EdinBurg Peer-Reviewed Journals and Books Publishers
Journal of Finance and Accounting
Vol. 6||Issue 12||pp 38-55||November||2026
Email: info@edinburgjournals.org||ISSN: 2789-0201

Moderating Effect of Government Fiscal Policy on the Relationship between Taxpayer Education and Income Tax Compliance by Law Firms in Nairobi, Kenya

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Accepted: 21 September 2026 || Published: 16 November 2026

Abstract

This study aimed to establish the effect of legal consciousness and legal technique on income tax compliance among law firms in Nairobi, Kenya. The target population was 104 licensed law practices in Nairobi County, and 102 respondents fully submitted their questionnaires, indicating a 98.1% response rate. Using total population sampling, the study selected the entire target population. The research employed an explanatory research design. The study used a quantitative approach, collecting primary data through questionnaires and interviews with accountants and law firm partners in Nairobi County. The researchers analyzed the collected data using descriptive and inferential statistics. The correlation matrix showed a significant, positive correlation between legal consciousness and income tax. The hierarchical model found that legal consciousness had a significant positive influence on income tax compliance (β = 0.296, p = 0.000). The correlation analysis found a significant positive correlation between legal technique and income tax compliance; legal technique had a significant positive effect on income tax compliance (β = 0.052, p = 0.000). The study also found that government fiscal policy positively moderated the relationships between legal consciousness, legal technique, and income tax compliance among law firms in Nairobi, Kenya. The study concludes that a firm's internalized belief in the law's legitimacy and authority has a significant positive effect on income tax compliance. This finding adds to the literature by showing that value-based motivation is not isolated; its influence is significantly strengthened in a climate of perceived good fiscal policy. This shows that internal duty to comply and external perceptions of government legitimacy work together. The study concludes that technical proficiency in navigating tax law positively influences income tax compliance. This contributes new knowledge by clarifying that this technical capability is substantially amplified when firms perceive fiscal policy as effective and fair. This indicates that technical competence translates into greater compliance in an environment of institutional trust, moving beyond a mere skills-based perspective. Regarding the positive effect of legal consciousness on income tax compliance, policymakers should engage professional bodies such as the Law Society of Kenya to co-create equitable tax guidelines and frame compliance as a professional ethical duty integral to the rule of law.

Keywords: *Legal consciousness, legal technique, Government Fiscal Policy, income tax compliance*

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How to Cite: Aduke, J. P. A., Baimwera, B., & Kibet, Y. (2026). Moderating Effect of Government Fiscal Policy on the Relationship Between Taxpayer Education and Income Tax Compliance by Law Firms in Nairobi, Kenya. *Journal of Finance and Accounting, 6*(12), 38-55.

1. Introduction

The effect of Taxpayer Education on Income Tax Compliance among Tier 1 and 2 Law Firms in Nairobi County is unknown. According to the Kenya Revenue Authority, tax compliance generally refers to the state of having fulfilled the requirements of a particular tax legislation (Kenya Revenue Authority, 2023). By extension, this means that Income Tax Compliance refers to the state of having fulfilled the requirements of the Income Tax Act of Kenya, Cap 470 Laws of Kenya (Parliament K. , 2012). This understanding is unlikely to vary irrespective of the jurisdiction it may be applied to. This means the meaning of income tax compliance does not change, whether at the global, continental, or local level. This research investigates the relationship between taxpayer education and income tax compliance among law firms in Nairobi County, Kenya.

The study is motivated by the increasing tax non-compliance among taxpayers in Kenya, specifically law firms, which has led to revenue losses for the Government of Kenya. According to the World Bank Report published in 2021, revenue targets for Least Developed Countries and Developing Countries remain a mirage. The same are reported as achievable in Developed economies (World Bank, 2021). For instance, according to David Tan & Lu Sudirman, in their study titled Final Income Tax: A Classic Contemporary Concept to Increase Voluntary Tax Compliance among Legal Professions in Indonesia (Sudirman, 2020), they found that Voluntary Tax Compliance among legal professionals is very low in Indonesia. This study further recommended the following for future study: a further study on enhancing the legal culture of tax regulations by disseminating information to legal professionals so they are more aware of and familiar with contemporary methods of tax calculation in their jurisdiction. Benjamin Van Rooij (Rooij, Weak Enforcement, Strong Deterrence: Dialogues with Chinese LAwyers about Tax Evasion and Compliance, 2016) In his study titled Weak Enforcement, Strong Deterrence: Dialogues with Chinese Lawyers About Tax Evasion and Compliance, published by the Journal of the American Bar Foundation, Volume 41, Issue Number 2, 2016, he found that Chinese lawyers generally report a very high level of perceived deterrence in relation to tax evasion and avoidance even though enforcement is weak. Further, ignorance of sanctions severity is a relatively live consideration in the context of law firm-level tax compliance. Future research should also analyze tax compliance behavior at the law firm level, where triangulating multiple interviews enables a more confident understanding of compliance and noncompliance.

According to Pascale C St-Pierre (St-Pierre, Investigating Legal Consciousness through the Technical Work of Elite Lawyers: A case study on Tax Avoidance, 2019) in his study titled Investigating Legal Consciousness through the Technical Work of Elite Lawyers: A Case Study on Tax Avoidance, published in the Law & Society Review Journal, the difficulty in tackling the challenge of tax avoidance rests on uneven access to the cultural repertoires related to legal technique and legal innovation, which generally fosters ambiguity. This is because legal consciousness can be used in various ways to implement legal techniques, which ultimately shape the broader legal culture in a given society. The net effect of all these is visible and measurable in tax compliance. Lastly, the debate over tax evasion and avoidance among elite lawyers is not merely a question of taxpayer morality; it is a debate about conceptions of

law, relations to rules, the role of legal technique, and the appropriate publicity of legal constructs.

Closer home, Kachidobelu John BIELU (Bielu, 2020) in his study titled Tax Compliance By Legal Practitioners and The Attendant Prospects To Governance In Nigeria: A Legal Appraisal, found that the income from legal practice whether on a self-employed status, either as a sole proprietorship, partnership or registered firms or lawyers in employment, (that is, those employed as employees who pay their taxes under Pay-As-You-Earn (PAYE) Scheme is taxable, hence, legal practitioner is a taxable person and thus not expected to be among persons involved or associated with problems of avoidance and evasion of tax that have bedeviled the Nigerian tax system.

In the East African context, Zelalem Berhane (Berhane, 2011)in his study titled The Influence of Tax Education on Tax Compliance Attitude found that ignorance of sanctions severity and penalties of Ethiopian tax laws significantly reduced after taxpayers attended a tax course.

Locally, the Annual Revenue Performance Report (Financial Year 2022/2023) by the local tax administrator, Kenya Revenue Authority, confirms and illustrates the position that revenue targets are still a mirage (Kenya Revenue Authority, 2023). This is not any different from the findings of Daisy, who established that the absolute tax amount involved in tax avoidance and evasion by professionals in low- and middle-income countries in Africa is probably higher than that of farmers and small or medium-sized enterprises (Ogembo, 2020).

Wanjiru (2020), in the study titled the effect of taxpayer education on tax compliance among micro & small enterprises in East Tax Area-Nairobi County, Kenya, found that there is a significant relationship between taxpayer education and tax compliance. Also, further study is required with respect to various types of taxes (like VAT, Income Tax) and specific sectors in relation to taxpayer education and tax compliance. Against this backdrop, this research paper sought to examine the relationship between various forms of taxpayer education among lawyers and their effect on income tax compliance. In particular, this researcher intends to examine the relationship between legal technique and income tax compliance, legal consciousness and income tax compliance.

1.1 Problem Statement

In an ideal tax-functional society, every taxpayer, including every practicing advocate, would ensure they are truly tax-compliant and file accurate tax returns. Such ideal behavior would be characterized by filing tax returns on time, paying the correct amount of taxes to the government of the Republic of Kenya, keeping proper records and transparency in accessing such records, and cooperating with tax authorities during tax audits (OECD, 2021).

However, the situation on the ground is completely different. It is a public secret that advocates are known for employing several methods of evading income tax (Ogembo, 2022; Micheletto et al., 2022). Some of these ways include taking out money from partnerships by way of petty cash which is treated as a business expense, taking out profits from the partnership by way of loans to the partner(s) which are eventually written off, paying out bonuses which are treated as business expenses in the books, employing associates and administrative staff on a net income basis, employing pupils on a pro bono basis with a token allowance, paying staff in cash, using the doctrine of privileged information, and underreporting revenue among others (Ng'ang'a & Ouma, 2023; Simon, 2025). These practices contribute to tax evasion and non-compliance, reducing government revenue collection and undermining the effectiveness of tax administration systems (Ogembo, 2022; Micheletto et al., 2022).

However, when the Proceeds of Crime and Anti-Money Laundering Act was operationalized in 2009, advocates, lawyers/notaries public were excluded from this list. This is because litigation ensued on the issue of advocate-client privilege and the possibility of contradicting existing legislation on the same, according to the Hansard report from the Parliament of Kenya (Parliament of Kenya, 2009). Reputable mainstream media in Kenya have also reported public outcry that lawyers have not been paying their fair share of taxes.

Despite the central role of *Pay As You Earn* (*PAYE*) in Kenya's domestic revenue base, recent fiscal data indicate slowing growth and occasional declines in income tax receipts, posing challenges to fiscal sustainability and revenue mobilization. Recent statistics from Kenya's National Treasury show that income tax receipts encompassing personal earnings and corporate income components fell by 2.31% over a three-month period ending September 2025, declining to KES 252.62 billion from KES 258.60 billion recorded in the comparable period the previous year (KRA, 2025). PAYE collections, which reflect personal income tax from wages and salaries, grew by only 0.21%, signaling stagnation in formal employment incomes and wage adjustments that underpin this tax base. This performance also underperformed against the target set by the Treasury by KES 65.07 billion in that quarter (KRA, 2025).

1.2 Objectives of the Study

i. To establish the effect of legal consciousness on income tax compliance among law firms in Nairobi, Kenya;
ii. To investigate the effect of legal technique on income tax compliance among law firms in Nairobi, Kenya
iii. To investigate the moderating effect of government fiscal policy on the relationship between legal consciousness, legal technique and income tax compliance by law firms in Nairobi, Kenya.

2. Literature Review

2.1 Theoretical Review

2.1.1 The Economic Deterrence Theory

The economic deterrence theory essentially states that when the costs outweigh the benefits of non-compliance, a person is likely to choose compliance (Bautigam, 2015). This theory suggests that the severity of a punishment or penalty should be high enough to deter individuals or businesses from engaging in a particular behavior or activity that is deemed harmful or illegal (Allingham, 1972 1(3-4)). In the context of taxation, the economic deterrence principle holds that penalties and fines for tax evasion and other tax offenses should be high enough to deter taxpayers from engaging in such activities (Allingham, 1972 1(3-4)).

The economic deterrence theory assumes that individuals and businesses are rational and make decisions based on the costs and benefits of their actions. Therefore, if the cost (in the form of penalties, fines, and interest payable) of engaging in tax evasion is high enough, taxpayers will be deterred from committing tax crimes or offenses (Skogh, 2004). The theory also assumes that the threat of punishment is more effective than the actual punishment itself in deterring tax evasion (Skogh, 2004). This is because the fear of being caught and punished can significantly affect a taxpayer's decision-making.

This theory is relevant to this research because tax authorities should impose strict penalties to ensure compliance with tax laws and regulations. By imposing harsh penalties and fines, tax authorities hope to discourage tax evasion and promote voluntary compliance.

2.1.2 Social Norms Theory

Social Norms Theory, primarily developed by Robert Cialdini and later advanced by Cristina Bicchieri, explains how individuals' behaviours are guided by the expectations and rules of their social environment rather than formal legal mandates alone (Cialdini & Trost, 1998; Bicchieri, 2017). Cialdini emphasized the distinction between descriptive norms, which describe what most people do, and injunctive norms, which describe what people approve or disapprove of, while Bicchieri formalized the theory within a behavioural-science framework, highlighting how social expectations and conditional beliefs shape compliance. This theory is highly relevant to legal consciousness, as it shows that individuals' perceptions and interactions with the law are influenced by community norms that define acceptable behaviour, shaping whether the law is seen as legitimate, negotiable, or oppressive (Ewick & Silbey, 1998).

When social norms align with formal legal rules, individuals are more likely to internalize the law and comply voluntarily, reinforcing positive legal consciousness; conversely, conflicting norms can lead to selective compliance or subtle resistance. Social norms also affect legal technique, the practical application and interpretation of legal rules, because both legal actors and ordinary citizens often rely on informal practices and societal expectations to navigate legal processes effectively, particularly where formal procedures are complex or inaccessible (Cotterrell, 2019; Bicchieri, 2017). Therefore, Social Norms Theory provides a critical lens for understanding how law is perceived, interpreted, and applied in everyday life, emphasizing that legal consciousness and legal technique are shaped as much by social expectations as by formal statutes.

Moreover, as Emanuela Carbonara (2017) and others discuss, introducing legal norms into social contexts can reshape existing norms, sometimes reinforcing compliance and other times provoking tensions when social norms diverge from legal ones. This means that legal technique (how laws are applied, interpreted, enforced) interacts with social norms: the effectiveness of legal rules depends not only on their formal design but on whether they resonate with community expectations and social practices. The theory supports Legal Consciousness and Legal technique.

2.2 Empirical review

For the variables in the proposed study, the following is the available published literature.

2.2.1 Legal Consciousness and Income Tax Compliance

To determine the effect of elite lawyers' legal consciousness on tax avoidance, Pascal conducted a study in 2019. Pascal's findings revealed that there is a relationship between an elite lawyer's legal consciousness and the ambiguity that often surrounds tax avoidance (St-Pierre, Investigating Legal Consciousness through the Technical Work of Elite Lawyers: A Case Study on Tax Avoidance, 2019). Further, the inherent contradiction between classical legal consciousness and technical legal consciousness is a resource that can be mined and applied towards resolving the ambiguity surrounding tax avoidance (St-Pierre, Investigating Legal Consciousness through the Technical Work of Elite Lawyers: A Case Study on Tax Avoidance, 2019). Silbey opines that the concept of legal consciousness was originally developed to explain the gap between the law in the books and the law in action and how these ultimately influence tax compliance (Silbey, 2005).

Martinez and colleagues (2019) conducted an empirical study in Brazil to examine the effect of tax morale on citizens' compliance with tax laws, surveying 679 respondents across different sociodemographic groups. The study found that many participants held neutral or ambivalent

attitudes toward tax evasion, while women, those with higher education, and certain religious affiliations exhibited higher tax morale, indicating a stronger internalized commitment to comply with tax obligations. The authors concluded that tax morale, a concept closely related to legal consciousness that reflects individuals' beliefs, moral attitudes, and perceptions of legal legitimacy, is a significant determinant of tax compliance in Brazil. They recommended that tax authorities focus not only on enforcement measures but also on enhancing citizens' tax awareness and moral commitment through education, public campaigns, and normative interventions tailored to cultural and social differences, as these strategies can strengthen voluntary compliance and reduce reliance on punitive measures.

Nadja Dwenger (2022) conducted a field experiment on compliance with a local church tax to investigate the role of intrinsic motivation (a proxy for tax/legal consciousness) in tax compliance. They found that even in a "zero-deterrence" setting where the risk of audit or punishment was negligible, a substantial proportion of individuals complied voluntarily, paying their dues despite the absence of external enforcement, suggesting that intrinsic motivations such as moral duty or a sense of obligation strongly influenced compliance. Their results imply that when individuals internalize tax obligations, essentially embodying a form of legal consciousness, compliance can persist independently of deterrence or extrinsic incentives. Based on these findings, the authors recommend that policymakers should not rely solely on enforcement or deterrence to ensure compliance, but should also cultivate intrinsic motivation through trust-building measures, transparent use of tax revenue, and social or moral messaging that reinforces individuals' sense of civic duty and legal legitimacy.

Adebayo et al. (2024) examined the role of tax knowledge and respect for the rule of law and found that both significantly increased compliance, with tax morale moderating this relationship. Collectively, these studies suggest that legal-consciousness-related factors such as awareness, knowledge, perception of fairness, moral obligation, and social norms are critical determinants of voluntary tax compliance in Nigeria, indicating that enforcement measures alone are insufficient. The authors recommend that tax authorities invest in taxpayer education, awareness campaigns, and trust-building strategies to enhance voluntary compliance and strengthen the perceived legitimacy of the tax system.

Abdul and Wang'ombe (2023) further demonstrated that corporate taxpayers' understanding of tax laws and perception of the fairness and effectiveness of the system influenced their compliance behaviour, with greater awareness correlating with higher voluntary compliance. Collectively, these studies suggest that in Kenya, legal-consciousness-related factors such as awareness, trust, moral obligation, and perceived legitimacy of tax authorities are critical determinants of voluntary tax compliance. They recommend that policymakers strengthen taxpayer education, awareness campaigns, and trust-building measures to enhance compliance, rather than relying solely on enforcement or punitive measures.

2.2.2 Legal Technique and Income Tax Compliance

To determine the effect of elite lawyers' legal techniques on tax avoidance, Pascale conducted a study in 2019. Pascale's findings revealed a relationship between an elite lawyer's legal technique and tax avoidance. Further, elite lawyers subconsciously revert to legal techniques to resolve any ambiguity that may arise in formal tax rules.

Erlane et al. (2021) reported that legal techniques, especially clear tax laws and effective enforcement, significantly improve tax compliance among Malaysian taxpayers. Their results showed that when tax rules are easy to understand, and enforcement measures such as penalties

and audits are visible and credible, taxpayers are more likely to comply voluntarily. The study concluded that Malaysia's tax authority should strengthen law clarity, taxpayer education, and fair but firm enforcement to sustain higher levels of compliance.

Willemse (2023) examined the effect of legal techniques, mainly enforcement strength, penalties, and clarity of tax legislation, on tax compliance in South Africa and found that these mechanisms play a significant positive role in shaping taxpayer behavior. The study showed that when the South African Revenue Service (SARS) conducts consistent audits, imposes credible sanctions, and clearly communicates legal obligations, taxpayers are more likely to comply because they both understand the rules and perceive real consequences for non-compliance. Findings indicated that uncertainty in tax laws, weak enforcement, or inconsistent penalties reduced voluntary compliance and encouraged risk-taking behavior. The study concluded that SARS can improve compliance by simplifying legislation, increasing taxpayer guidance, enhancing enforcement visibility, and ensuring penalties are applied fairly and consistently, recommending taxpayer education campaigns and regular updates to clarify ambiguous legal provisions.

Nakato and Nalukwago (2020) investigated the effect of legal techniques, including enforcement intensity, penalties, and clarity of tax laws, on tax compliance in Uganda, finding that these legal mechanisms exert a significant and positive influence on taxpayers' willingness to comply. Their study showed that when the Uganda Revenue Authority (URA) applies clear rules, communicates obligations effectively, and enforces penalties and conducts audits consistently, taxpayers exhibit higher voluntary compliance because they better understand the requirements and perceive greater risks associated with evasion. The findings also indicated that ambiguity in tax laws, low enforcement visibility, and inconsistent sanctioning weaken compliance. The authors concluded that URA can enhance compliance by strengthening legal clarity, improving taxpayer education, recommending regular legislative updates, and providing simplified guidance materials and taxpayer support services to reduce misunderstandings and promote voluntary fulfillment of obligations.

2.2.3 Government fiscal policy

Government fiscal policy functions as a moderating variable in research by influencing the strength or direction of the relationship between key determinants of tax compliance and taxpayers' actual compliance behavior. As a moderator, fiscal policy does not directly cause compliance but alters how factors such as taxpayer attitudes, perceived fairness, enforcement measures, and trust in government translate into compliance outcomes. When fiscal policy is effective and public expenditure is perceived as fair, transparent, and beneficial, taxpayers are more likely to respond positively to tax obligations, thereby strengthening the influence of taxpayer morale and perceived fairness on compliance (Torgler, 2021).

Government fiscal policy plays a significant moderating role in tax compliance by influencing how taxpayers evaluate the fairness and usefulness of the tax system. When fiscal policy is perceived as efficient, meaning public funds are allocated to essential services, development projects, and social welfare, taxpayers are more likely to develop positive attitudes toward the government, which strengthens their willingness to comply with tax obligations (OECD, 2021).

The effectiveness of fiscal policy therefore shapes the psychological contract between citizens and the state, where taxpayers expect that the taxes they pay are transformed into public goods that improve their quality of life (Alm & Torgler, 2021). Moreover, transparent budget processes, responsible expenditure management, and visible development outcomes enhance

trust in fiscal institutions, which further moderates the impact of deterrence measures on compliance behavior (OECD, 2020).

In contrast, when fiscal mismanagement, corruption, or wastage of public funds is perceived to be high, taxpayers may feel that their contributions are not appropriately utilized, reducing the effectiveness of enforcement strategies and lowering overall compliance (IMF, 2022). As a result, government fiscal policy does not directly cause tax compliance but influences how other determinants such as taxpayer morale, trust in government, deterrence, and perceived fairness translate into compliance outcomes, making it a key moderating factor in the relationship between taxpayers and the tax system.

2.3 Conceptual Framework

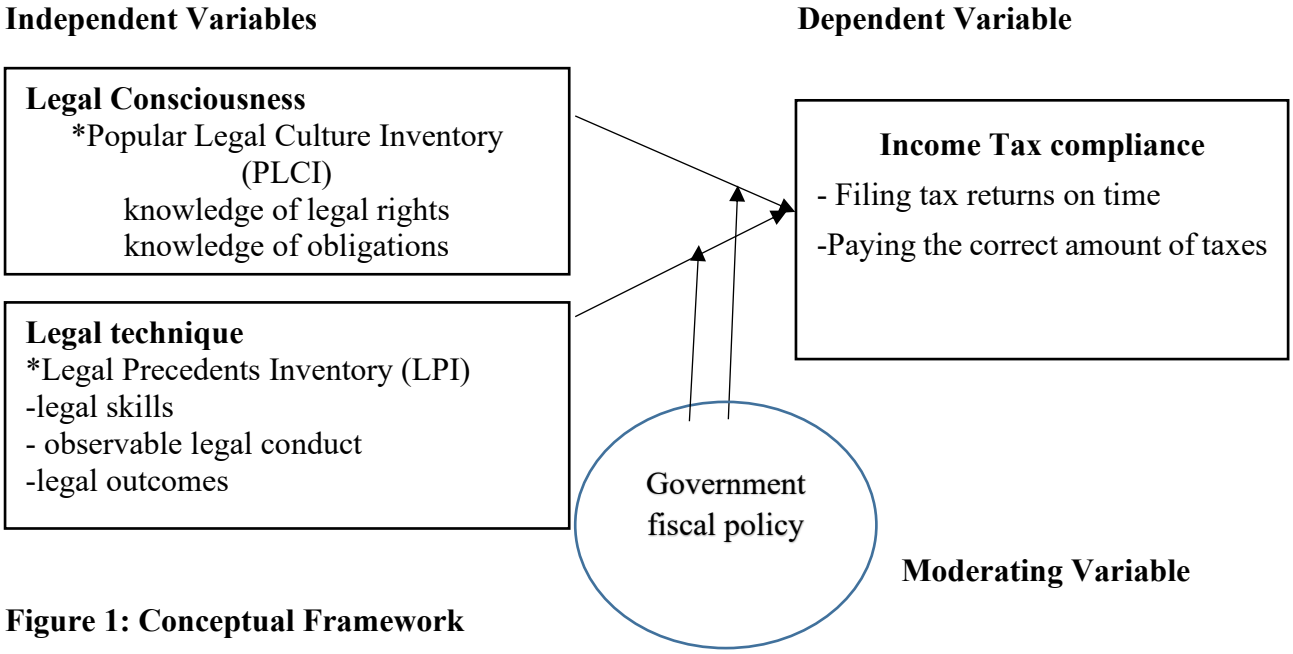


Figure 1: Conceptual Framework

3. Methodology

This study employed an explanatory research design. In this instance, the target population comprised 104 law firms operating in Nairobi and registered with the Law Society of Kenya. (LSK, 2025). For this study, the author obtained primary data from taxpayers through questionnaires. The author intends to use a semi-structured questionnaire comprising both closed and open-ended questions. The author circulated the questionnaires as soft copies via Google Forms and collated them in a Google Drive folder for analysis. The variables were measured using pre-tested structured Likert-scale questions. The data collected included information on tax compliance levels, biographical information, legal consciousness, legal technique habits, and government fiscal policy.

Common techniques mostly used in data analysis include descriptive statistics and inferential statistics, among others. To better illustrate the characteristics of these variables, and noting that the questionnaires used Likert-scale questions, the quantitative data were analyzed using descriptive statistics. In particular, this proposal proposes using the mode (frequency), one of the measures of central tendency.

The nature of the relationship (correlation) between the dependent and the independent variables was analyzed. Inferential statistics usually illustrate the statistics to be undertaken to

gauge or test the relationships in the study (Mugenda, 2003). This can be done by using correlation, hypothesis testing, and regression analysis.

4. Results and Discussion

4.1 Descriptive statistics

Descriptive statistics summarize the data, including measures of central tendency and asymmetry: mean, standard deviation, skewness, and kurtosis.

4.1.1 Legal Consciousness

The legal consciousness in Table 1 showed that;

For the statement, "I am aware of the legal obligations related to income tax," the mean response was 4.07, with a standard deviation of 0.774. This standard deviation indicates moderate consensus around the mean, reflecting a tendency for respondents to agree with the statement. The skewness of -0.120 suggests a distribution very close to symmetrical, while the kurtosis of -1.312 denotes a platykurtic, or flatter-than-normal, distribution.

Regarding the item "Understanding tax laws is essential for compliance," the mean of 4.10 and standard deviation of 0.751 indicate strong agreement with relatively low dispersion among responses. Its skewness of -0.163 indicates a slight leftward skew, and a kurtosis of -1.199 further confirms a flat distribution.

The statement, "My firm regularly updates its knowledge of tax legislation," resulted in a mean of 3.99 and a standard deviation of 0.751, suggesting respondents leaned toward agreement with a similar, moderate level of variance. The near-zero skewness of 0.016 implies an almost perfectly symmetrical distribution, and the kurtosis of -1.210 indicates it is platykurtic.

For the item, "Legal awareness influences our decision to comply with tax laws," the mean of 4.13 and standard deviation of 0.779 show strong agreement with some variability. The skewness of -0.228 reflects a mild negative skew, and the kurtosis of -1.313 signifies a flat distribution.

Finally, the statement "We seek legal advice when in doubt about tax obligations" had a mean of 4.12 and a standard deviation of 0.787, again indicating agreement with a moderate spread of responses. The skewness of -0.212 indicates slight clustering toward higher scores, and the kurtosis of -1.351 indicates the flattest distribution among all items.

Collectively, the mean of 4.08 strongly suggests that respondents report a high level of legal consciousness.

EdinBurg Peer-Reviewed Journals and Books Publishers
Journal of Finance and Accounting
Vol. 6||Issue 12||pp 38-55||November||2026
Email: info@edinburgjournals.org||ISSN: 2789-0201

Table 1: Legal Consciousness

Measurement Scale: 5-Point Likert Scale 1 - Strongly Disagree | 2 - Disagree | 3 - Neutral | 4 - Agree | 5 - Strongly Agree	Mean	Std. Deviation	Skewness	Kurtosis
I am aware of the legal obligations related to income tax.	4.07	.774	-.120	-1.312
Understanding tax laws is essential for compliance.	4.10	.751	-.163	-1.199
My firm regularly updates its knowledge of tax legislation.	3.99	.751	.016	-1.210
Legal awareness influences our decision to comply with tax laws.	4.13	.779	-.228	-1.313
We seek legal advice when in doubt about tax obligations.	4.12	.787	-.212	-1.351
Mean (General)	4.08			

4.1.2 Legal Technique

Table 1 shows that the statement "We maintain proper tax records and documentation" yielded a mean response of 4.01 with a standard deviation of 0.838; this standard deviation indicates low dispersion around the mean, and the mean suggests that respondents generally agree with the practice. The skewness statistic of -0.019 indicates an almost perfectly symmetrical distribution of responses, while the kurtosis of -1.581 indicates a distribution flatter than the normal curve.

For the item "We understand how to prepare and file tax returns accurately," the mean was 4.02 (SD = 0.867), indicating agreement and a similarly narrow spread of responses. Its skewness of -0.038 again suggests symmetry, and the kurtosis of -1.679 points to a platykurtic, or flat, distribution.

The statement "We have designated staff or consultants for tax matters." received the highest level of agreement, with a mean of 4.07 (SD = 0.847) and a modest negative skewness of -0.132, indicating a very slight clustering toward higher scores, complemented by a kurtosis of -1.601, reflecting flatness.

Regarding the statement, "We regularly audit our tax compliance processes," the mean was 3.96 (SD = 0.843), indicating agreement, with minimal dispersion. A slight positive skewness of 0.075 shows an almost balanced distribution, and the kurtosis of -1.595 confirms a flat shape.

Finally, for "Legal technicalities in tax law are well-understood in our firm," the mean response was 3.94 (SD = 0.842), indicating a tendency to agree. The positive skewness of 0.113 suggests a slight concentration of responses at the lower end of the scale, though the distribution remains largely symmetrical, and the kurtosis of -1.586 aligns with the consistently platykurtic pattern observed across all items. Collectively, with a mean of 4.00, these results show that respondents

perceive their firms as generally compliant and proficient in core legal tax techniques, with consistently flat and relatively symmetrical response distributions.

Table 2: Legal Technique

Measurement Scale: 5-Point Likert Scale **1 - Strongly Disagree | 2 - Disagree | 3 - Neutral | 4 - Agree | 5 - Strongly Agree**	**Mean**	**Std. Deviation**	**Skewness**	**Kurtosis**
We maintain proper tax records and documentation.	4.01	.838	-.019	-1.581
We understand how to prepare and file tax returns accurately.	4.02	.867	-.038	-1.679
We have designated staff or consultants for tax matters.	4.07	.847	-.132	-1.601
We regularly audit our tax compliance processes.	3.96	.843	.075	-1.595
Legal technicalities in tax law are well understood at our firm.	3.94	.842	.113	-1.586
Mean (General)	4.00			

4.1.3 Government Fiscal Policy

Table 3 shows that for the statement "Current tax rates are fair and reasonable," the mean response was 4.03, with a standard deviation of 0.652. This low standard deviation indicates strong consensus among respondents, and the mean suggests general agreement. The skewness statistic of -0.029 denotes an almost perfectly symmetrical distribution of responses, while the kurtosis of -0.596 indicates a distribution that is somewhat flatter than a normal distribution.

For the item "Government use of tax revenue influences our willingness to comply," the mean was 4.38 (SD = 0.704), suggesting strong agreement with moderate variability. The skewness value of -0.699 demonstrates a moderate negative skew, meaning responses clustered toward the higher end of the scale, and the kurtosis of -0.706 points to a platykurtic, or relatively flat, distribution.

The statement "Frequent changes in tax policy affect our compliance behavior" had a mean of 4.10 and a notably low standard deviation of 0.536, suggesting little variation around this level of agreement. The near-zero skewness of 0.090 signals symmetry, and the positive kurtosis of 0.444 indicates a distribution slightly more peaked than normal.

For the item "The government's fiscal policy is predictable and stable," the mean was 4.26 with a standard deviation of 0.506, indicating strong consensus in agreement. The positive skewness of 0.357 shows a slight clustering toward the lower end of the agreement scale, and the kurtosis of -0.400 again reflects a flatter-than-normal distribution.

Finally, for "Fiscal transparency by the government encourages us to comply with taxes," the mean response was 4.21, with a standard deviation of 0.603, indicating generally agreed-upon

sentiment with limited dispersion. The skewness of -0.117 is negligible, suggesting symmetry, and the kurtosis of -0.415 corresponds to a platykurtic shape.

Collectively, the high overall mean of 4.20 indicates a positive evaluation, reflected in the low standard deviations across all items, revealing a consistent pattern in which respondents agree that government fiscal actions and characteristics positively influence their tax-related attitudes and behaviors.

Table 3: Government Fiscal Policy

Measurement Scale: 5-Point Likert Scale 1 - Strongly Disagree | 2 - Disagree | 3 - Neutral | 4 - Agree | 5 - Strongly Agree	Mean	Std. Deviation	Skewness	Kurtosis
Current tax rates are fair and reasonable.	4.03	.652	-.029	-.596
Government use of tax revenue influences our willingness to comply.	4.38	.704	-.699	-.706
Frequent changes in tax policy affect our compliance behavior.	4.10	.536	.090	.444
The government's fiscal policy is predictable and stable.	4.26	.506	.357	-.400
Governmental fiscal transparency encourages us to comply with tax obligations.	4.21	.603	-.117	-.415
Mean (General)	4.20			

4.1.4 Income Tax Compliance

Table 4 shows that for the statement, We always file income tax returns on time, " the mean of 4.29 reflects a strong consensus toward agreement, while the standard deviation of 0.907 suggests a moderate spread of responses around that high average. Its negative skewness (-0.621) denotes a concentration of responses toward the higher end of the scale, and the negative kurtosis (-1.508) signals a distribution that is flatter and more platykurtic than a normal distribution.

For the item, we declare all of our firm's taxable income honestly. The mean of 4.09 also signifies agreement, with the smallest standard deviation of 0.705 across all items, implying a notably high level of consensus and low deviation from the mean response. The nearly symmetrical distribution is evidenced by a minimal negative skew (-0.126), and the negative kurtosis (-0.957) further indicates a flatter peak.

Regarding the statement, "We pay the full amount of taxes due without delay," the mean response was 4.02, indicating general agreement, with a moderate standard deviation of 0.879, reflecting some variability in responses. The distribution is left-skewed (-0.843), showing a cluster toward higher scores, and the positive kurtosis (0.264) suggests a slightly more peaked distribution than normal.

The item, We do not engage in any form of tax avoidance schemes, had a mean of 4.04, again indicating respondent agreement with a moderate spread, with the standard deviation 0.820. The negative skewness (-0.734) confirms a pull toward the agreement end of the scale, while the positive kurtosis (0.300) reflects a mild leptokurtic, or peaked, shape.

Finally, for "Our tax compliance is consistent, regardless of audits or inspections," the mean was 4.19, indicating strong agreement with relatively low dispersion (SD = 0.817). The pronounced negative skew (-1.024) reveals a significant accumulation of responses at the high end, and the positive kurtosis (0.914) indicates a distinctly sharper peak in the distribution.

Collectively, the overall mean of 4.13 across all statements confirms that respondents, on average, agreed with the statements about their firm's tax compliance, with distributions typically leaning toward the agreement side of the scale and showing varying degrees of flatness or peakedness.

Table 4: Income Tax Compliance

Measurement Scale: 5-Point Likert Scale **1 - Strongly Disagree | 2 - Disagree | 3 - Neutral | 4 - Agree | 5 - Strongly Agree**	**Mean**	**Std. Deviation**	**Skewness**	**Kurtosis**
We always file income tax returns on time.	4.29	.907	-.621	-1.508
We declare all our firm’s taxable income honestly.	4.09	.705	-.126	-.957
We pay the full amount of taxes due without delay.	4.02	.879	-.843	.264
We do not engage in any form of tax avoidance schemes.	4.04	.820	-.734	.300
Our tax compliance is consistent, regardless of audits or inspections.	4.19	.817	-1.024	.914
Mean (General)	4.13			

4.2 Correlation Results

Legal consciousness had a significant and positive correlation with income tax compliance ($r = 0.529$, $p = 0.000 < .05$). This relationship implies that law firms whose members have a stronger internalized belief in the law's legitimacy and authority are more likely to comply with tax obligations.

A significant and positive correlation was observed between legal technique and income tax compliance ($r = 0.574$, $p = 0.000 < .05$). This finding indicates that firms with greater technical proficiency in navigating legal and procedural requirements are better equipped to accurately fulfill their tax filing and payment obligations.

EdinBurg Peer-Reviewed Journals and Books Publishers
Journal of Finance and Accounting
Vol. 6||Issue 12||pp 38-55||November||2026
Email: info@edinburgjournals.org||ISSN: 2789-0201

Table 5: Correlation Analysis

		Income tax compliance	Legal consciousness	Legal technique
Income tax compliance	Pearson Correlation	1		
Legal consciousness	Pearson Correlation	.529**	1	
	Sig.	.000		1
Legal technique	Pearson Correlation	.574**	.414**	.347**
	Sig.	.000	.008	.000

4.3 Regression Results

Legal consciousness had a significant positive influence on income tax compliance (β = 0.209, p = 0.002). A one-unit increase in legal consciousness increased income tax compliance by 0.209. This confirms that a firm's internalized belief in the law's legitimacy and fairness is a critical motivator for voluntary adherence, serving as an intrinsic driver beyond mere instrumental calculation (Gangl et al., 2015).

Furthermore, legal technique had a significant positive effect on income tax compliance (β = 0.162, p = 0.020). This suggests that a firm's proficiency in navigating procedural and technical legal requirements directly enhances its compliance, with a unit change in legal technique leading to a 0.162 increase in income tax compliance. This underscores the practical importance of tax knowledge and administrative capability in fulfilling complex statutory obligations (Slemrod, 2019).

Table 6: Coefficient Analysis: Direct Effects

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.433	0.317		7.675	0.000
	Legal consciousness	0.213	0.068	0.209	3.074	0.002
	Legal technique	0.167	0.070	0.162	2.314	0.020

a. Dependent Variable: income tax compliance

4.4 Moderation Results

The hierarchical regression analysis examined the moderating effect of government fiscal policy on the relationship between legal consciousness, legal technique, and income tax compliance among law firms in Nairobi, Kenya.

Legal consciousness had a significant positive influence on income tax compliance (β = 0.296, p = 0.000). A one-unit increase in legal consciousness is associated with a 0.296 increase in income tax compliance. This confirms that a firm's internalized belief in the law's legitimacy and fairness is a critical motivator for voluntary adherence, serving as an intrinsic driver beyond mere instrumental calculation.

EdinBurg Peer-Reviewed Journals and Books Publishers
Journal of Finance and Accounting
Vol. 6||Issue 12||pp 38-55||November||2026
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Furthermore, legal technique had a significant positive effect on income tax compliance (β = 0.052, p = 0.000). This suggests that a firm's proficiency in navigating procedural and technical legal requirements directly enhances its compliance, with a unit change in legal technique leading to a 0.052 increase in income tax compliance.

4.4.1 Moderation Graphs

The moderation graph was used to assess the moderating effects of low and high levels of government fiscal policy on the relationships among legal consciousness, legal technique, and income tax compliance among law firms in Nairobi, Kenya.

Moderation graph between legal consciousness and government fiscal policy

Figure 2 illustrates the significant positive moderating effect of government fiscal policy on the relationship between legal consciousness and income tax compliance. The positive slope of both lines indicates a direct positive relationship between legal consciousness and income tax compliance. The steeper slope for high government fiscal policy shows that this relationship is significantly stronger when perceptions of fiscal policy are positive. Conversely, the relationship is hampered when government fiscal policy is perceived poorly. This indicates that government fiscal policy acts as a positive enhancing moderator.

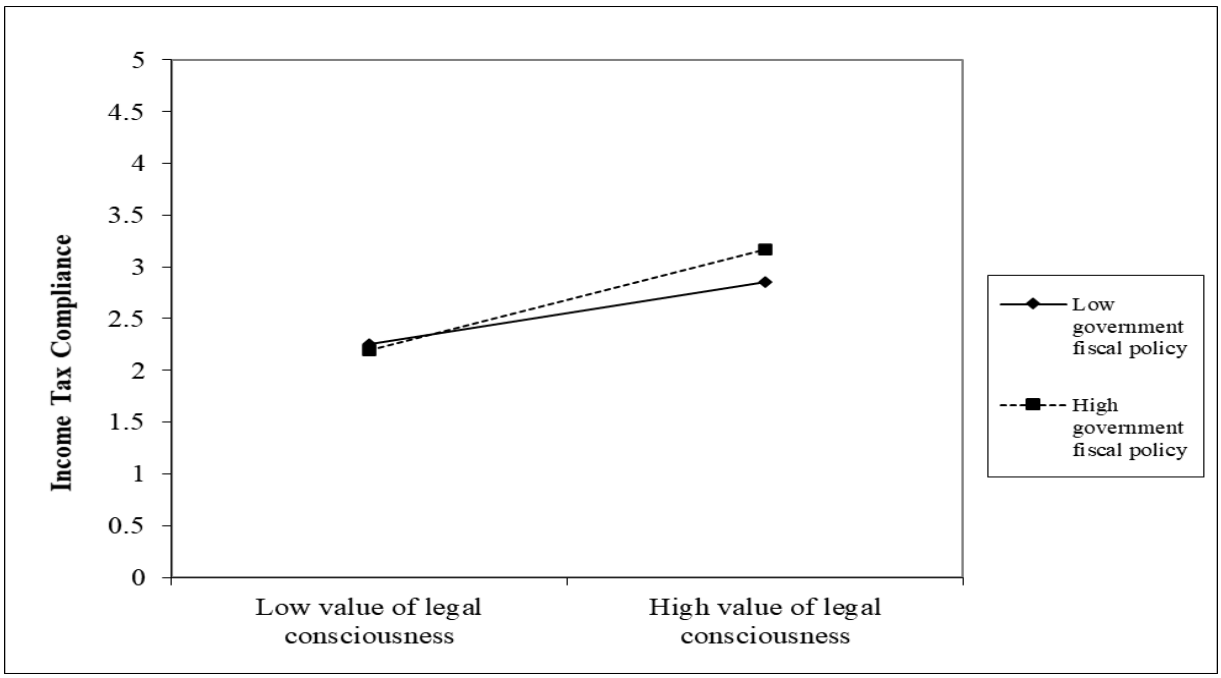


Figure 2: Legal consciousness and government fiscal policy

Moderation graph between legal technique and government fiscal policy

Figure 3: Government fiscal policy acts as a positive moderator in the relationship between the legal technique and income tax compliance. Specifically, the strength (or weakness) of fiscal policy alters the slope of this relationship. Under a high-government-fiscal-policy regime, characterized by robust enforcement and clear fiscal incentives, a high level of legal technique significantly enhances the positive effect on income tax compliance. Conversely, under a low-government-fiscal-policy regime, even a high level of legal technique yields weaker income tax compliance among law firms. Thus, the effectiveness of legal technical provisions in

promoting income tax compliance is strengthened by the concurrent presence of a stringent and active governmental fiscal policy framework.

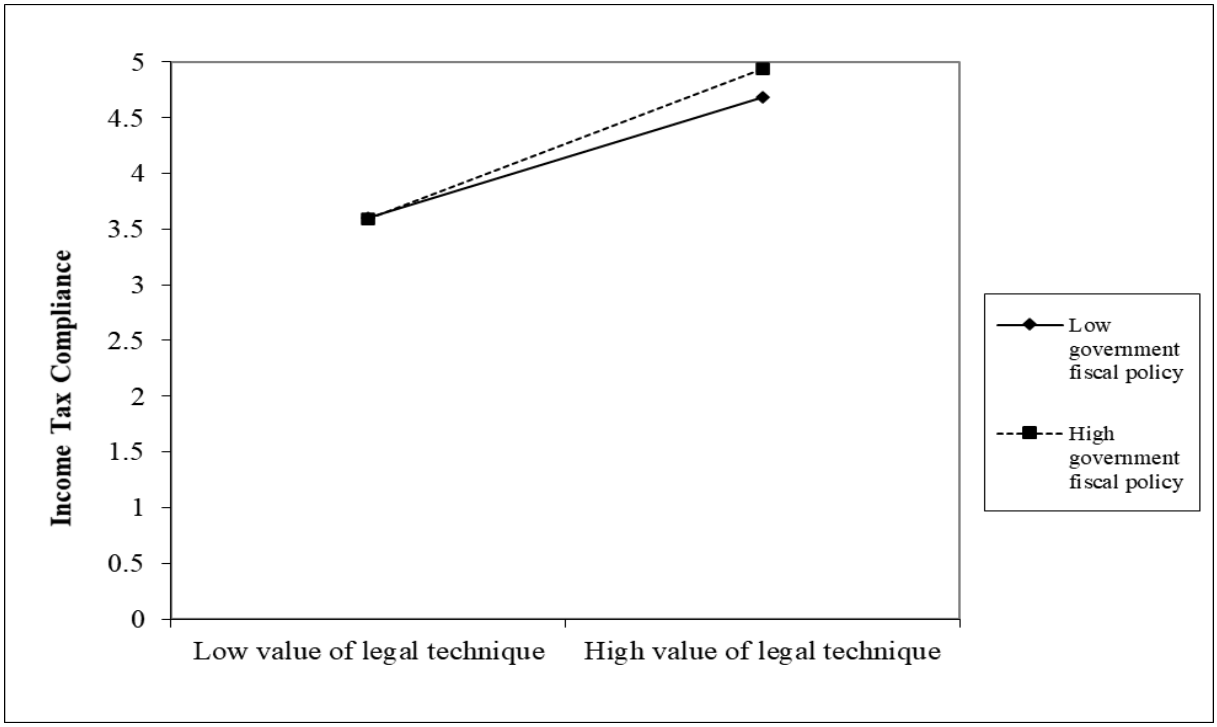


Figure 3: Legal technique and government fiscal policy

5. Conclusion

The first specific objective was to establish the effect of legal consciousness on income tax compliance. The study concludes that a firm's internalized belief in the law's legitimacy and authority has a significant positive effect on income tax compliance. This finding contributes new knowledge by demonstrating that value-based motivation is not isolated; its influence is significantly enhanced within a climate of perceived good fiscal policy. This reveals that the internal duty to comply and the external perception of governmental legitimacy are synergistic forces.

The second specific objective was to investigate the effect of legal technique on income tax compliance. The study concludes that technical proficiency in navigating tax law positively influences income tax compliance. This contributes new knowledge by clarifying that this technical capability is substantially amplified when firms perceive fiscal policy as effective and fair. This indicates that technical competence translates into greater compliance in an environment of institutional trust, moving beyond a mere skills-based perspective.

The study concludes that policy perceptions are not merely a direct driver that systematically enhances positive factors (legal consciousness, legal technique) and mitigates negative factors influencing income tax compliance (ignorance of sanctions). This integrated finding makes a significant contribution to knowledge by proposing a more nuanced income tax compliance model in which institutional trust does not replace, but fundamentally restructures, the dynamics of both inherent motivators and extrinsic deterrents.

6. Recommendations

Given the positive effect of legal consciousness on income tax compliance, policymakers should engage professional bodies such as the Law Society of Kenya to co-create equitable tax guidelines and frame income tax compliance as a professional ethical duty integral to the rule of law.

Given the positive effect of legal technique on income tax compliance, revenue authorities should mandate and support continuous, tailored taxpayer education for professional law firms, ensuring that technical complexity does not impede compliance.

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