EdinBurg Peer Reviewed Journals and Books Publishers
Journal of Finance and Accounting
Vol. 1: Issue 1: Pg. 36-42: ISSN: XXX-XXXX
Email: info@edinburgjournals.org

Effect of Social Media Education on Tax Compliance among Motor Vehicles Spares Traders in Suburb Area of Nakuru Town, Kenya

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How to cite this article: Mwangi, J., & Macharia, I. (2021). Effect of social media education on tax compliance among motor vehicles spares traders in suburb area of Nakuru Town, Kenya. Journal of Finance and Accounting, 1(1), 36-42.

Abstract

Tax compliance is the extent to which the tax payers strive to do as per the requirement by the relevant tax laws that have been set up by countries. Compliant tax payers are those that make timely declaration of their tax positions. In addition, compliance by taxpayers is dependent on economic incentives embedded in the tax structure. Compliance with tax payers also relies on the effectiveness of the tax structure and administration in detecting and punishing non-compliant taxpayers. The objective of the study was to assess the effect of social media education on tax compliance among motor vehicles spares traders in Suburb area of Nakuru town, Kenya. This study employed an explanatory research design. This study target population was 300 motor vehicles spare traders operating in the suburb area of Nakuru town. The sample size of the study was 150-motor vehicle spare traders operating in the Nakuru town suburb area. This study collected primary data using structured questionnaires. The study found that social media education is positively related to compliance to taxation. The study concluded that it is important and significant to include the element of taxpayer education by use of social media. The study recommends that the KRA needs to scale up its social media engagement of the enlightenment of taxpayers since the use of social media platforms is very convenient given the advent and advantages brought about by use of smartphone technology

Keywords: *Social Media Education, Tax Compliance, Suburb Area*

1.0 Introduction

Tax compliance is the extent to which the tax payers strive to do as per the requirement by the relevant tax laws that have been set up by countries. According to Maxwel (2003), compliant tax payers are those that make timely declaration of their tax positions. Maxwel also explains that compliance by taxpayers is dependent on economic incentives embedded in the tax structure. Compliance with tax payers also relies on the effectiveness of the tax structure and administration in detecting and punishing non-compliant taxpayers.

In an effort to increase tax compliance, the Japanese government introduced the Self-Assessment System through the Japanese National Tax Administration (NTA) in 1947, which played a key role in the tax learning process. Rani (2005) argues that activities such as public relations, tax education, tax guidance and tax consultancy have been introduced by the Government of Japan to improve tax compliance levels. The introduction of such nonpunitive measures such as tax education to enhance tax compliance is a departure from the past practices of punishing and levying fines to enforce tax compliance.

A research carried out in Malaysia by Mohd Rusyidi *et al* (2013) on the impact of introducing tax education in the formal curriculum found that introduction of tax education in schools would help improve tax compliance as it would help in changing the attitude of the tax payers in the early stages of their lives. Formal tax education is one of the best strategies that can be used in Malaysia to equip future taxpayers with tax expertise that will help them comply with their taxes. This however has not been introduced in Malaysia even after the aforementioned scholars suggested the measure (Anies Barieyah *et al.*, 2009).

Countries in Africa are developing countries which still depend on tax revenue to finance government operations and this emphasizes the importance of tax compliance to enhance revenue collected from taxes. Nigeria which is a country in Africa is faced with the greatest problem of tax non-compliance. James and Alley (2004) view that tax compliance is a major issue facing many tax authorities in Africa and that it is never easy to persuade taxpayers to comply with the tax laws in place. Aksnes (2011) observed that there are several reasons that lead tax payers being non-compliant in Africa key among them being low tax education and complicated rules.

Ignorance of tax laws is seen as a major issue facing the tax authority in Nigeria in its effort to improve tax compliance among tax payers. The main factor that creates a problem to the proper planning and tax administration in Nigeria is the low level of tax-payers' education. Azubike (2009) observed that there is lack of information among the taxpayers in Nigeria regarding the relevant tax laws. This therefore emphasizes the uphill task the government of Nigeria faces in improving tax compliance. With this observation of lack of information among the tax payers, the government of Nigeria is instituting education programs to educate its taxpayers regarding the provisions of the tax laws in the country. Tax payers' education was adopted by the Nigerian government as a major reform to enhance tax compliance. Lagos State Internal Revenue adopted Public enlighten measures such as the use of radio, television, newspapers, bill boards and printing of T-shirts (Olowookere *et al* 2013).

In Uganda, tax noncompliance is also a major problem facing the government and the Uganda Revenue Authority. Uganda Revenue Authority was set up in 1991 with the expectation that its enhanced autonomy would improve revenue collection. The Authority was allowed to hire its own skilled staff and to run like a private entity with a code of conduct to curb corruption. After its inception, URA introduced measures to increase tax revenue key among them was tax-payers education and tax advice facilities (Ayoki *et al* 2005).

Kenya relies mostly on tax revenues for their development goals and financing of the government activities. The government of Kenya needs money to finance its operations such as education, health services, infrastructure, defense and financing of debts. This therefore means that the government should direct more effort in ensuring all the citizens pay their fair share of the taxes. Lymer and Oats (2009) argue that taxation in civilized societies is one of the most important elements of national income management. The study will add new contribution on the effect of tax payers education in the form of social media education. This study focused on spare motor vehicle dealers in Nakuru Town, Kenya's Suburb area.

1.1 Statement of the Problem

A major challenge facing both developed and developing countries in the world is non-compliance with current tax laws and obligations. There are several reasons why tax payers do not comply with tax laws, including poor education, complex tax laws, low risk of being caught and a culture of corruption (Aksnes, 2011). In Kenya, the authority mandated with tax revenue collection is faced with the challenge of tax compliance among the tax payers. What this one means therefore is that Kenya Revenue Authority does not meet its tax collection targets. Due to tax revenue collected not being enough to finance government development and recurrent expenditure, the government is forced to turn to both domestic and foreign debts (CBK, 2019).

To enhance tax compliance particularly in the informal sector aimed at making it possible to hit tax revenue targets, the government through Kenya Revenue Authority has embarked on extensive tax payers education through various modes (Kamau, 2014). In the past KRA has largely concentrated on the more formal sector leaving out the informal sector untaxed of their billions despite a report by KRA annual report of 2012, approximating that Kes 108 billion could be tapped from the informal sector (KRA, 2012). Fjeldstad and Ranker (2003) posits that tax payers education involves coming up with a group of tax officers and properly training them and mandating them with the responsibility of training tax payers. Even though taxpayers' education has been a key initiative, not much has been documented as to whether it has borne fruits. There's thus a need for research to assess whether these efforts are gaining fruits in enhancing tax compliance.

1.2 Objective of the study

To assess the effect of social media education on tax compliance among motor vehicles spares traders in Suburb area of Nakuru town, Kenya.

2.0 Literature Review

2.1 Theoretical Framework

Presumptive taxation theory advanced by Ahmad and Stern (1991) employs indirect means to ascertain the tax liability of a tax payer. This theory explores several procedures to ascertain the desired tax base is inferred from some simple indicators. Thuronyi (1996) argues that this theory may be applied due to several reasons that include but not limited to; simplification especially for small tax payers whose turnover is low, it helps in reducing if not eliminating tax avoidance among small tax payers, it ensures equitable distribution of tax burden as even the small tax payers that would have otherwise been difficult to comply contributes to the much needed tax revenue, it encourages small tax payers to maintain proper books of accounts that form the basis of their tax liability computation, they tend to offer incentives to the small tax payers as the tax paid is not progressive tax where the higher the income the higher the tax paid.

The presumptive taxation theory is relevant to this study as it tends to encourage tax compliance among tax payers by suggesting simple methods of calculating tax liability. The tax payers however must be educated on the presumptive method of computing tax liability to encourage them to comply with the tax regulations and tax laws. Other studies such as Devas and Kelly (2001), Tanui (2016), Ogembo (2019) and Ndirangu (2014) also applied the presumptive taxation theory to explain their variables.

2.2 Empirical Review

Social media education is relatively new approach being employed by the revenue authorities to reach tax payers and little if any research has been done to measure the effectiveness of this education on tax compliance on the part of the tax payers. With the invention of the internet and increased access to smart phones, there's increased use of social media that include Facebook, Twitter, Instagram and other social media applications (Shafer & Wang, 2018). According to the data from Communication Authority of Kenya (CAK), as at 2017, 89.4% of Kenyans had access to internet.

Most organizations have established their presence in the social media sites including hiring social media managers who are responsible for disseminating information through social media. Kenya Revenue Authority has not been left behind. KRA has presence in Facebook and Twitter where information is shared on daily basis and almost hourly. KRA has used these social media platforms to educate tax payers on tax compliance such as filing of annual tax returns and filing of monthly tax returns such as VAT and PAYE. Before every 9th of every month when tax payers are required to file their PAYE and before every 20th of every month when tax payers are required to file their VAT, KRA through platforms such as Facebook and Twitter send reminders on these important dates. Tax payers are also presented with an opportunity to engage the tax man on any matter that they feel needs further clarification on matters of tax compliance. Any complain is also passed through Social media to the revenue authority with feedback or solution to the complaint also passed through the same social media platform (Karugo, 2017).

The impact of taxpayer education on voluntary tax compliance among small and micro enterprises (SMEs) in Tanzania has been identified by Machogu and Amayi (2016). In particular, the study focused on the level of taxpayer education, the level of voluntary tax compliance, and the influence of taxpayer training on the level of voluntary tax compliance among entrepreneurs. It used a cross-sectional descriptive research style. The results showed that 85 % of respondents admitted that they had developed an understanding of basic tax laws and procedures. 78.7 percent of respondents agreed that they were able to recognize and become aware of their taxpayer rights and responsibilities through taxpayer training. 83 percent of respondents agreed that taxpayer education enabled them to clearly grasp the tax payment process.

3.0 Research Methodology

This study employed an explanatory research design. This study target population was 300 motor vehicles spare traders operating in the suburb area of Nakuru town. The sample size of the study was 150-motor vehicle spare traders operating in the Nakuru town suburb area. This study collected primary data using structured questionnaires. Data was analysed using Statistical Package for Social Sciences (SPSS) v21.0) and findings presented in form of tables and figures.

4.0 Results and Discussion

4.1 Descriptive Statistics

The objective of the research was to assess the impact of social media education on tax enforcement among traders of motor vehicle spare parts in the Nakuru Town Suburb, Kenya. The participants were requested to rate their agreement or otherwise against each statement posed to them. The descriptive results are indicated in Table 1.

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Table 1: Descriptive Statistics social media education

Statements	1	2	3	4	5	M	Std. D
Social media taxpayer education has enlightened the motor vehicle spares traders on the need to pay taxes	3.40%	15.40%	16.20%	27.40%	37.60%	3.80	1.20
Social media taxpayer education programs have enabled motor vehicles spares traders file their returns easily	6.00%	14.50%	17.90%	29.90%	31.60%	3.67	1.23
Social media taxpayer education programs by KRA have led to increased tax revenue collection	9.40%	12.00%	12.80%	29.10%	36.80%	3.72	1.33
Social media taxpayer education programs have helped in changing the attitude of motor vehicles spares traders towards paying of taxes.	10.30%	6.80%	11.10%	24.80%	47.00%	3.91	1.34
Average						**3.78**	**1.28**

The findings in Table 1 show that the majority of respondents (65 percent) agreed that education through social media, has told the traders about the need to pay taxes. The findings also showed that (61.50 percent) of respondents agreed that taxpayer education services for social media helped traders to easily file their returns. Moreover, (65.90 percent) of the respondents agreed that KRA's social media taxpayer education services have contributed to improved collection of tax revenue. Most of the respondents (71.80 percent) accepted that taxpayer education services for social media helped shift traders attitudes about paying taxes. In conclusion, with a standard deviation of 1.28, the average mean of the responses was 3.78. This suggests that the majority of respondents agreed with the social media education claims.

4.2 Correlation Analysis

This section provides findings on the correlation between the social media education and tax compliance. Table 2 shows the outcome.

Table 2: Correlation Matrix

Correlations		Y	X_1
	Pearson Correlation	1	
	Sig. (2-tailed)		
Y	N	117	
	Pearson Correlation	.617**	1
	Sig. (2-tailed)	0.000	
X_1	N	117	117

** Correlation is significant at the 0.01 level (2-tailed).

The results in Table 2 show that the relationship between social media education and tax compliance was positive and significant (r=0.617 **, p=0.000).

4.3 Regression Analysis

Table 3: Regression Results; Social media education and Tax compliance

Variable	B	Std. Error	t	Sig.
(Constant)	1.320	.304	4.337	.000
Social Media Education	.668	.079	8.407	.000
R square	0.381			
Adj. R square	0.375			
F statistic	70.683			
Sig (F statistics)	0.000			

The results in Table 3 show that education on social media has a positive and significant impact on tax compliance (β=0.668, p=0.000). This denotes that an increase by one unit in social media education would improve tax compliance by 0.668 units. The F statistic of 8.407 and P value of 0.000<005 further indicate that social media education is a significant predictor of tax compliance. Additionally, the R square of 0.381 imply that individually, social media education accounts for 38% of total variations in tax compliance among motor vehicles spare traders.

5.0 Conclusion

The study concluded that it is important and significant to include the element of taxpayer education by use of social media. The study found that social media education is positively related to compliance to taxation, therefore, the study underscores that social media plays an integral part in enlightening the public on the need to pay taxes due to the convenience brought about by use of social media in smartphones. This has made it easier for the taxpayers to easily file their returns at their comfort zones. In essence, the use of social media has shifted the taxpayers' attitude towards paying taxes and thus, they are more willing to comply than before which makes KRA collect more revenue annually.

6.0 Recommendations

The study recommends that the KRA needs to scale up its social media engagement of the enlightenment of taxpayers since the use of social media platforms is very convenient given the advent and advantages brought about by use of smartphone technology. The motor vehicles business traders in Nakuru town, Suburb area are likewise, encouraged to adhere to tax compliance since the compliance is more beneficial to the country's economy.

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