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Tax Reforms, Compliance, Education and Efficiency of Kenya Revenue Authority

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Abstract

The study examined the conceptual and theoretical frameworks related to tax reforms, compliance, education, and their effects on the efficiency of the Kenya Revenue Authority (KRA). The study was premised on the background of the revenue authority under which the government exerts considerable pressure on the authority to realize set revenue goals. The purpose was to analyze conceptually and theoretically the developed frameworks related to the comprehensive analysis of tax reforms, education, and KRA efficiency, and to identify potential gaps in the empirical literature. These included tax policy innovations, economic tax innovations, administrative innovations together with structural ones. The study adopted various theories aligned to the area being studied such as benefit theory of taxation, ability to pay theory, theory of optimal taxation as well as tax compliance theory. The efficiency of KRA in light of tax compliance and tax education was established as a moderator and mediator respectively. The study findings revealed that research on tax reforms and efficiency remains scarce and limited in terms of outcomes, with significant gaps existing in industry-level impacts, time horizons, and taxpayer behavioral responses to reforms. The analysis of changes in taxation systems and the concept of efficiency provided numerous research questions that require further investigation. The study concluded that filling these knowledge gaps will ultimately improve the development of reforms that generate pro-growth and stability tax systems that are fair for all in society. The study recommended conducting significant impact studies before introducing tax reforms, enhancing data collection and analysis methods, utilizing technology and digitization to improve tax administration structures, and building capacity among tax administration staff. Further research should concentrate on economic specializations or effects, long-term analysis, and changes in taxpayer behavior due to reforms. By conducting cross-country studies and including the technology factor, researchers can provide useful knowledge which would help in developing good and efficiently working tax policies. The study was of great benefit to various stakeholders including KRA, taxpayers, and academicians who used the pool of literature to advance knowledge and support economic development and stability in the country.

Keywords: *Tax reforms, Tax Compliance, Tax Education, Efficiency of KRA.*

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1.0 Background of the Study

Tax reforms are normally adopted for the enhancement of efficiency within a country's tax system, meaning increasing its revenues while trying, as far as possible, to reduce undesirable economic impacts of taxation such as distortions of economic conduct and misuse of resources. The concept of tax incidence appears in relation to how a system of taxation is capable of mobilizing the needed revenue without in the process imposing unbearable costs. One of the most important objectives of such changes is to obtain a situation when tax can be easily levied, is less likely to be evaded, and better corresponds to economic processes. Reforms toward value added tax or other consumption tax directions have also been appreciated due to their ability to enhance efficiency because they can cover more tax base and experience less avoidance than income tax (Aizenman & Jinjarak, 2021).

Recent research has found that potential efficiency gains due to modifications in systems of taxation are possible owing to decreases in tax distortions. For instance, it has been explained that export incentives are more efficient in increasing economic efficiency than tax credits (Boadway & Flatters, 2023). This type of reform stimulates investment because it lowers the cost of capital as well as boosts productivity. On the other hand, the use of progressive taxation can balance efficiency with equity since the range of taxes is adjusted to higher levels for higher income earners, thereby ensuring that growth will definitely be felt by the broader society (Santos & Silva, 2022). Furthermore, it has been established that a good tax structure, which has both tax efficiency and tax equity, will lead to long-term sustainable growth and therefore increase the government's revenues in the future (Zhang & Wu, 2023).

However, implementing changes to tax systems for efficiency improvements is not without difficulties. A carefully designed reform is the only way to achieve a rational tax system, the implementation of which will not adversely affect the low-income population and will not cause untoward economic consequences, such as an increase in income disparity. In many cases, efficiency improvements require associated reforms in tax administration. Efficient tax management ensures that when tax measures are proposed, little disruptions are made to the proper functioning of the taxation system, and no avoidable hitches are experienced (Martin & Jones, 2020). Over the last decade, digital technology has formed a part of this broader contribution in tax administration for the purpose of collection, reduction of compliance costs, and enhancement of enforcement and thus efficiency within the overarching tax system (Zhang & Wu, 2023).

Tax reform efforts are often directed at simplification of the tax system to make its administration less cumbersome. One major disadvantage of highly complex tax systems is that they increase compliance costs that are borne by businesses and individuals in a country and provide many opportunities for tax evasion and avoidance. The inefficiencies described above may be minimized by the government through the simplification of tax codes. For instance, corporate taxation that can address the excessive number of loopholes, ineffective exemptions or credits, and easy-to-implement procedures are crucial elements in enhancing efficiency in tax collection (OECD, 2021). Research has also realized that by making tax systems simple to the extent that no special treatment is accorded to any particular industry or type of income

will invariably create a more even tax playing field which will go a long way in minimizing market distortions (Santos & Silva, 2022).

Taxation systems directly affect economic efficiency because decisions of individuals and firms depend on taxes. Taxes on both labor and capital may be especially prohibitive – two elements that are very crucial in fostering increased economic growth. Recent changes witnessed in the US, the UK, and other countries include reductions in corporate income taxes as well as the removal of investment disincentives. For example, the recent tax reforms implemented in the U.S.A. through the Tax Cuts and Jobs Act of 2017 decreased the corporate income tax rate from 35 percent to 21 percent with the intention of boosting investment and making the U.S.A. more attractive to foreign investment. Research has indicated that lower corporate tax rates lead to better capital investment and improvements in productivity in the future (Boadway & Flatters, 2023).

Nevertheless, tax reforms should not overemphasize efficiency at the expense of equity. It should be remembered that even as efficiency matters greatly for a tax system, so does it matter that the tax burden is fairly apportioned. This is usually achieved through progressive tax rates that rise as incomes rise, which provides a good avenue for ensuring that the rich pay enhanced portions of their incomes while tackling inequality without interfering with economic efficiency (Martin & Jones, 2020). These measures could be adopted in reforms through mechanisms like the Earned Income Tax Credit (EITC) or direct transfers to low-income families. They ensure that the gains are spread around in a way that ensures equitable distribution of benefits in a fair taxation regime.

Each tax reform has its benefits, but these benefits have their corresponding challenges or trade-offs that need to be evaluated. First is the uncompromising political nature of taxation reform. This means that various interest groups and lobbyists would ordinarily counter such an agenda if reforms could either raise their taxes or eliminate special privileges (Martin & Jones, 2020). This could mean that reforms are diluted or postponed, especially if the political process suggests that it would be economically irrational to proceed. Second, tax reforms may bear some short-term economic costs during the first years of implementation. In this regard, policymakers need to guarantee that such changes are accompanied by programs defining how to avoid such gaps in the future and how to compensate them by reducing government waste or introducing new revenue sources (Santos & Silva, 2022).

The Kenya Revenue Authority (KRA) is the government agency that performs the responsibilities of collecting revenue and implementing tax laws in Kenya. It is the central institution through which most of the country's revenues are generated, thus its efficiency influences fiscal health, development agenda, and economic stability of the country. Over the years, KRA has faced several challenges in its efforts to enhance the efficiency of tax collection, tax compliance, and general revenue collection. These have been aggravated by factors such as difficulties in taxing the informal sector, tax evasion, and weak enforcement mechanisms, which have hampered the authority's expansion in enhancing revenue collection. Among the important key performance indicators in KRA's operations is the capacity to collect revenue at the least cost and in the most legal manner, yet significant challenges remain in broadening the tax base and ensuring compliance within the informal economy sectors.

1.1 Research Problem

Tax reforms constitute a crucial component of modern fiscal policy, involving the revision of tax systems while maintaining adequate revenue generation for government expenditure. Despite considerable efforts by governments worldwide, tax system performance remains heavily dependent on reform implementation and continues to generate significant controversy. This challenge is particularly pronounced in developing and emerging economies, which face the demanding task of designing tax systems that generate necessary revenues while minimizing economic distortions such as reduced investment, innovation, and work incentives (Aizenman & Jinjarak, 2021).

Central to these challenges are fundamental design questions concerning the trade-off between efficiency and equity. While tax systems must effectively mobilize revenue, they cannot impose excessive burdens on low-income individuals or vulnerable populations. Tax efficiency involves balancing immediate fiscal benefits from revenue generation against longer-term social benefits from equitable distribution, making reforms inherently involve difficult compromises. For instance, base-broadening reforms such as extending VAT coverage can enhance efficiency by reducing tax evasion, yet may disproportionately impact those at the bottom of the income distribution, potentially exacerbating income inequality (Boadway & Flatters, 2023). Consequently, achieving the optimal balance between efficiency and equity remains a persistent concern for policymakers.

Compounding these design challenges are structural barriers that impede the realization of tax reform potential, particularly ineffective tax administration. Even when reforms improve tax policies, poor compliance rates and weak enforcement mechanisms can undermine revenue collection, thereby negating potential efficiency gains (OECD, 2021). This problem is especially acute in developing economies, where substantial portions of economic activity occur within the informal sector, beyond the reach of formal tax systems. In environments with weak tax administration, tax avoidance and evasion flourish, further eroding system efficiency (Santos & Silva, 2022).

An additional dimension of these challenges concerns the integration of digital technologies to enhance tax efficiency. While digital tax administration offers significant potential benefits—including reduced compliance costs, strengthened enforcement capabilities, and increased transparency—many governments encounter substantial barriers to adopting and scaling digital taxation tools. These obstacles include inadequate infrastructure, organizational resistance to change, and digital divides that limit the benefits of digitization across different regions (Zhang & Wu, 2023). Although digital development continues to advance rapidly, questions persist regarding how to optimally leverage digitization to maximize tax effectiveness across diverse economic contexts.

Given these multifaceted challenges, while tax reforms represent essential measures for enhancing economic efficiency, their successful implementation requires addressing interconnected problems simultaneously. The difficulty of developing reforms that enhance efficiency while maintaining fairness, improving compliance, and incorporating technological advances presents significant implementation challenges. Therefore, this study aimed to assess the efficiency of KRA in addressing these gaps,

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as no existing research has examined this specific context considering the various tax reforms that have been implemented.

1.2 Objectives of the Study

- i. To review the extent of conceptual and theoretical literature on the concept of tax reforms and efficiency Kenya Revenue Authority.
- ii. To review the relevant empirical literature on the aspect of tax reforms and efficiency Kenya Revenue Authority.
- iii. To identify emerging conceptual, theoretical and empirical gaps from relevant literature on tax reforms and efficiency Kenya Revenue Authority.
- iv. To propose a suitable theoretical framework in response to the gaps to be identified for guiding future research on tax reforms and efficiency Kenya Revenue Authority.

2.0 Literature Review

2.1 Theoretical Review

This segment reviews the various theories that explain how the variables under the study affect the efficiency of KRA. The various theories that are considered to be of great significance to the study concept include: benefit theory of taxation, theory of optimal taxation, tax compliance theory as well as ability to pay theory of taxation

Benefit Theory of Taxation

The Benefit Theory of Taxation, pioneered by Swedish economists Johan Gustaf Knut Wicksell (1851-1926) and Erik Lindahl (1891-1960), establishes a direct relationship between the benefits individuals receive from government services and the taxes they should pay. This principle suggests that taxation should function similarly to market transactions, where individuals pay for government goods and services in proportion to the benefits they derive from them. For instance, road taxes are collected from those who use roads to fund their construction and maintenance. The theory promotes economic efficiency by ensuring that resource allocation through the public sector responds directly to consumer preferences, treating taxes as prices for government services. However, the theory faces significant practical limitations, including the fundamental contradiction with taxation as a compulsory contribution, the disproportionate burden it would place on the poor who often benefit most from government services, and the "free rider" problem inherent in public goods where individual benefits cannot be measured or isolated.

The Benefit Theory's relevance to this study lies in its potential to inform KRA's approach to tax policy design and taxpayer education strategies. Understanding this theory helps explain why certain taxes, such as fuel taxes for road maintenance or user fees for specific services, may achieve higher compliance rates than general taxes. For KRA, this theory suggests that when taxpayers can clearly see the connection between their tax payments and the services they receive, compliance may improve naturally. This insight is particularly valuable for KRA's efficiency enhancement efforts, as it indicates that transparent communication about how tax revenues are used for public services could strengthen voluntary compliance. Additionally, the theory's emphasis on linking benefits to payments can guide KRA in designing targeted tax reforms that make the value proposition of taxation more apparent to taxpayers, potentially reducing enforcement costs and improving overall revenue collection efficiency.

Ability to Pay Theory of Taxation

The Ability to Pay Theory of Taxation, popularized by Karl Marx in his 1875 work "Critique of the Gotha Program" and earlier referenced by Adam Smith, fundamentally shifts the taxation paradigm from benefit-based to capacity-based assessment. This theory argues that tax obligations should be determined by an individual's, firm's, or entity's financial capacity to contribute to government revenue, regardless of the specific benefits they receive from government services. The principle recognizes that since public goods are available to all citizens, everyone has an obligation to contribute to their funding, but this contribution should be proportionate to their economic ability. This approach forms one of the two core principles of modern taxation systems and emphasizes tax payment as a civic duty rather than a market transaction. The theory's strength lies in its emphasis on equity and social justice, promoting progressive taxation where those with greater economic capacity bear a larger share of the tax burden.

This theory is highly relevant to the study of KRA efficiency as it provides the theoretical foundation for Kenya's progressive tax system and justifies the authority's efforts to ensure equitable tax collection across different income levels. For KRA, the Ability to Pay Theory supports the implementation of differentiated tax rates and structures that consider taxpayers' economic circumstances, which can enhance both compliance and revenue collection. The theory's emphasis on capacity-based taxation aligns with KRA's mandate to maximize revenue while maintaining fairness, suggesting that tax reforms should focus on improving the authority's ability to accurately assess taxpayers' economic capacity. This theoretical framework also supports KRA's initiatives in taxpayer education by providing a clear rationale for why individuals and businesses should contribute according to their means. Furthermore, the theory's focus on civic duty and obligation can inform KRA's compliance strategies, emphasizing moral and social responsibilities alongside legal requirements to enhance voluntary compliance and overall system efficiency.

Theory of Optimal Taxation

The Theory of Optimal Taxation, pioneered by James Mirrlees in his seminal 1971 paper "An Exploration in the Theory of Optimum Income Taxation," addresses the fundamental challenge of designing tax systems that balance competing objectives of equity and efficiency. Mirrlees's framework seeks to determine the most appropriate method of achieving income redistribution through taxation while minimizing economic distortions. The theory recognizes that governments need revenue to provide essential services such as education, healthcare, infrastructure, and social services, but acknowledges that taxation inevitably creates behavioral changes that can reduce economic efficiency. Central to optimal taxation theory is the recognition that all taxes create distortions in economic behavior, as taxed activities become relatively less attractive to individuals and businesses. The optimization problem involves finding the tax structure that maximizes social welfare within the constraints of revenue requirements and administrative feasibility, while minimizing overall economic distortions.

The Theory of Optimal Taxation is particularly relevant to this study as it provides a comprehensive framework for evaluating KRA's efficiency in balancing revenue

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generation with economic growth objectives. This theory directly supports the study's focus on tax reforms by offering criteria for assessing whether proposed changes to Kenya's tax system will enhance or diminish overall economic welfare. For KRA, the theory suggests that efficiency improvements should focus not only on maximizing revenue collection but also on minimizing the economic costs imposed by taxation. This perspective is crucial for understanding how tax compliance and taxpayer education initiatives can contribute to optimal outcomes by reducing the administrative burden and compliance costs associated with tax collection. The theory's emphasis on balancing equity and efficiency provides KRA with a theoretical foundation for designing tax policies that achieve revenue targets while promoting economic growth and social welfare. Additionally, the theory's focus on minimizing distortions can guide KRA's reform efforts toward simplifying tax structures and improving administrative processes to reduce the overall cost of tax compliance for both the authority and taxpayers.

Tax Compliance Theory

Tax Compliance Theory has evolved significantly over decades, with a major theoretical advancement attributed to James S. Coleman's groundbreaking 1990 paper "Norms as Social Capital in Tax Compliance" published in *Economic Analysis and Policy*. Coleman's work revolutionized understanding of tax compliance by moving beyond traditional enforcement approaches that relied solely on audits and penalties to deter non-compliance. His theoretical model incorporates social norms and social capital as key determinants of taxpayer behavior, arguing that compliance is not merely a rational economic decision based on the probability of detection and punishment, but also a norm-governed activity influenced by social trust and reciprocity. This perspective recognizes that taxpayers are more likely to comply when they trust that others will also meet their tax obligations and when they perceive the tax system as fair and legitimate. The theory emphasizes that sustainable compliance requires building social trust and creating systems that are perceived as simple, convenient, and fair to taxpayers.

Tax Compliance Theory is directly relevant to this study as it provides the theoretical foundation for understanding how tax reforms, compliance initiatives, and taxpayer education affect KRA's efficiency. The theory's emphasis on social norms and trust offers KRA valuable insights into designing strategies that go beyond enforcement to build voluntary compliance. This is particularly important for KRA's efficiency as voluntary compliance reduces the costs associated with audits, investigations, and enforcement actions. The theory's focus on simplicity and convenience directly supports the study's examination of how administrative reforms and digital initiatives can improve compliance rates and, consequently, KRA's overall efficiency. Furthermore, the theory's recognition of taxpayer education as a tool for building social norms around tax compliance aligns with the study's investigation of education as a mediating factor in KRA's efficiency. By understanding compliance as a social phenomenon influenced by trust and reciprocity, KRA can develop more effective strategies for improving taxpayer relations, enhancing voluntary compliance, and

ultimately achieving better revenue collection outcomes with reduced administrative costs.

2.2 Empirical Review

This section entails research studies that have been conducted in the area of interest and more specifically on the research variables of concern. It assists in revealing what is missing in the literature, the methodology used, and the temporal scope of existing studies.

Tax Policy Reforms and Efficiency

In real-life scenarios, it is almost impossible to make a distinction between administration and policy making (IMF, 2011). However, despite this overlap, there is consensus that weak and often corrupt revenue administration remains a key challenge for achieving progressive and efficient taxation systems and for building confidence between governments and citizenry in many developing countries (Fjeldstad, 2009).

Using data from the effects of policy changes in Kenya, Nada and Jack (2009) established a study regarding tax reforms with reference to policy changes and administrative factors. They pointed out that their study established that Kenya's tax system has undergone constant reform over the last twenty years. For instance, from a policy perspective, there has been a move to reduce and rationalize tax rate schedules, introduce new Value Added Tax systems, and implement policies to harmonize external tariffs with those of other EAC partner states.

Economic Incentives and Efficiency

Zee (2001) defined tax incentives as tools that are employed with the objective of reducing effective tax rates for defined projects. International tax policy most often discourages reliance on tax measures to attract FDI because during turbulent times, FDI is highly likely to reverse (Klemm, 2009). Nonetheless, tax incentives continue to be an important instrument in FDI attraction policy across developed, transitional, and developing countries. Wilson (1999) comments that if capital is perfectly mobile, then raising the tax rate will reduce the net returns on capital, thus forcing it to move. Therefore, from Wilson's arguments, conclusions state that tax incentives work by minimizing tax rates, hence enhancing compliance and revenues.

Tiebout (1956), as cited by Onyeiwu & Shrestha (2005), laid down an empirical proposition that tax incentives for the purpose of attracting FDI must be provided along with public goods of the host country. FDI tends to be associated with those countries which provide a combination of public goods with the lowest taxes. This analysis proceeds from the "balanced budget" hypothesis in which taxes are the primary instrument to finance public goods. What this implies is that such trade-offs must be made by governments for the purposes of improving the efficiency of tax systems, with the understanding that incentives reduce tax yield and could impact positively or negatively on the provision of the public goods in question.

According to the Organisation for Economic Cooperation and Development (OECD) (2001), governments have employed taxation for many political and policy reasons, but objectives of tax reforms are closely related in most economies. In general, tax systems worldwide aim to achieve a stable source of revenue, enhance the fairness of income distribution, and allocate resources effectively. They are part of those systems expected to deliver similar objectives, apart from attracting mobile international capital. Developing countries, for instance, use tax incentives mainly to address the impacts of weak tax systems, as Holland and Vann discuss (1998). In most developing countries, poor tax administration has brought considerable business inconvenience, and more revenues have been lost due to tax evasion and tax avoidance.

Tax incentives are thus used to partially offset the above unfavorable macroeconomic factors, among others, lack of infrastructure and weak institutional environment in developing countries that elevate the cost of doing business. Toward that end, lowering the tax rate is useful in an effort to recuperate investors' losses. Some have questioned the efficiency of using tax incentives for FDI promotion, with arguments that non-tax factors can be more relevant than incentives (Onyeiwu & Shrestha, 2005; Bolnick, 2004; Sudsawasd, 2008) against those views that argue that fiscal incentives are the key drivers inducing FDI (Hassett & Hubbard, 2002; Sato, 2012). However, as shall be seen, there is general agreement that tax incentives have been universally employed by governments in attracting internationally mobile capital.

James (2010) states that policymakers rely on tax and non-tax incentives to attract investment across borders and adds that investment climate is the determining factor in the effectiveness of the incentives. According to James, tax incentives mean special tax treatments of investment received by foreign investors, which are mainly targeted at encouraging FDI rather than domestic investment. The study adopted an overall perspective of tax reforms worldwide. This current study will be conducted within the Kenya Revenue Authority for comparison purposes. Credit support increases after-tax profit, and favorable locations with low tax burdens are adopted where resource characteristics are similar (Owens, 2004). Consequently, tax competition has led countries to resort to tax incentives in an attempt to out-compete neighbors in the attraction of FDI through lower taxation.

Tax credits also inform a country's reputation as a favorable place to carry out business and thus reduce the impediments to FDI, hence denoting the receptiveness of the host country toward foreign investors. The theoretical background on which this discussion is based postulates that fiscal incentives influence capital costs, effective rates of taxation, and the geographic distribution of FDI. According to Holland & Vann (1998), regional development is also considered as another important aim that is associated with the provision of tax incentives. This chapter will also consider the manner in which regional blocks employ taxes and tax standardization for regional development.

Administrative Reforms and Efficiency

According to Bird (2015), limited tax revenue in many developing countries could be the result of various factors such as poor tax collection and administration; corruption dilutes public confidence in tax authorities. Also, negative results in tax collection

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processes contribute to taxpayers' compliance attitudes. Ogbonna and Appah (2012) and Aminu and Eluwa (2014), for instance, suggested that increases in tax revenue could be tackled by reforming tax administration. Total revenue has not been growing in parallel with GDP, and the average tax revenue to GDP has risen by only 0.6 percent. Therefore, tax reforms that have been initiated and implemented by KRA in the last 18 years have not enhanced the efficiency of the tax system (Wawire 2016; Wawire 2017; Ochieng et al. 2014). These include: Revenue Administration Reform and Modernization Program (RARMP) commenced in the fiscal year 2004-2005 (KRA 2003) that sought to improve efficiency in tax administration. Digitization of tax administration (Ndugu 2017).

With increased digitization and the innovation of the iTax system and KRA M-service, efficiency of tax revenues, especially direct taxes, was enhanced in the performance of this sector. The iTax system, which has been developed with the aim of enabling taxpayers to register, file, pay taxes, and make inquiries, was developed in 2013. From 2014, KRA launched an application known as M-Service, which allows people to pay taxes as well as obtain information concerning taxes through mobile devices, primarily smartphones.

Chilibasi (2014) carried out a study on the impact of VAT reforms on tax revenues collected by KRA. Data was analyzed using descriptive statistics. He conducted the study in Nairobi County and found that online filing of VAT returns has a direct or indirect impact on VAT revenue. The scope of the administration reforms will be expanded to cover the electronic filing of other types of taxes administered by KRA. The narrow scope of administration reforms will be broadened to consider electronic filing of the various types of taxes administered by KRA. Technological advances in tax collection and payment have prompted the introduction of excise taxes on financial services and mobile money, although the performance of these excise taxes remains generally low. Furthermore, technology has assisted the government in lowering the level of smuggling and informal economy activity, hence including a higher number of SMEs in the taxation net. These forms of ICTs in tax systems also helped in eradicating corrupt practices as well as improving the efficiency of implementing taxation through avoiding direct contact between taxpayers and tax administrations.

Structural Reforms and Efficiency

Simply moving revenues as a form of tax changes can therefore be far-reaching in its effect on public sector efficiency, particularly when it involves more profound structural changes in the taxation system. It is important to understand that these reforms are necessary not only for revenue generation but also for the realization of activities related to secondary non-revenue objectives. Tax structures can benefit economies in many ways in both developed and developing nations (Musgrave 1959). Notably, research has highlighted the significance of different kinds of taxes, for instance, direct taxes vis-à-vis indirect taxes and the likely impact on growth and other economic factors (Schwellnus & Arnold, 2008; Vartia, 2008; Galindo & Pombo, 2011).

Gituku (2011) also conducted research on tax reforms and revenue productivity in Kenya. The data collected for the study was of the secondary type. Quantitative data

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was analyzed qualitatively using descriptive analysis. A purposive sampling method was used to arrive at the sample size. The study also suggests reviewing the tax structure periodically due to the nature of the environment. Mokuia (2012) conducted a study analyzing the effects that have been experienced on income tax, excise duty, import duty, as well as value added tax on revenue productivity. Consequently, the work utilizes published secondary data to establish the relationship between tax reforms and revenue productivity. The study recommended that there should be more revenue collectors, imposing stiff fines/penalties on all those who default in paying taxes, and better audits.

Recent developments in the tax system in Kenya led Muriithi and Moyi (2003) to undertake a study to evaluate the efficiency of the tax structure in Kenya. Based on their study, they found that the reforms had a positive impact on the broad category of taxes as well as individual constituents of taxes, albeit with non-homogeneous results. The authors found that the actual impact of the reforms was higher for direct taxes compared with indirect taxes; they noted that the most pressing problem of indirect tax revenues is still the issue of revenue leakage.

Tax Reforms, Tax Education and Efficiency

Morgan & Morgan (2010) found that fundamental teaching of tax knowledge is important for American taxpayers as well as the government, the latter being reliant on taxes. They suggest that the public will not engage in tax evasion, be confrontational with the IRS, or even indulge in tax rebellion if informed and mindful of what is due to the IRS in taxation. Thus, such citizens will obey tax laws, which is considered a security interest of the country. To a large extent, this increases compliance and at the same time is a better strategy for the government in that it provides a more efficient way of raising the requisite tax revenues. Hence the adage that knowledge is power or information is power as regards tax education.

Muriithi and Moyi (2003) conducted research on tax improvements and tax proceeds marshalling in Kenya. The study adopted the use of secondary data. The study also finds that there is a productive impact of tax improvements on the general tax formation. The research concludes that tax administrators should direct most of their attention to taxpayer awareness, compliance, and assessment. The effectiveness of the current tax structure still remains unknown. The use of tax structure reforms will therefore be judged by KRA efficiency as a primary source of revenue. They argue that an informed and tax-savvy population is less likely to avoid taxes, be confrontational with the IRS, or engage in tax rebellion. Instead, such citizens are more likely to comply with tax regulations, which is viewed as a matter of national security. This approach not only promotes higher compliance but also offers the government a more cost-effective method for generating the necessary tax revenue. The principle that "information is power" underscores the importance of tax education.

According to Maseko (2013), most SMEs do not want to pay their taxes. This shows that the level of education received by taxpayers has surprisingly a big effect on how much they know about tax registration as well as the filing of taxes. Several authors

including Palil (2010) have also discovered that tax literacy is a predictor of taxpayers' attitudes toward taxes and laws regulating tax issues.

Karanja, while working on this study for Kenya, proposed specific objectives in his research concerning factors that influence voluntary tax compliance. Through non-probability sampling technique, the study made sure that everyone within the chosen sample population had an equal or some probability of being selected. The data was collected by administering questionnaires and was presented in figures and tables to facilitate easier analysis of the responses. To ensure proper and qualitative data analysis, coding was followed by structuring and descriptive, as well as inferential statistics. To analyze the data, Statistical Package for Social Sciences (SPSS) was used. The study recommended that the government should increase campaigns on public awareness about the importance of tax remittance. The findings do not relate compliance back to KRA performance. The relationship between compliance and KRA performance will be determined through questionnaires and presented in figures and tables for easier interpretation. The analysis involved coding and structuring the data, followed by descriptive and inferential statistical techniques to ensure a thorough and professional examination. The Statistical Package for Social Sciences (SPSS) was employed for the analysis. The study concluded that the government should enhance efforts to educate taxpayers about the importance of tax payments. The findings fail to link compliance to KRA performance; the link between compliance and KRA performance will be established.

Tax Reforms, Tax Compliance and Efficiency

Thus, tax compliance can be defined as the capacity of the tax-liable entity to provide accurate, complete, and satisfactory tax returns as prescribed under the tax laws and regulations of the state to the appropriate authority for the purpose of tax assessment. The audit policies set by tax authorities affect production decisions of firms in a significant way. In these respects, the implications depend on whether firms compete or conspire. Hence, the audit policy has the capability of increasing compliance and improving net revenue as espoused by Frank (2010).

With regard to this, the study that was done by Adam & Johnson (2012) focused on reforms that can enhance national income in the medium term for economic revival. The study adopted secondary data collection technique. The study was done in the United Kingdom. Therefore, the authors of the study proposed that a new tax system should be adopted which is less distorted than the current one. The Australian tax system would be better than the present system as it has lower administrative and compliance costs and will lead to increased national income.

To enhance tax compliance, two contrasting enforcement strategies are employed: forceful and persuasive techniques (Honegham, 2010). The first strategy is basically forceful in its action while the second focuses on the friendly persuasion of taxpayers. Nonetheless, few studies have investigated the moderation of one of these contrasting approaches by the other. Compliance with tax continues to be a major problem for tax administrators in developed and developing countries alike (Silvani, 2008:344). In this regard, depending on the type and size of a taxpayer, a number of compliance measures

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have been adopted. The procedures for administering the schedules of compliance vary with small and big firms as they pose disparate risks and are charged with unique levels of revenue responsibility in the taxation system (Baer, 2002).

The big taxpayers or large-scale commercial organizations are well known as main taxpayers providing a dominant share of taxation collected in the country and play a significant role in the overall budget. They differ from other taxpayers not only by the revenues but also by the risks and issues which they bring to the management of the tax system. In order to enforce compliance of these large taxpayers, most world economies today have set up Large Taxpayer Offices (LTOs). These offices commonly make use of more persuasive rather than forceful means to address compliance-related issues (Donnelly & Heneghan, 2010).

3.0 Research Methodology

The study examined the methodologies applied by past studies within the context being studied in order to identify existing knowledge gaps. This approach allowed the researcher to present a detailed explanation of the relationship between the variables under study which included tax reforms, tax compliance, tax education and their effects on the efficiency of KRA.

4.0 Findings

Emerging knowledge gaps

Little is known about the impact of taxes reforms on the diverse economic segments. Lack of information on future outcome of tax reforms at the enhancement of revenues and economic growth. Furthermore, dearth of information to how the works and strategies of people and firms change with taxation changes. Limited literature on how tax reforms impact equity of different groups of people. The research emphasizes on the practical implication and the difficulties of encountering during reforms of taxes. This implies that there is adequate need for cross-country comparison to determine the efficiency or otherwise of various tax reform plans. There exist insufficient research done with regards to people's perception on taxes and how these reforms affect compliance. A recognized absence of knowledge regarding the impact of technology on efficiency and management of taxes after the reform.

Proposed Theoretical Model

Figure 1 presents the conceptual framework

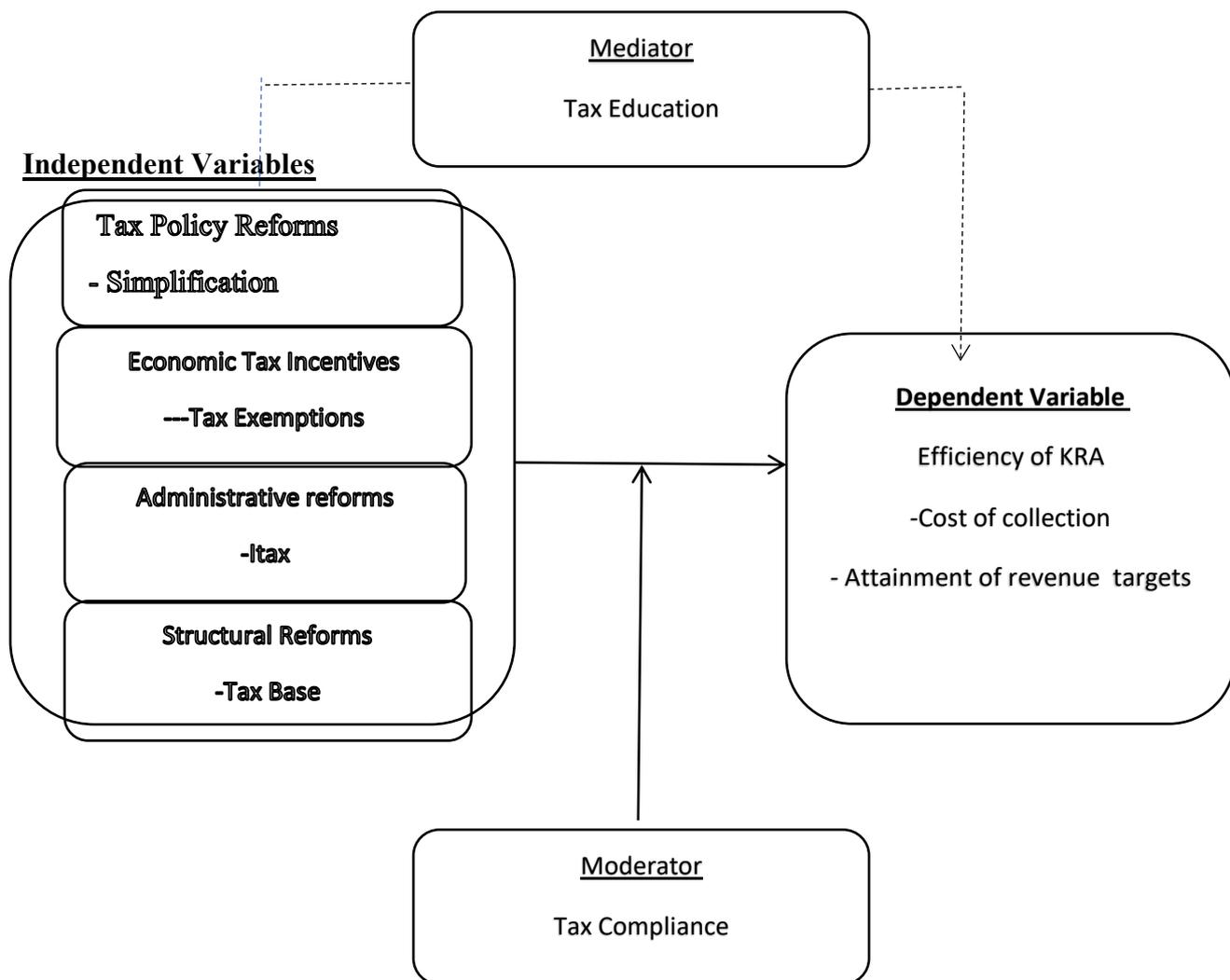


Figure 1: Conceptual Framework
 Author, 2024

5.0 Conclusion

The study concludes that this discussion of tax reforms and efficiency brings to light the fact that research on this topic is still quite scarce and limited in terms of outcomes. Future research must extend to industry-level impacts, time horizon, and taxpayer reactions to improvements. Furthermore, extending considerations related to equity and implementation difficulties will expand the understanding of the effects of tax policy. On the basis of international comparisons and application of technology, researchers can suggest useful findings on the nature of tax policies that need to be adopted. In conclusion, filling these knowledge gaps will ultimately improve our development of reforms that generate pro-growth and stability tax systems that are fair for all in the societies.

6.0 Recommendations

The study recommends that, subsequently, to increase the efficiency of reforms in taxation systems and achieve fairness in taxation, the following recommendations should be considered. First, it is crucial to carry out significant impact studies before the introduction of tax reforms and after realizing the changes they cause to several sectors and groups of people. Enhancing data collection and analysis methods would also enhance tracking of trends in the behavior and compliance of taxpayers in the future. Sometimes, smaller reforms can become effective because involvement of more people, including business entities and the public, can increase compliance due to eradication of conflicts of interest and establishment of further clarity into the process. Further, organizing equity since changes indicate disparities of impact across income groups will also reduce the negative effects.

Use of technology commodities and digitization can enhance the structures of tax administration and compliance. These works also raise the issue of the search for the joint impact of the reforms on other forms of fiscal and monetary regulation, as well as the analysis of the potential benefits from the combination of tax changes and other stimuli. Capacity building involving tax administration staff is therefore important especially in the implementation and management of the reforms. Even more, a further enhancement of publicity and acquaintances of the population with possible tax reforms will contribute to a more effective increase in both the level of tax compliance and acceptance among taxpayers. Experience from international comparable institutions which have initiated and/or implemented successful adaptations may offer lessons that can effectively be adopted to local contexts.

Direction for future research

Future researchers should explore the behavioral changes of various industries with regard to tax reforms as well as the disparity in their impact on growth and revenue. Secondly, researchers should undertake follow-up research to establish the medium and long-run effects of tax reforms on economic growth and taxpayers' conduct. They should analyze case histories of successful and failed experiences of tax reforms to establish the useful and avoidable features, respectively. Finally, they should establish and improve methodological approaches for assessing the outputs resulting from tax reforms, as well as evaluating their effectiveness and efficiency through stipulated vectors and indicators.

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