

Tax Complexity, Practitioner Engagement, and Compliance Behaviour: Evidence from Five-Star Hotels in Nairobi County, Kenya

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Abstract

In many developing nations, policymakers are increasingly concerned with low levels of tax compliance, which limit governments' capacity to generate sufficient revenue for recurrent expenditure and development investments. Tax compliance remains a challenge in both developed and developing countries, with tax complexity being a key determinant of noncompliance. This study examined the moderating effect of practitioners' engagement on the relationship between perceived complexity of various Taxes and compliance behaviour among five-star hotels in Nairobi County, Kenya. The study was anchored on the economic deterrence theory and adopted an explanatory research design. The target population comprised 36 five-star hotels, with 180 respondents drawn from hotel managers, financial managers, and accountants. Primary data was collected and analyzed using descriptive statistics, regression analysis, and hierarchical regression at a 5% significance level. The findings revealed that knowledge complexity ($\beta = -0.382$, $p = 0.000$) and uncertainty complexity ($\beta = -0.266$, $p = 0.000$) negatively affect tax compliance. Practitioners' engagement positively moderated the relationship between knowledge complexity ($\beta = 0.036$, $p = 0.002$), uncertainty complexity ($\beta = 0.047$, $p = 0.007$), and tax compliance. The study concludes that reducing tax complexities and strengthening practitioners' involvement are crucial for improving compliance. It recommends that the Kenya Revenue Authority streamline tax laws, adopt digital solutions, and conduct regular workshops, while hotel management should invest in efficient tax systems, train staff, and engage qualified tax practitioners. The study provides insights for policymakers in simplifying tax administration, for tax authorities in regulating and promoting the engagement of qualified practitioners, and for hotel managers in mitigating the risks associated with noncompliance.

Keywords: *Knowledge complexity, tax compliance, Uncertainty complexity, five-star hotels*

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1. Introduction

Tax is a critical source of government revenue worldwide, enabling states to finance public services and development projects (Aondo, 2019). Over the years, tax systems have become increasingly complex in response to evolving economic activities and citizen demands. Tax compliance, broadly defined as taxpayers' willingness to fulfill obligations as required by law, is a multidimensional concept encompassing payment compliance, filing compliance, and reporting compliance (Daniel & Esther, 2019). Despite its importance, non-compliance remains a challenge in both developed and developing economies. One major determinant of non-compliance is tax system complexity, which includes frequent regulatory changes, intricate reporting requirements, and complex incentive structures (Nasution et al., 2020; Vilion & Kristanto, 2021). Even professional advisors often find it difficult to interpret evolving tax laws, further complicating compliance (Primasari & Hendrani, 2022).

Globally, the effects of tax complexity on compliance are well documented. For example, Indonesia experienced a decline in compliance rates to 83.2% in 2022, largely attributed to increasing tax system complexity (Octavia & Wangdra, 2024). Similarly, Aryantika and Mildawati (2021) found persistent declines in individual taxpayer compliance in Bantam City, Indonesia. These examples highlight how overly complex systems discourage compliance and undermine revenue collection. To mitigate this, many jurisdictions are adopting electronic filing systems and encouraging the use of professional tax consultants (Musimenta, 2020).

In Africa, the tourism and hospitality industry is a major contributor to GDP, accounting for 8.5% (approximately US\$194.2 billion) in 2019 (Africa Travel and Tourism Association, 2019). Despite this contribution, compliance challenges persist across the continent. In Uganda, Musimenta (2020) observed that complex tax regulations reduce revenue collection from the hospitality sector. Similarly, in Zambia, tax system complexity has been identified as a significant barrier to compliance, particularly within hotels (Pemstein, Seim, & Siwale, 2019). In Ghana and Ethiopia, studies show that factors such as fairness, equity, penalties, and government spending perceptions also influence compliance (Mbilla, 2023; Tilahun, 2019). These findings underscore the multifaceted nature of compliance but consistently point to complexity as a critical issue.

Kenya faces similar challenges. The government, through the Kenya Revenue Authority (KRA), imposes multiple taxes on hotels, including Value Added Tax (VAT), the Tourism Levy, Income Tax, and Pay As You Earn (PAYE) (Omondi & Theuri, 2019). However, the relationship between taxpayers and tax authorities in Kenya has often been described as adversarial, with hostility contributing to widespread non-compliance and evasion in the hospitality sector (Bett, 2020). Complexity of the tax system — arising from frequent policy changes, administrative burdens, and interpretational difficulties — is a major driver of this behaviour. To navigate these challenges, many firms engage tax practitioners, whose expertise reduces compliance costs, facilitates accurate reporting, and enhances voluntary compliance (Matshona, Sibanda, & Phesa, 2024; Olooh & Felix, 2022).

While evidence from other countries and African contexts shows the importance of tax system complexity and practitioners' engagement, limited empirical research has examined how these factors interact within Kenya's hospitality sector. Given the significant role of five-star hotels in Nairobi County as key players in tourism and revenue contribution, this study focuses on

understanding the moderating role of practitioners' engagement in the relationship between tax perceived complexity of various compliance behaviours.

1.1 Problem Statement

In many developing countries, policymakers are increasingly concerned with low levels of tax compliance. In Kenya, this issue is particularly acute, with major causes of non-compliance including complex tax regulations, weak enforcement mechanisms, limited taxpayer awareness, and resource constraints. These challenges contribute significantly to tax evasion and general non-compliance, including with quality standards (Mumo, 2019). According to Nyandieka (2020), the hospitality industry, in particular, struggles to navigate complex legal frameworks, resulting in both intentional and unintentional non-compliance.

Despite the Kenya Revenue Authority (KRA) investing heavily in strategies aimed at improving tax collection, revenue outcomes have remained suboptimal. For instance, in the 2022/2023 financial year, the KRA collected Kshs. 68,124 million, falling short of the target by Kshs. 11,398 million—the intended revenue being Kshs. 79,522 million (KRA, 2023). Further, KRA reported a decline in revenue growth during the first quarter (July to October) of the 2024/2025 fiscal year, with growth averaging 5.6 percent compared to 11.8 percent during the same period in the previous year (KRA Report, 2024). A notable contributor to this decline is the widespread use of unregistered employees in the hospitality industry, resulting in lost revenue from unpaid Pay As You Earn (PAYE) taxes.

Several studies have examined the factors influencing tax compliance, highlighting both methodological and conceptual gaps. Putra and Tjaraka (2020) explored tax law enforcement and taxpayer compliance using secondary data, indicating a methodological gap. Musimenta (2020) investigated tax knowledge, complexity, and compliance costs in Uganda using a cross-sectional correlational design focused on VAT-registered withholding agents, also reflecting a methodological limitation. Olooh and Felix (2022) analyzed the effect of taxpayer education on VAT compliance among hotels in Kisumu County, revealing a conceptual gap by focusing solely on taxpayer education. Naape (2023) explored tax knowledge and complexity in South Africa but did not address the role of practitioner engagement. Netia and Omwenga (2023) examined the moderating role of taxpayer engagement in the relationship between capital gains tax and compliance in Nairobi's real estate sector, demonstrating a contextual gap. Similarly, Abdul and McFie (2020) studied tax complexity and compliance behavior among large and medium-sized businesses in Nairobi, again highlighting a contextual gap. To address these gaps, the current study focused on the moderating effect of tax practitioners' engagement on the relationship between tax complexity and tax compliance among five-star hotels in Nairobi County, Kenya. By adopting primary data collection methods and focusing on a distinct industry and location, this study aimed to provide context-specific insights into improving tax compliance in the hospitality sector.

1.2 Research Objectives

- i. To examine the effect of knowledge complexity on tax compliance among five-star hotels in Nairobi County, Kenya
- ii. To examine the effect of tax Uncertainty Complexity on tax compliance among five-star hotels in Nairobi County, Kenya

- iii. To determine the moderating effect of practitioners' engagement on the relationship between complexity dimensions and tax compliance among five-star hotels in Nairobi County, Kenya

1.3 Research Hypotheses

H01: Knowledge complexity has no significant effect on tax compliance among five-star hotels in Nairobi County, Kenya.

H02: Uncertainty complexity has no significant effect on tax compliance among five-star hotels in Nairobi County, Kenya.

H03: Practitioners' engagement does not significantly moderate the relationship between complexity dimensions and tax compliance among five-star hotels in Nairobi County, Kenya

2. Literature Review

2.1 Theoretical Review

Becker (1968) established the economic deterrence theory. The theory is based on the assumption that a person would shy away from committing such a crime if the consequences of committing a specific crime are greater than the benefits that result from the crime itself. The principle of economic deterrence is based on the assumption that it is easy for all human beings to distinguish between what is wrong and what is right, and the consequences of wrongdoing.

The advocates of this theory come from the school of thinking, which claims that after carefully examining the benefits and shortcomings of their actions, people choose to follow or disobey the rules. Allingham and Sandmo (1972) made an attempt to link the theory of economic deterrence and taxation when they developed an economic deterrence model that argued that a taxpayer will most likely be tax non-compliant if he is assured that the economic benefit arising from non-compliance exceeds the cost of being caught.

Taxpayers who comply based on their perceived economic benefits that arise from their compliance may be taken through an education program to make them appreciate that direct benefits are not a guarantee under taxation (Chalfin & Tahamont, 2018). According to Yusof, Ling, and Wah (2014), no government in the world promises its citizens direct benefits based on the tax paid. Taxation serves the role of wealth distribution in the economy for the benefit of the less advantaged. Such education programs would make the taxpayers more tax compliant, not necessarily based on the benefits likely to accrue.

This theory is deemed relevant to this study. Research on tax compliance has been based on the economic deterrence approach, which considers both economic and structural factors in relation to compliance. The economic deterrent theory assumes that taxpayers are moral profit-seeking and their actions are motivated by the calculation of costs and the opportunities that come with that. The economic deterrence approach suggests that taxpayers make a cost-benefit analysis when deciding on compliance outcomes, and relies on enforcement for compliance to work. The deterrence model attempts to explain the change in compliance behavior rather than the level of compliance (Rengasamy et al., 2023).

The theory posits that taxpayers make compliance decisions by weighing the costs against the benefits. In this context, engaging tax practitioners enables taxpayers to navigate the complexities of the tax system in pursuit of compliance. For example, when compliance

requirements are perceived as costly and complicated, taxpayers may be inclined toward noncompliant behaviour. Conversely, if the costs of compliance exceed the perceived benefits, taxpayers may prioritize avoidance or evasion. To enhance compliance, it is therefore critical to reduce tax complexities and minimize compliance costs relative to potential penalties and benefits. This theory provides a useful lens for explaining the moderating effect of tax practitioners' engagement on the relationship between perceived complexity of various taxes and compliance behaviour among five-star hotels in Nairobi County, Kenya.

2.2 Empirical Review

2.2.1 Knowledge Complexity and Tax Compliance

Ghani, Abd Hamid, Sanusi, and Shamsuddin (2020) focused on the effect of tax knowledge, compliance costs, complexity, and morale towards tax compliance among the self-employed in Malaysia. This research applied a quantitative research design in order to identify relationships between the constructs. The survey method chosen is a collection of primary data, which is accomplished by utilizing a self-administered survey. Based on the structural measurement analysis, using Smart PLS version 3, tax compliance costs, tax morale, and tax complexity have significant effects on tax compliance among the self-employed. The analysis also shows that tax knowledge has no significant effect on the level of tax compliance among the self-employed.

Perveen, Farooq, Akram, and Ullah (2024) focused on the impact of tax knowledge and tax system complexity on compliance behavior of salaried taxpayers: The Mediating Role of Fairness Perception. This research is conducted to find out the effect of tax system complexity and tax knowledge on taxation compliance among individual taxpayers, through individuals' fairness perception about taxation. The population of the study comprises salaried individuals (government employees) of Pakistan. This empirical evidence has concluded that tax knowledge significantly improves compliance behavior through building a fairness perception about taxation. Another finding of this research is that Tax system complexity does not influence individuals' attitude towards compliance.

Fauziati, Minovia, and Muslim and Nasrah (2020) focused on the impact of tax knowledge on tax compliance case study in Kota Padang, Indonesia. The survey research design was used in conducting the investigation. The primary source of data was used, and three hundred (300) copies of the self-administered questionnaire were distributed. The number of questionnaires completed and returned was two hundred and thirty-seven (237), constituting a 79% response rate. The simple linear regression models were used to estimate the relationship between tax knowledge and tax compliance. The t-statistic was used to test the significance of the study variables. It was revealed that tax knowledge has no impact on tax compliance.

Yahya, Shaharuddin, and Bakar (2021) focused on the influence of tax knowledge and tax complexity on compliance behavior among sole proprietors. Thus, this study aims to examine taxpayers' views on their level of tax knowledge and perceived system complexity of the income tax system. The data was collected through a Google Form that was distributed to sole proprietors who run small business activities. The results revealed that tax knowledge and tax complexity are viewed as contributing factors towards non-compliance behavior among sole proprietors.

2.2.2 Uncertainty Complexity and Tax Compliance

Austin, Bobek, and LaMothe (2020) focused on the effect of temporary changes and expectations on individuals' decisions: Evidence from a tax compliance setting. Results from a multi-round experiment indicate reactions to temporary changes depend jointly on the direction of the change and expectations. Specifically, individuals experiencing a tax increase evade more while the increase is in effect. More interestingly, knowing, versus not knowing, that a tax decrease is temporary prevents an increase in evasion after the temporary change expires, and may lead individuals to reduce evasion during the change. The study found that when uncertainty is introduced, both benefits of knowing the temporal nature of the decrease are lost. Overall results are consistent with individuals failing to adapt to a loss state and adapting quickly to a gain state unless they are certain the gain state is temporary.

Tran-Nam, Lignier, and Evans (2019) focused on the impact of recent tax changes on tax complexity and compliance costs: The tax practitioners' perspective. The survey was also designed to identify the possible managerial benefits that business taxpayers may derive from their relationship with a tax practitioner. This article focuses only on the first objective of the survey. The online survey attracted 241 respondents, and analysis of the data obtained reveals several key findings, some of which are confirmatory. First, respondents see tax planning as being almost as important as tax compliance in their role as tax practitioners. As might be expected, the perceived importance of tax planning becomes stronger as firm size becomes larger. Second, respondents consider that the frequent changes to tax rules over the previous five-year period hurt their practice and the nature of the tax services provided to their clients. They also perceive those frequent changes as a main driver of tax complexity. Third, respondents claim that they incur non-trivial annual costs of coping with tax changes and can ultimately pass on only a small proportion of these costs to their clients. Fourth, respondents exhibit a largely negative view about the impact of cumulative tax changes over the previous five-year period on their ability to advise clients with certainty, particularly in relation to tax planning, and on the time and stress associated with tax return preparation.

Floyd, Hallsworth, List, Metcalfe, Rotaru, and Vlaev (2022). The role of enforcement action uncertainty on tax compliance: evidence from three experiments. Messages about specific time and cognitive incentives do not significantly increase payment rates, whereas stating non-specific costs of inaction does. Further analysis suggests the increase in compliance is likely due to rational taxpayers 'filling in the blank – an effect in which taxpayers likely assume the consequence is an average-sized fine when subject to uncertain enforcement actions. Specifically stating maximum fine or jail time consequences has the largest effect in a laboratory setting, but only if the consequences are interpreted as realistic. Overall, the study reinforces that tax authorities can use short messages to increase tax compliance. Moreover, our results may be useful to regulators who cannot commit to punishments ex-ante, as our study shows tax messages need not necessarily be detailed and specific.

2.2.3 Moderating Effect of Practitioners' Engagement

Toly, Angel, and Roedyanto (2023) focused on the effects of engagement rate and endorsement rate on social media endorsement services on Indonesian tax compliance. This paper aims to examine how engagement rate and endorsement rate on social media platforms contribute to Indonesian tax compliance, with the endorsers' income as a moderator. The results show that with the endorsers' income as a moderator, engagement rate and endorsement rate significantly

strengthened their influence on tax compliance. Furthermore, the endorsement, income itself did not significantly influence tax compliance, which means taxpayers' tax compliance behavior is not fixed by the endorsement income. The possible impact of this study is to assess taxpayers' understanding regarding endorsement service, especially endorsers, and to educate endorsers regarding the imposition of endorsement service tax to increase the tax compliance of Indonesians.

Opisa (2021) focused on moderating effects of taxpayers' engagement between capital gains tax and tax compliance among real estate businesses in Nairobi, Kenya. The study adopted an explanatory research design with the targeted population being 467 real estate businesses from which a sample size of 216 was drawn. Regression analysis established a significantly negative linear relationship between lock-in-effect and tax compliance among real estate businesses in Nairobi, Kenya. Additionally, there was a significantly negative linear relationship between capitalization effect and tax compliance among real estate businesses in Nairobi, Kenya, and lastly a positive but insignificant linear relationship between taxpayers' engagement and tax compliance among real estate businesses in Nairobi, Kenya. Also, there was a positive and significant linear relationship between taxpayers' engagement moderating on lock-in-effect and tax compliance among real estate businesses in Nairobi, Kenya, and a negative and insignificant linear relationship between taxpayers' engagement moderating on capitalization effect and tax compliance among real estate businesses in Nairobi, Kenya. The study concluded that the lock-in effect and capitalization effect had a negative and significant effect, while tax engagement had a positive and insignificant effect on tax compliance among real estate businesses in Nairobi, Kenya.

Kinuu (2023) focused on the moderating role of tax training on the relationship between tax modernization programs and tax compliance among small and medium enterprises in Nakuru County, Kenya. The study adopted an explanatory research design. The study was carried out between August 2022 and November 2022. Based on the regression results, the study found that the tax invoice management system, electronic tax returns, and electronic tax payment had a significant positive effect on tax compliance of SMEs in Nakuru County, Kenya. The study further found that tax training moderated the relationship between tax invoice management system, electronic tax returns, and electronic tax payment tax compliance of small and medium enterprises in Nakuru County, Kenya. The study concluded that tax modernization is are key determinant of tax compliance of small and medium enterprises in Nakuru County, Kenya, and that tax training moderates that relationship.

3. Methodology

The study applied an explanatory research design. This study's population frame included 180 respondents, which consisted of Hotel Manager, Finance Manager, and 3 accountants in the 36 high-class Hotels (five-star) in Nairobi County, Kenya as per the statistical abstract report 2024 by the Kenya National Bureau of Statistics. In this study, a census was conducted due to the small population targeted. Primary data was collected using a structured questionnaire. The researcher self-administered the questionnaire. The drop-and-pick method was adopted for the data collection procedure. Data was analyzed using descriptive statistics, multiple regression, and hierarchical regression at a 5% significance level.

4. Results and Discussion

4.1 Descriptive Statistics

4.1.1 Knowledge Complexity

The study examined the effect of knowledge complexity on tax compliance among five-star hotels in Nairobi County, Kenya. This subsection summarizes data on knowledge complexity. The responses for the statement “The costs involved in ensuring compliance are too high” had a mean of 1.89, meaning that most respondents disagreed with the statement, but a standard deviation of 1.21 means that there were variations where some agreed and others were not sure. This implies that the costs may be high for some hotels. The mean for the responses to the statement “The tax laws related to providing international services are difficult to interpret” was 2.36, meaning that most respondents disagreed. A moderate variation in the responses was, however, observed as depicted by a standard deviation of 1.44. This implies that some managers and accountants of some hotels may find the laws of international hotel services to be difficult to interpret. A mean of 2.41 for the statement “Our hotel regularly seeks advice from external tax consultants or experts” means that most respondents agreed with the statement, while a standard deviation of 1.46 shows a moderate variation in the responses. This indicates that some managers do seek advice from external consultants and experts, although the majority do not.

The statement “We possess the necessary expertise within the hotel to prepare tax returns that comply with legal requirements” had a mean of 2.24, showing that most respondents agreed with it. A standard deviation of 1.38 shows some variations in the responses, implying that a good number of hotels do not have tax experts within the hotel. The last statement, “We always seek specialized knowledge to navigate the intricacies of tax regulations specific to the hospitality industry,” had a mean of 4.60, meaning that most respondents agreed with the statement. A standard deviation of 0.66 shows a slight deviation, meaning that just a few disagreed with the statement. This implies that although the majority of the hotels have tax experts to prepare tax returns, they still have to seek specialized experts to help in complex areas. The overall mean of 2.70 means that a majority of the respondents disagreed with the statements, meaning that many have adequate knowledge of the tax system, but a standard deviation of 1.23 means that some still perceive it as complex. Table 1 presents this summary.

Table 1: Descriptive Statistics for Knowledge Complexity

Statement	Totally disagree	Disagree	Not sure	Agree	Totally agree	Mean	Std. Dev.
The costs involved in ensuring compliance are too high	51.70	29.25	2.72	10.88	5.44	1.89	1.21
The tax laws related to providing international services are difficult to interpret	40.14	24.49	5.44	19.05	10.88	2.36	1.44
Our hotel regularly seeks advice from external tax consultants or experts	39.46	23.13	6.12	19.73	11.56	2.41	1.46
We possess the necessary expertise within the hotel to prepare tax returns that comply with legal requirements	42.86	24.49	6.80	17.69	8.16	2.24	1.38
We always seek specialized knowledge to navigate the intricacies of tax regulations specific to the hospitality industry	0.00	2.72	1.36	29.25	66.67	4.60	0.66
Overall						2.70	1.23

4.1.2 Uncertainty Complexity

The study examined the effect of uncertainty complexity on tax compliance among five-star hotels in Nairobi County, Kenya. This subsection summarizes data on uncertainty complexity. The mean of the response for the statement “Frequent changes to tax laws lead to unpredictability and confusion within the tax system” was 1.59, implying that most respondents agreed with the statement, meaning that the majority of five-star hotel managers and accountants frequent changes in tax laws do not affect them. However, a standard deviation of 0.76 means that some respondents agreed or were not sure, implying that the changes may be affecting some five-star hotels' tax system. The responses for the statement “We are always updated with changes in tax legislation, amendments, or newly introduced taxes” had a mean of 1.78, implying that most respondents disagreed, while a standard deviation of 1.11 shows some moderate deviation from the mean, meaning that some hotels do not receive updates on tax changes. The statement “Changes in government policies create uncertainty about tax obligations for the hotel” attracted a mean of 2.04, meaning that the majority of the respondents disagreed, while a standard deviation of 1.27 may show that some five star hotels are affected by changes in government policies which create uncertainty about tax obligations although this does not affect a majority of the five star hotels.

The statement “The uncertainty in tax laws leads to issues with non-compliance within the hotel” received a mean of 1.93 in response, which implies that most respondents disagreed, but a standard deviation of 1.16 shows a moderate deviation from the mean, meaning that tax laws uncertainty does not affect tax compliance among majority of five star hotels although some are affected in that manner. The responses to the statement “A high level of uncertainty in tax law is unacceptable and causes significant challenges for the hotel” had a mean of 1.76, which means that most respondents disagreed. The standard deviation was 0.98, which shows a very small variation in responses, revealing that most hotels do not find tax law uncertainty as a challenge. The overall mean was 1.82, revealing that most respondents disagreed with the statements on uncertainty complexity, which shows that it is not an issue in most of the hotels. However, this had a standard deviation of 1.05, which is an indication that some hotels are affected by uncertainty in tax laws in various ways. These findings were similar to those of Tran-Nam, Lignier, and Evans (2019), where respondents considered that the frequent changes to tax rules over the previous five-year period had an adverse impact on their practice and the nature of the tax services provided to their clients. They also perceive those frequent changes as a main driver of tax complexity. Third, respondents claim that they incur non-trivial annual costs of coping with tax changes and can ultimately pass on only a small proportion of these costs to their clients. Table 2 presents this summary.

Table 2: Descriptive Statistics for Uncertainty Complexity

Statement	Totally disagree	Disagree	Not sure	Agree	Totally agree	Mean	Std. Dev.
Frequent changes to tax laws lead to unpredictability and confusion within the tax system	53.06	38.10	6.12	2.04	0.68	1.59	0.76
We are always updated with changes in tax legislation, amendments, or newly introduced taxes	55.10	26.53	7.48	6.80	4.08	1.78	1.11
Changes in government policies create uncertainty about tax obligations for the hotel	46.94	26.53	8.16	12.24	6.12	2.04	1.27
The uncertainty in tax laws leads to issues with non-compliance within the hotel	46.26	32.65	8.16	7.48	5.44	1.93	1.16
A high level of uncertainty in tax law is unacceptable and causes significant challenges for the hotel	50.34	33.33	8.16	6.12	2.04	1.76	0.98
Overall						1.82	1.05

4.1.3 Practitioners Engagement

The study examined the moderating effect of practitioners’ engagement on the effect of tax system complexity dimensions on tax compliance among five-star hotels in Nairobi County, Kenya. This subsection provides a summary of the data for the practitioner’s engagement. The

results in Table 3 reveal that most respondents agreed with the statement “KRA always ensures strategic collaboration of all practitioners to promote tax compliance” as the mean of the response was 4.18. A standard deviation of 1.08 shows some variations, which means that some hotels do not receive collaboration from KRA. The mean of the statement “KRA always develops workable solutions to various taxation challenges” was 4.16, showing that the most respondents agreed with the statement. The statement, however, had a standard deviation of 1.06, which shows some slight deviation from the mean, revealing that some five-star hotels do not receive workable solutions from KRA to challenges, although most do. The mean of the statement “KRA also aims to provide feedback on the concerns raised by taxpayers” was 4.27, which means that most respondents agreed. The standard deviation was 1.09, meaning that there were variations in the responses. This implied that most five-star hotels receive feedback on the concerns they raise, while a few do not.

The responses to the statement “Engagement with practitioners allows them to participate directly in preparing tax returns” had a mean of 4.19, showing that most respondents agreed. However, a standard deviation of 0.9 shows a slight deviation from the mean, implying that some five-star hotels do not receive engagement in preparing tax returns, although a majority do. The statement “Engaging with practitioners helps us apply tax regulations more effectively and efficiently” had a mean of 4.26 and a standard deviation of 0.98, meaning that most respondents agreed with the statement, although a few were either not sure or disagreed. This implies that engagement with KRA does help the majority of the five-star hotels in terms of efficiency and effectiveness. An overall mean of 4.21 means that the majority of five-star hotels do receive engagement from KRA, while a low standard deviation of 1.02 means that some do not receive. Table 3 presents this summary.

Table 3: Descriptive Statistics for Uncertainty Complexity

Statement	Totally disagree	Disagree	Not sure	Agree	Totally agree	Mean	Std. Dev.
KRA always ensures strategic collaboration of all practitioners to promote tax compliance	6.12	3.40	3.40	40.14	46.94	4.18	1.08
KRA always develops workable solutions to various taxation challenges	4.76	4.76	6.80	37.41	46.26	4.16	1.06
KRA also aims to provide feedback on the concerns raised by taxpayers.	5.44	2.72	8.16	26.53	57.14	4.27	1.09
Engagement with practitioners allows them to participate directly in preparing tax returns	2.72	2.72	8.16	45.58	40.82	4.19	0.90
Engaging with practitioners helps them apply tax regulations more effectively and efficiently	4.76	2.04	3.40	42.18	47.62	4.26	0.98
Overall						4.21	1.02

4.1.4 Tax Compliance

This subsection provides a summary of the data for the dependent variable tax compliance. The results in Table 4 reveal that most respondents agreed with the statement “Our hotel files its tax returns on time” as the mean of the response was 4.48. A standard deviation of 0.81 shows some variations, which means that some hotels do not file returns on time. The mean of the statement “Our hotel ensures that tax returns are filed accurately” was 4.23, showing that the most respondents agreed with the statement. The statement, however had a standard deviation of 1.03, which shows some slight deviation from the man, revealing that some five-star hotels do not ensure accurate tax return filing although most do. The mean of the statement “Our hotel is committed to making timely tax payments” was 4.18 which means that most respondents agreed. The standard deviation was 0.97 meaning that there were variations in the responses. This implied that most five-star hotels are committed to timely tax payments, while a few are not.

The responses to the statement “Our hotel accurately calculates its tax liabilities” had a mean of 4.50, showing that most respondents agreed. However, a standard deviation of 0.5 shows a slight deviation from the mean, implying that some five-star hotels do not do accurate tax liability calculations, although a majority do. The statement ‘Our hotel fully adheres to the overall tax framework and regulations’ had a mean of 4.52 and a standard deviation of 0.5, meaning that most respondents agreed with the statement, although a few were either not sure or disagreed. This implies that most of the five-star hotels do adhere to tax laws while a few do not. Finally, it was revealed that most respondents agreed with the statement “Our hotel maintains accurate reporting of all taxable income and expenses” with a mean of 4.52 and a standard deviation of 0.5, which is very low. This implies that accurate reporting of taxable income and expenses is done in the majority of five-star hotels. An overall mean of 4.41 means that the majority of five-star hotels do comply with their tax obligation, while a low standard deviation of 0.72 means that some do not. Table 4 presents this summary.

Table 4: Descriptive Statistics for Tax Compliance

Statement	Totally disagree	Disagree	Not sure	Agree	Totally agree	Mean	Std. Dev.
Our hotel files its tax returns on time	2.04	2.04	1.36	34.69	59.86	4.48	0.81
Our hotel ensures that tax returns are filed accurately	5.44	2.72	2.72	41.50	47.62	4.23	1.03
Our hotel is committed to making timely tax payments	4.08	4.76	0.68	49.66	40.82	4.18	0.97
Our hotel accurately calculates its tax liabilities	0.00	0.00	0.00	49.66	50.34	4.50	0.50
Our hotel fully adheres to the overall tax framework and regulations	0.00	0.00	0.00	48.30	51.70	4.52	0.50
Our hotel maintains accurate reporting of all taxable income and expenses	0.00	0.00	0.00	48.30	51.70	4.52	0.50
Overall						4.41	0.72

4.2 Multiple Linear Regression Analysis

This section presents the results of the multiple linear regression analysis used to examine the effect of predictor variables on tax compliance.

Table 5: Multiple Linear Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	5.22	0.059		88.763	0.000
Knowledge Complexity	-0.095	0.014	-0.382	-6.939	0.000
Uncertainty complexity	-0.087	0.018	-0.266	-4.783	0.000

The effect of knowledge complexity on tax compliance was found to be negative and significant ($\beta = -0.382$, $p=0.000$). This implies that a unit rise in knowledge complexity leads to a 0.382 unit decrease in compliance. Further, uncertainty complexity was found to have a negative and significant effect on tax compliance ($\beta = -0.266$, $p=0.000$). Therefore, increasing uncertainty complexity by one unit reduces compliance by 0.266 units.

4.3 Hierarchical Regression

Hierarchical Regression was used to assess the moderating effect of practitioners' engagement on the relationship between regulatory complexity and tax compliance and the relationship between administrative complexity and tax compliance.

Table 6: Hierarchical Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
X1.M	0.035	0.011	0.517	3.199	0.002
X2.M	0.047	0.017	0.587	2.737	0.007

The results reveal a positive and significant effect of the interaction term (X1.M) on tax compliance ($\beta = 0.035$, $p = .002$). This indicates practitioners' engagement modifies the effect of knowledge complexity on tax compliance, meaning that practitioner engagement has a moderating effect on the relationship between knowledge complexity and tax compliance.

The results also reveal a positive and significant effect of the interaction term (X2.M) on tax compliance significant ($\beta = 0.047$, $p = .007$). This implies that practitioners' engagement has a moderating effect on the relationship between uncertainty complexity and tax compliance.

4.4 Hypotheses Testing

The results of hypothesis testing revealed that knowledge and uncertainty complexities each have a statistically significant negative effect on tax compliance among five-star hotels in Nairobi County ($p < 0.001$). Further, practitioners’ engagement significantly moderated the effects of knowledge complexity ($p = 0.002$) and uncertainty complexity ($p = 0.007$), implying that expert involvement can help mitigate difficulties in interpreting tax knowledge requirements and navigating uncertain or ambiguous tax provisions. These results emphasize the critical role of tax practitioners in enhancing compliance, particularly in contexts where technical knowledge and uncertainty present barriers to compliance.

Table 7: Hypotheses Testing

No	Hypothesis	P value	Decision
H0 ₁	Knowledge complexity has no significant effect on tax compliance among five-star hotels in Nairobi County, Kenya	0.002<0.05	Reject
H0 ₂	Uncertainty complexity has no significant effect on tax compliance among five-star hotels in Nairobi County, Kenya	0.007<0.05	reject

4.5 Discussion of the Findings

The study revealed a negative and significant relationship between knowledge complexity and tax compliance. This implies that when the taxpayers find it difficult to comprehend the tax system in terms of understanding tax laws and specialized skills, then tax compliance goes down. The findings agreed with Ghani, Abd Hamid, Sanusi, and Shamsuddin (2020), whose analysis showed that tax knowledge has no significant effect on the level of tax compliance among the self-employed. It was in line with Perveen, Farooq, Akram, and Ullah (2024), who found that tax knowledge significantly improves compliance behavior through building fairness perception about taxation. Similarly, Yahya, Shaharuddin, and Bakar (2021) revealed that tax knowledge and tax complexity are viewed as contributing factors towards non-compliance behavior among sole proprietors.

The study revealed a negative and significant relationship between uncertainty complexity and tax compliance. This means that when the tax system is uncertain in terms of frequent changes in tax laws, political and economic factors, tax compliance is lower among five-star hotels in Nairobi County.

The study found a significant positive interaction with knowledge complexity means: as practitioners’ engagement increases, the negative effect of Knowledge Complexity on tax compliance lessens. Similarly, a positive and significant moderating effect of practitioners’ engagement was observed on the relationship between uncertainty complexity and tax compliance. This means practitioners’ engagement weakens the negative effect of uncertainty complexity. These findings partly agreed and partly disagreed with the findings by Opisa (2021), who found a positive but insignificant linear relationship between taxpayers’ engagement and tax compliance among real estate businesses in Nairobi, Kenya.

5. Conclusion

The study concludes that knowledge complexity significantly undermines compliance. When taxpayers lack expertise, find tax laws and procedures difficult to interpret, or face high compliance costs, they tend to delay or avoid compliance. The study further notes that highly trained and experienced tax staff are scarce or costly for the hotel industry to attract, which increases this challenge.

The study also concludes that uncertainty complexity reduces compliance. Frequent tax law changes, unstable government policies, and unpredictable legal frameworks create uncertainty, making it harder for taxpayers to comply. Hotels are unable to integrate shifting tax requirements into their financial and business plans effectively, further reducing compliance.

The study further concludes that practitioners' engagement has a positive moderating effect, particularly on knowledge and uncertainty complexities. Collaboration with tax practitioners helps hotels better understand complex tax laws, reduces the burden of compliance, and enhances coordination with the Kenya Revenue Authority (KRA). By leveraging practitioners' expertise, hotels can focus on their core business operations while staying updated on tax requirements, thereby improving compliance outcomes.

6. Recommendations

The study found a negative effect of knowledge complexity and uncertainty complexity on tax compliance among five-star hotels in Nairobi County. Based on this, the study recommends KRA to review and streamline the tax laws, make use of digital tools to help the taxpayers to accurately fill tax returns, and conduct workshops and seminars on major regulatory changes and compliance obligations. KRA is also recommended to avoid frequent tax law changes so as to allow proper prior planning by five-star hotels in Nairobi County and hence reduce noncompliance. KRA is also recommended to be transparent about filing and provide support to taxpayers, especially during tax law changes.

Hotel management on their part is recommended to invest in tax systems and management tools that will enable them to streamline the tax procedures tasks. They may also conduct regular training for their staff on tax compliance procedures. They may also engage properly with tax authorities so as to provide feedback and challenges they encounter in the process of tax compliance obligations.

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