from the empirical observation of

individuals' real behavior in particular circumstances. Subjective norms are primarily to the anticipated standards set by influential individuals such as family members, friends, colleagues, and others. Personal norms refer to an individual's own set of standards for behavior, which can be developed by internalizing doctrinal norms. According to this theory, the level of tax compliance is influenced by societal norms (Bobek et al., 2013). Specifically, when individuals within one's social circle, including family, friends, and coworkers, collectively view tax evasion and the violation of tax regulations as morally unacceptable, taxpayers are more inclined to adhere to tax obligations in a state where compliance is strictly enforced.

Empirical literature demonstrate that tax compliance is influence by several social-psychological factors. For instance, in the Rivers State, Nigeria, Gberegbe & Umoren (2017) assessed the link between tax fairness perception and personal income tax compliance. The study used a sample of 380 SMEs. They found that tax compliance was positively and significantly affected by perceived distributive, procedural, retributive and tax fairness. van Dijke & Verboon (2010) examined how trust in authority moderates the relationship between tax office procedural fairness and voluntary tax compliance. They sampled 567 respondents and found that procedural fairness encourages taxpayer cooperation. We hypothesize that:

H₁: Perceived tax system fairness has no effect on rental income tax compliance

Despite the fact that the threat of punishment has been highlighted as one of the most effective strategies to change taxpayers' attitudes about noncompliance, the empirical literature reveals contradictory results. The survey included 402 Phnom Penh respondents. The study found no statistically significant effect of tax authority on tax compliance intention. Using a sample of 500 questionnaires, a study by Modugu & Anyaduba (2014) found that tax compliance in Nigeria is significantly influenced by the likelihood of being audited, perceptions of government spending, penalties and enforcement, and the interactive effects of tax audit and penalties. Remali et al. (2018) used a sample of 105 respondents and concluded that tax compliance among SMEs was significantly influenced by tax knowledge, tax penalties, and tax rates. Mohdali et al. (2014) found that punishing compliant taxpayers had no effect. When tax audits and fines are imminent, people have a tendency to not pay their taxes. Overall, it indicates that the threat of penalties has no impact on compliant taxpayers and even makes them want to be less compliant. In the same vein, a study by Swistak (2016) found that a tax system that is too harsh is a major impediment to firm formalization and that enhancing the severity of tax penalties does not have the desired effect. The author goes on to say that for tax penalties to be effective, they should discourage and inspire taxpayers rather than oppress them. According to a recent study by Augustine & Enyi (2020), trust in the government and efforts to combat corruption had a positive impact on individual taxpayers' willingness to voluntarily file their taxes. A sample of 1,200 people from South West Nigeria was employed in the study. We therefore hypothesize that:

H₂: Perceived enforcement power has no effect on rental income tax compliance

Empirical research on tax compliance behaviors and understanding needs more consensus. Saad (2014) examined taxpayers' income tax system complexity perspectives and tax expertise. 2,000 267 potential volunteers were recruited for this study. Telephone interviews were limited to 30 participants. The study also investigates non-compliance factors. Data from 30 telephone interviews was thematically examined. The findings suggest taxpayers need more technical knowledge and find the tax system difficult. Complexity and skill contribute to taxpayer non-compliance. In Indonesia, Fauziati et al. (2020) examined how tax knowledge influences compliance. Data was collected using 300 self-administered questionnaires. Tax knowledge did not affect tax compliance, according to the study. Palil et al. (2013) evaluated religion and tax education, knowledge, and compliance. A sample of 70 working MBA students from a Malaysian public university was used. Given their education and tax knowledge, respondents' tax compliance was lower than predicted. The study further confirmed that religious beliefs influenced individuals comply with tax rules. Al-Taffi et al. (2020) examined how tax knowledge affects Yemeni taxpayer compliance. The authors used a sample of 287 respondents and found that tax knowledge increased compliance. Mei Tan & Chin-Fatt (2000) explored how tax knowledge affects tax compliance and justice. The study used 83 New Zealand tertiary students taking an introductory taxation course. They found that increased tax knowledge does not affect tax compliance or justice perceptions. Kamil (2015) assessed the effect of taxpayer awareness, knowledge, tax penalties and service tax authorities on tax compliance. Data was collected using accidental sampling method, by distributing questionnaires to 550 taxpayers visiting the Tax Office of Jabodetabek and Bandung. The findings revealed that awareness of the taxpayer has a positive and significant effect on an individual taxpayer compliance. Conversely, tax knowledge had a negative and significant relationship of taxpayer compliance. Thus, the following hypothesis is formulated

H₃: Perceived tax knowledge has no effect on rental income tax compliance

Tax compliance literature generally agrees that taxpayer perceptions of government trust increase compliance. For instance, Murphy (2004) explored whether trust played a role in gaining voluntary compliance using a sample of 2292 tax avoidance suspects. The author found that tax compliance increased with trust in government. Muehlbacher et al. (2011) examined government trust and voluntary compliance. The survey included 3,071 Austrian, UK, and Czech taxpayers. The study found that trust promotes voluntary tax compliance and reduces tax lia-

bility. Using 92 independent accounting professionals in Turkey, Aktaş Güzel et al. (2019) established a positive and statistically significant relationship between tax compliance and government trust. Langenmayr (2017) examined government trust and tax evasion reports in Armenia. Study samples included 258 observations. The study found that those who trust authorities are more inclined to report taxpayer theft. Awareness, power of the Inland Revenue Board of Malaysia, and trust in the government and tax administrators affect enforced compliance, according to Chong & Arunachalam (2018), study included 340 respondents. On the other hand, a study by Taing & Chang (2021) that employed a sample of 402 respondents in Phnom Penh found that the power of authority, trust in the government, access to tax information, and tax awareness do not demonstrate a statistically significant relation to tax compliance intention.

H₄: Perceived tax knowledge has no effect on rental income tax compliance

Bobek et al. (2013) examined how social norms affected tax behavior in 174 experienced taxpayers. Four social norm constructs were found by component analysis. The methodology of analysis shows that personal morals and ethical beliefs (personal norms) and the expectations of loved ones (subjective norms) directly affect tax compliance. However, public expectations (mandated norms) and facts about others' behavior indirectly impact. This shows that societal norms directly and indirectly affect tax compliance. Çevik & Yeniçeri (2013) examined whether societal norms and tax compliance in Turkey were affected by tax administration effectiveness. The study used 321 surveys. Their research found that tax administration efficacy considerably and positively impacted social norms and tax compliance. Mutatembwa (2013) examined how the tax system and social norms affect Tanzania's small and medium-sized taxpayers' tax compliance. Representative samples of 108 Tanga City small and medium-sized taxpayers provided data on dealers, distributors, producers, and service providers. Social norms, tax compliance, and taxation systems were positively correlated in the study. The study found a positive correlation between social norms, taxation, and compliance. Nguyen et al. (2020) examined Vietnamese enterprises' tax compliance factors. The study used qualitative and quantitative methods. The study employed a sample of 200 Vietnamese enterprises' chief accountants or finance directors were interviewed. The results reveal that audit probability, consequence harshness, and societal norms directly affect tax compliance. The results also suggest that mandatory compliance affects tax compliance more than voluntary compliance. Alshira'h (2019) examined how peer pressure affects Jordanian SMEs' sales tax compliance. 212 SME owner-managers were surveyed for the study. The study hypothesis was tested via PLS-SEM. The study found no evidence that peer pressure influences Jordanian SMEs' sales tax compliance. Therefore, the study hypothesizes as follows:

H₅: Perceived social norm has no effect on rental income tax compliance

RESEARCH METHODS

The study was quantitative in nature. The target population was 119,042 tenants in Eldoret Municipality. The sample size for this study was established using the Taro Yamane's formula that assumes a level of precision of 5% and a confidence level of 95%. Data was collected from a sample of 399 respondents using close ended questionnaire. The closed-ended questionnaire utilized a 5-point Likert scale, with response options ranging from strongly disagree (1) to strongly agree (5). The Likert scale is widely recognized as the predominant approach for quantifying responses in survey research (Gall & Borg, 1989). The questionnaire items utilized in this study were sourced from existing literature and afterwards adapted to align with the specific requirements of the present research. The data collection instrument is shown as appendix I. To establish a relationship between the independent variable (socio-psychological factors) and the dependent (tenants' attitude towards residential rental income tax compliance), the study employed a multiple linear regression model shown (Equation 1).

$$PRITC_{it} = \beta_0 + \beta_1 PTF_{it} + \beta_2 PEP_{it} + \beta_3 PTG_{it} + \beta_4 PTK_{it} + \beta_5 PSN_{it} + \epsilon_{it} \dots\dots\dots 1$$

PTRIC, is the perceived rental income tax compliance; PTF, perceived tax fairness; PEP, perceived enforcement power; PTK, perceived tax knowledge; PTG, perceived trust in government; PSN, perceived social norm; B0 is the constant; β_1 to β_5 are the beta coefficient and ϵ = an error term.

RESULTS AND DISCUSSIONS

Data analysis was done using Statistical Package for Social Scientists (SPSS 20). The study used correlation and simple linear analyses to analyze the data. Multiple linear regression model was used to test the hypothesized relationships. Out of the 399 self-administered questionnaires, 5 were partially filled and therefore excluded from the study. This was considered a considerably high response rate, which can be attributed to the training given to the research assistants and the use of self-administered questionnaires.

Cronbach's alpha is employed to quantify the reliability of a scale, whilst Exploratory Factor Analysis (EFA) is utilized to evaluate the convergent and discriminant validity of the scales. The Cronbach's alpha analysis indicated, as shown in table I that all scales satisfied the reliability criteria. All Cronbach's alpha coefficients exceed 0.7, with corrected item-total correlations surpassing 0.5. All observed variables are consistently measured representa-

Table 1. Results for Cronbach Alpha and the KMOs

	No. of Items	Cronbach Alpha Coefficients	KMO and Bartlett's Test	Decision rule
PRITC	4	0.766	0.722	Accept
PEP	6	0.740	0.802	Accept
PTK	5	0.781	0.812	Accept
PTG	6	0.707	0.815	Accept
PSN	3	0.820	0.704	Accept
PTF	3	0.798	0.701	Accept

tions of specific factors that are statistically and analytically significant. Subsequently, the scales underwent Exploratory Factor Analysis (EFA) to assess their uni-dimensionality and remove any unsuitable measurement criteria.

Upon evaluating the dependability of each scale through the implementation of EFA for each individual variable (Table 1), the findings indicated that all initial items exhibit significant loadings on each research component, with eigenvalues exceeding 1. Additionally, all load factors surpass 0.4, and all KMO values exceed 0.5. The Bartlett's test is statistically significant at a significance level of $p = 0.000$, which is less than or equal to 5%. This suggests that factor analysis is suitable for further examination of the research data. This chapter discusses the interpretations and presentations of the findings obtained from the study on the perceived determinants of tax compliance among tenants in Eldoret Municipality.

The mean and standard deviation of the study's construct, as shown in Table 2. The table reveal that perceived rental tax compliance had a mean score of 2.699 (minimum=1.000, maximum=5.000, SD=0.930), which is slightly above a low perceived compliance level. Perceived tax fairness 2.778 (minimum=1.000, maximum=5.000, SD=0.645), perceived enforcement power 3.098 (minimum=1.000, maximum=5.000, SD=0.843), perceived tax knowledge 3.339 (minimum=1.000, maximum=5.000, SD=0.859), perceived trust in government 2.611 (minimum=1.000, maximum=5.000, SD=0.793) and perceived social norm 3.423 (minimum=1.000, maximum=5.000, SD=1.031).

Result presented in Table 3 indicate positive correlation between distributive fairness and tax compliance ($r = 0.175$, $p = 0.000$, $p < 0.05$), between enforcement power ($r = 0.197$, $p = 0.000$, $p < 0.05$), trust in government ($r = 0.097$, $p = 0.000$, $p < 0.05$), and tax compliance. While perceived tax knowledge ($r = -0.198$, $p = 0.001$, $p < 0.05$), perceived social norm ($r = 0.175$, $p = 0.000$, $p < 0.05$) are negatively related to rental income tax compliance ($r = -0.145$, $p = 0.000$, $p < 0.05$).

Table 4, indicates that perceived tax fairness (PTF), perceived enforcement power (PENP), perceived tax knowledge (PTK), perceived trust in government (PTG) and perceived social norm tax (PSN) explains 16.1% of the variance in perceived rental income tax compliance. The regression results further confirm that the hypothesized relationships (H_1 , H_2 , H_3 , H_4 , and H_5) are statistically significant, with a p-value less than (0.05). Therefore, hypotheses H_1 , H_2 , H_3 , H_4 and H_5 are rejected. This paper establishes that perceived tax fairness ($\beta = 0.202$, $p = 0.00$, and t -value = 4.124) has a statistically significant positive influence on perceived rental income tax compliance. These findings suggest that the government distribute the tax burden fairly and executes tax policies that aligned with the interests of all citizens in the country. The results indicate that the perception of tax fairness has an impact on individuals' compliance with tax regulations. Therefore, this finding is a continuation of the Laffer Curve Theory, which promotes the idea of achieving the ideal level of tax payment where both the government and taxpayers are equal in terms of tax revenue and tax payment. Empirical studies on voluntary tax compliance indicate that the perceived equity of the tax system significantly influences voluntary compliance (Damayanti et al., 2015). (Kostritsa & Sittler, 2017) assert that an affirmative reaction to tax compliance is contingent upon individuals' perceptions of the authorities' fairness. Casal et al. (2016) observed that individuals' strong sense of justice regarding their treatment by authorities correlates with increased trust in that authority and a greater readiness to adhere to its guidelines and laws. The results also show that the enforcement power ($\beta = 0.216$, $p = 0.00$, and t -value=4.470) has a statistically

Table 2. Descriptive statistics

	N	Min	Max	Mean	Std.
PTF	394	1.000	5.000	2.778	.645
PEP	394	1.000	5.000	3.098	.843
PTG	394	1.000	5.000	2.611	.793
PTK	394	1.400	5.000	3.339	.859
PSN	394	1.000	5.000	3.423	1.031
PRITC	394	1.000	5.000	2.699	.930
Valid N (listwise)	394				

Source: Authors computation (2024)

Table 3. Correlation analysis

	PRITC	PTFF	PEP	PTK	PTG	PSN
PRITC	1					
PTF	0.173**	1				
PEP	0.197**	0.157**	1			
PTK	-0.198**	0.255**	0.210**	1		
PTG	0.097	0.221**	0.199**	0.281**	1	
PSN	-0.145**	0.100*	0.088	0.292**	0.107*	1

Source: Authors computation (2024)

significant positive influence on perceived rental income tax compliance and our findings are supported by earlier studies (Ali et al., 2001; Pattiasina et al., 2020). Based on the findings it can be argued that the audit rate and penalty rate are both effective deterrents to noncompliance. Enhancing the taxing authority's power by employing qualified tax inspectors, establishing elevated audit rates, and enforcing harsher penalties may be perceived as an effective and justifiable method to reduce tax evasion among compliant taxpayers, thereby fostering greater trust and compliance (Batrancea et al., 2019). Conversely, excessive reliance on authority, particularly if ineffectively employed to discover free riders, may be regarded as unwarranted or indicative of distrust, leading to resistance against the tax system and, eventually, noncompliance (Frey, 2003). Furthermore, the results revealed that tax knowledge ($\beta = -0.292$, $p = 0.000$ and $t\text{-value} = -5.634$) has a statistically significant negative influence on perceived rental income tax compliance. The results agree with (Kamil, 2015). Tax system knowledge is a crucial factor influencing voluntary tax compliance. Fauziati et al. (2020) define tax knowledge as the comprehensive grasp of the tax system and its obligations within a specific jurisdiction. It is asserted that the greater the awareness of tax rules among SMEs, the higher their likelihood of voluntary compliance. Oladipupo & Obaze (2016) assert that tax knowledge significantly enhances voluntary tax compliance by increasing taxpayers' awareness of their obligations. Baru (2016) ends that the tax knowledge SME owners is a critical factor influencing their compliance with the tax system. The findings of this study suggest that as taxpayers acquire more knowledge about taxes, they actively seek out loopholes to evade tax obligations. Further, the study found that trust in government ($\beta = 0.103$, $p = 0.038$ and, $t\text{-value} = 2.087$) has a statistically negative effect on perceived rental income tax compliance. Research on trust and its impact on tax compliance indicates that mutual trust between taxpayers and tax authorities fosters a robust symbiotic relationship, significantly enhancing voluntary tax compliance (Jimenez & Iyer, 2016). Nonetheless, a deficiency of confidence between taxpayers and tax officials markedly undermines taxpayers' willingness to support both the tax authorities and, by extension, the government.

Also, the results confirmed that perceived social norm ($\beta = -0.110$, $p = 0.024$ and, $t\text{-value} = -2.264$) has a negative influence on perceived rental income tax compliance. the behavior of taxpayers cannot be separated from the behavior of other taxpayers (Alm, 2018). In tax reporting, the behavior of others influences taxpayer decisions. Social norms denote the behaviors endorsed by the majority of taxpayers. When compliance, or the honest reporting of taxes, becomes the prevailing behavior, taxpayers are likely to emulate others in their tax reporting. Alm et al. (1992) posited that individuals experience greater discomfort when their behaviors or attitudes diverge from the norms upheld by the majority. Additionally, Górecki & Letki (2021) asserted that social norms embody ecological rationality, reflecting the behaviors and beliefs of others in tax reporting. Consequently, the beliefs and perceptions of honesty among most taxpayers serve as the rationale for others to conform.

According to the findings, it may be contended that when individuals in one's family, circle of friends, and

Table 4. Regression results

PRITC	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.447	.055		8.072	.000
PTF	.058	.014	.202	4.124	.000
PEP	.048	.011	.216	4.470	.000
PTK	-.063	.011	-.292	-5.634	.000
PTG	.024	.012	.103	2.087	.038
PSN	-.020	.009	-.110	-2.264	.024
R-squared	0.161				
F-value	14.934				
Prob>F	0.000				

Source: Author computation (2024)

professional network perceive tax evasion and the violation of tax regulations as morally acceptable, taxpayers are more inclined to engage in tax evasion, resulting in noncompliance.

CONCLUSIONS

This study investigated the impact of various factors on rental income tax compliance in Eldoret municipality. These factors include individuals' perceptions of tax fairness, enforcement powers, tax knowledge, trust in government, and social norms. The study's findings indicate that tax fairness, enforcement authority, and tax expertise have a beneficial impact on compliance with rental income taxes. Conversely, familiarity with tax regulations and adherence to societal expectations have an adverse impact on compliance with rental income tax obligations. This study's empirical findings enhance the current body of knowledge by presenting evidence of how the multi-dimensional approach of tax administration impacts compliance with personal income tax. The study emphasizes that the convergence of tax education, government trust, societal norms, and effective enforcement mechanisms can promote compliance with rental income tax. Notwithstanding the contribution of this work, there are few limitations.

First, the study employs a survey design based on survey data. This approach is constrained by the inherent limitations of a conventional cross-sectional study. The present study concentrated on compliance with rental income tax obligations. Consequently, prudence is required when generalizing the findings to encompass different types of taxation. Third, while we acknowledge that tax fairness, enforcement authority, tax literacy, trust knowledge, and societal norms are crucial determinants of tax compliance, there may also be additional determinants, as well as moderating and mediating variables. Future researchers may investigate these factors. This study did not evaluate the influence of demographic characteristics, including gender, age, education, spirituality, and marital status, on voluntary tax compliance. Further studies may examine demographic and additional social elements and their impact on tax compliance.

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Appendix I- Questionnaire

Perceived Tax System Fairness

1. Believe that the country tax system is fair.
2. Believe the burden of taxes is fairly distributed.
3. Rental income tax rate is fair
4. All registered taxpayers pay their taxes
5. Rental income tax system is well-structured and convenient

Perceived Enforcement Power of Tax Authority

1. Property owners have a low chance of evading rental income tax.
2. Property owners cannot operate without paying taxes
3. Fines and penalties encourage rental tax compliance.
4. Tax authority undertakes regular property inspection
5. Payment of bribes to tax officials has reduced tax compliance.

Perceived Tax Knowledge

1. Tax authority disseminates information on rental income tax
2. Tenant understands that property owners should pay rental income tax monthly.
3. Tax authority conduct training on rental income tax.

4. Tenant understands should disclose rental property information while filing annual returns

Perceived Trust In Government

1. Government utilizes tax revenues properly.
2. Government control misappropriation of tax revenue in the State
3. Tax authority is fair and honest in the application of tax laws to all tax payers
4. Anti-graft agencies are effective in handling fraudulent crime and misappropriation of tax revenues.
5. Government exhibits fairness, openness and transparency in dealing with tax payers
6. Government is open and transparent in the award of state contracts financed by taxpayer's money.

Perceived Social Norm

1. Property owners should honestly declare their rental income tax.
2. Family and I feel that it is ethically wrong for a property owner to evade rental income tax
3. Peers felt that property owners should not pay
4. I would report a property owner to tax authorities for not paying rental income tax
5. Fellow tenants would look down on me if I reported a property owner for evading rental income tax
6. Property owners should not pay rental income taxes because many other people in this society do not comply with tax laws

Attitude Towards Rental Income Tax Compliance

1. Tenant must ensure that property owner pay rental income taxes
2. Property owners should not pay rental income tax as they support government in the provision of housing
3. Rental income tax is too little for the government to follow
4. Paying rental income tax would deny tenants basic services from the property owner.
5. Tenant to report a property owner for evading rental income tax