

**FACTORS AFFECTING TAX COMPLIANCE OF PASSENGER
TRANSPORT PROVIDERS:
(CASE OF "MATATU" OPERATORS)**

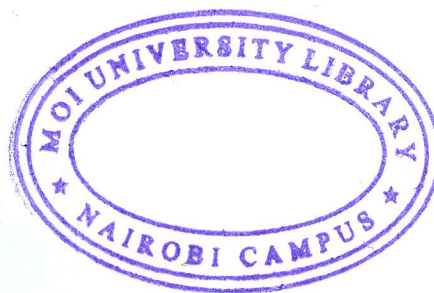
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ABSTRACT

Governments need resources for the provision of services to the public, the main source of which is taxes. For this reason, compliance with taxation laws becomes imperative to ensure that this resource base is not eroded but enhanced. Public transport as an industry forms a major component of the economic activities in Kenya from which the government collect its taxes. This sector has seen a tremendous expansion due to the growth in urban population and hence has become a potential source of increased tax revenue for the government if this growth is to translate into an increase in the tax base. However, statistics available gave an indication that despite an increase in numbers of transport operators, tax revenue from this sector is on the decline.

The purpose of this study was therefore to establish factors affecting tax compliance of passenger transport providers with a focus on Matatu Operators. The specific objectives were to establish the extent to which tax compliance is affected by legislation, awareness of the need to pay tax, attitude, as well as records and record keeping. Related literature was reviewed touching on these variables as covered in chapter two.

One hundred (100) respondents were selected from a target population of 200 operators on routes 14 to Nairobi West, 6 and 9 to Eastleigh and 111 to Ngong using simple random sampling method. Primary data was collected through questionnaires and a descriptive research methodology used.

Data analysis was done using descriptive statistics derived from frequency distribution tables, percentages and correlations to draw conclusions. The outcome of the study confirms that high tax rates, lack of awareness, attitude and inadequate record keeping affects tax compliance among Matatu operators.

The recommendations made to help improve compliance levels include simplification of tax laws and enforcement, structured and effective awareness programmes, improved utilization of tax revenue by the government and simple record keeping.