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ANALYSIS OF FACTORS INFLUENCING OPTIMAL REVENUE COLLECTION BY COUNTY GOVERNMENTS IN KENYA

A CASE OF NAKURU COUNTY

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Abstract

Effective running of devolved functions requires adequate resources. Currently the larger proportion of county government financial resources is sourced from the national government. This is attributed to the county governments' insufficient capacity to mobilize revenues within their jurisdictions. This study aimed to establish how competence of revenue clerks and tax compliance influence optimal revenue collection. The study was conducted amongst account/financial employees, revenue clerks, and administrative staff of Nakuru county government, Kenya. The study adopted descriptive research design. A sample of 83 respondents was drawn from the target population using stratified random sampling method. A structured questionnaire was administered on the sampled respondents. The questionnaire pilot tested to authenticate its reliability and validity before it was administered in the final study. Both *descriptive and inferential analyses were conducted on the data collected. It was established that there exists a very strong, positive and statistically significant relationship between competence of revenue clerks and optimal revenue collection ($r = 0.823$; $p < 0.01$). The findings, however, revealed that tax compliance only marginally affected optimal revenue collection ($r = 0.65$; $p > 0.05$). It was recommended that county governments should create competitive terms for their staff in order to attract skilled and competitive employees.*

Keywords: county government, county government revenue, optimal revenue collection, revenue clerks, tax compliance

INTRODUCTION

Revenue in form of taxation, excise duties, customs, licenses or other sources is very crucial in ensuring smooth execution of government operations. Regional governments are referred variously depending on the country they are found. In the United States and Kenya they are referred to as county governments, in Uganda they are known as local authorities while in South Africa they are called regional governments. The structure, authority, and mandate of county governments also vary from one country to another. For instance, according to the National Association of Counties (2014), in the United States, there are 3,069 counties which greatly vary in size and population from Loving County, Texas with just 71 residents to Los Angeles, California which is home to 9.2 million people. 48 out of 50 states in that country have operational county governments.

Taxation is one of the leading avenues of revenue collection by governments all over the world. It is asserted that, developed countries have advanced and successful tax policies which enhance revenue collection. Nevertheless, developing countries often have inefficient tax systems which hamper their tax collection efforts (Kayaga, 2007). The author posits that, the sub-Saharan Africa tax structures in terms of tax types and rates have improved in the recent past. The increased overall budget deficits in countries to the south of Sahara reflect insignificant improvement on growth in domestic revenue mobilization after various reforms.

Fjeldstad and Heggstad (2012) examined opportunities and constraints facing local revenue mobilization in Anglophone Africa. They addressed political and administrative limitations that various revenue instruments face and tax compliance by citizens. It was deduced that, as exemplified by numerous cases in Anglophone African countries, mobilization of revenue by local government authorities though necessary, is hitherto inadequate to develop and supply requisite services to the public. Chitembo (2009) noted that, the level of intergovernmental transfers varies widely amongst countries and between urban and rural councils in South and East African countries. It is exemplified that, in Botswana the rural councils and urban councils receive 92 per cent and 62 per cent respectively from the Central Government. In South Africa, the local authorities on average generated 89 per cent from resources within their jurisdictions in year 2007 which implies that they have marginal financial reliance on the National Government. Revenue collection though devolved in several African countries such as Ghana and Uganda while it is centralized in countries like Liberia.

It is cautioned that, considerable devolution of National Government revenue and spending functions to sub-national jurisdictions is likely to affect the Central Government's ability to undertake stabilization and macroeconomic adjustments through the budget (Bird, 2010). It is further opined that, when the regional governments face light budget constraints, the potential of their destabilization increases. Locally, a study was conducted on challenges facing collection of revenue and the effect of the same on service delivery in Naivasha municipal council, Kenya (Ndung'u, 2013). Corruption was identified to be the main challenge that inhibits revenue collection. The employees were also alleged to lack requisite competences for collecting revenue. The scholar recommended that integrating e-government technology and payment would enhance revenue collection. The inculcation of information and communication technologies (ICTs) is thus paramount in ensuring optimal revenue collection. Indeed, the call for transparency by the local governments is exemplified by the legal suit filed by the residents of Karen and Lang'ata. The residents sought to be allowed to desist from remitting "exorbitant" property taxes to the City Council of Nairobi until when the council would improve its service delivery and fiscal transparency (Prichard, 2010). The residents won the case even though the council failed to comply. The property taxes, however, were put in an account out of council's reach for more than 10 years.

In Kenya, there are 47 county governments whose structure, authority and mandate are the same as enshrined in the Constitution. According to the Constitution of Kenya 2010, the clause on revenue funds for county governments states that, there shall be established a Revenue Fund for each county government, into which shall be paid all money raised or received by or on behalf of the county government, except money reasonably excluded by an Act of Parliament (GoK, 2014). As stipulated in the Constitution, the Counties get their revenue from various sources. Taxation and single business permits constitute the core sources across all the Counties. Indeed, according to Sander (2003), Kenya pioneered a single business permit (SBP) licensing system which has become a model that has been emulated and adopted by other countries in the region. SBPs according to the Constitution are issued by the County Governments. In spite of the outlined revenue sources amongst others, the Counties have been facing inadequacies of finances to fund their expenses. Needless to say, therefore, there are factors that influence the revenue collection by County Governments; a reason that necessitated this study.

Statement of the Problem

The Constitution of Kenya 2010 stipulates that several public services should be devolved to the County Governments. Ideally, these governments should finance their operations and/or functions. Since the establishment of the County Governments in Kenya in April, 2013, they have been depending largely on the National Treasury for financial support. This is against the backdrop of their agitation to have more government functions including security to be devolved. The County Governments get their revenue from taxation, permit fees, cess, license fees and other sources. However, their over-reliance on the National Government for funds to a point of calling for a national referendum to have their allocation increased implies that there exists a myriad of challenges in revenue collection at County level.

The foregoing is a huge problem due to the fact that, County Government operations might stall, projects might derail, and even the workforces might resort to go-slow and strikes as it has hitherto been witnessed in a number of Counties. When the County Governments fail to optimally collect requisite revenues, the public will negatively be affected by being denied vital services. As aforesaid, the County Government employees are bound to fail to be adequately remunerated. Moreover, the National Government will be overburdened by the financial demand from the County Governments which will ultimately negate the national economy. Relative to this, it was fundamental to analyze the challenges that hamper optimal revenue collection by County Governments with a view of coming up with findings and recommendation which if and when implemented the County Governments would be financially self-sufficient.

Objectives of the Study

i. To determine the effect of competence of revenue clerks on optimal revenue collection by Nakuru County Government
ii. To assess how tax compliance influences optimal revenue collection by Nakuru County Government

Research Hypothesis

H_{01}: The relationship between competence of revenue clerks and optimal revenue collection by Nakuru County Government is not significant.

H_{02}: Tax compliance does not significantly influence optimal revenue collection by Nakuru County Government

THEORETICAL REVIEW

The Expediency Theory of Taxation

The expediency theory states that every tax proposal must pass the test of practicability. In other words, it must be the only consideration when the authorities are choosing a tax proposal. Economic and social objectives of the state should be treated as irrelevant. This proposition has a truth in it, since it is useless to have a tax which cannot be levied and collected efficiently. There are pressures from economic, social and political groups. Every group tries to protect and promote its own interests and authorities are often forced to reshape tax structure to accommodate these pressures (Bhartia, 2009).

In addition, the administrative set up may not be efficient to collect the tax at a reasonable cost of collection. Taxation provides a powerful set of policy tools to the authorities and should be effectively used for remedying economic and social ills of the society such as income inequalities, regional disparities, unemployment, cyclical fluctuations and so on (Bhartia, 2009). The expediency is relevant to the current study in that, it seeks to explain how practicability of tax proposals could influence revenue collections by County Governments.

Optimal Theory of Taxation

The theory of optimal taxation can be seen as a recipe for minimizing the costs of taxation. The costs already noted are the efficiency costs of a distorted tax system. But the more direct costs of administration and compliance play little or no role in the analyses, and the theories of tax evasion that will be discussed below alert us to some of the important aspects of these costs (Fowler, 2002). So far, the potential gains from using the insights of the tax evasion literature in the study of optimal taxation have not been fully exploited, although for some aspects of taxation the evasion perspective is obviously highly relevant. This is true, at least to some extent, with respect to the degree of progressivity of the personal income tax, and even more so with respect to the interface between personal and company taxation and the degree of differentiation of the indirect tax system. The literature on tax evasion should be seen as a way to bring issues of tax administration into the focus of the theoretical literature on tax design (Ghura, 2006).

The standard theory of optimal taxation posits that a tax system should be chosen to maximize a social welfare function subject to a set of constraints. The social welfare function is based on the utilities of individuals in the societies. In its most general analyses; this literature uses a social welfare function that is a nonlinear function of individual utilities. Nonlinearity allows for a social planner who prefers, for example, more equal distributions of utility (Graham, 2000). To reduce the problem facing the revenue collection, it is often assumed that everyone in society has the same preferences over, say, consumption and leisure. Sometimes this homogeneity assumption is taken one step further by assuming the economy is populated by completely identical individuals. It is important to choose the tax system that maximizes the representative consumer‘s welfare, knowing that the consumer will respond to whatever incentives the tax system provides (Hazel 2005).

EMPIRICAL REVIEW

Competence of Revenue Clerks versus Revenue Collection

According to Baurer (2005), failure to deal with corrupt tax administration employees can create problems for the business community. Bird (2003) argues that, weaknesses in revenue collections occasion inadequate tax collections. Developing countries according to the scholar faces a problem of inefficient tax administration. The foregoing problem is attributed to with insufficient administrative staff with requisite skills, and high level of illiteracy among taxpayers and tax collectors. Kayaga (2010) further notes that, financial constraints has led to hiring of tax officials who lack understanding of the tax laws they are administering, and the concept of the concepts of accounting that are requisite to analyzing returns. The scholar further posits that, the problem of inexperienced and unqualified personnel is aggravated by lack of training facilities and opportunities.

Franzen’s (2007) study conducted in Dar es Salaam, Tanzania indicated that, public officials are more effective as revenue collectors that their private counterparts. Fjeldstad and Haggstad (2012) concluded that, measures are required to improve the accountability of revenue collectors and elected officials. The foregoing, according to the scholars, can only be achieved through political goodwill from the national government. Kayaga (2010) in her study of tax policy challenges in Uganda as one of developing countries opined that, new technology alone is not sufficient if the government does not recognize the need for skilled tax officials. The scholar further avers that, effective tax administration requires qualified tax personnel with requisite skills to maintain these systems and operate them to their fullest potential.

The study on challenges affecting collection of turnover tax in Nairobi County, Kenya (Simiyu, 2010) established that, tax officers accepted bribes when offered to reduce tax liability and demand for bribes when they visited, a situation that hugely affected revenue collection. The foregoing findings concurred with earlier studies (Pashev, 2006; Chiumya, 2006) that noted that, turnover tax was hampered by illegal practices like reduction of deductions and collusion of County Government revenue collectors. Pashev had observed that, indeed, tax administrators colluded with taxpayers to reduce charges in exchange for illegal payments. When quoting Pashev (2005), Simiyu noted that, turnover tax collection is riddled with corruption and collusion among the tax administrators. It is lamented that, lack of clearly defined roles, functions, and duties of public officials creates an enabling environment for abuse. The greater the discretion, the greater the opportunity tax officials have to provide favourable interpretations of government rules and regulations to businesses in exchange for illegal payments (Pashev, 2005).

Tax Compliance versus Revenue Collection

Spiro (2005) noted that, about 40 per cent of American citizens were not tax compliance, especially those drawn from the informal sector. It was argued that the non-compliance was occasioned by lack of requisite knowledge of the tax law by taxpayers, different interpretation of tax law by taxpayers, among other factors. In their study of local government revenue mobilization in Anglophone Africa, Fjeldstad and Haggstad (2012) observed that, consultations and cooperation between the central government revenue administration and local government authorities are generally limited.

It is further exemplified that, in Ghana national tax personnel report that, tax officials at a times persuade citizens to pay local taxes instead of the national taxes (Prichard, 2008). Tax officials from the local authorities, on the other hand, studies indicate that, they lament that the national government officials have monopolized tax collection while at the same time offering very little, if any, administrative support (Fjeldstad & Haggstad, 2012).

It is further indicated that, lack of capacity and poor coordination between the central and local governments lead to only few queries being raised at the central level in respect of local governments' tax proposals. It is also posited that, lack of coordination between the central and local levels has resulted in duplication of taxes and inconsistencies between taxes imposed by local authorities (for instance, high taxes on export crops) and the national government's policy to encourage export production (Fjeldstad & Haggstad, 2012).

A study of the tax systems in Mozambique, Tanzania and Zambia established that, local taxation is still a major constraint on the commercialization of smallholder agriculture and formalization of the small and micro enterprises (SME). In particular, multiple taxes, including fees and charges, make it difficult to enter new businesses and markets. Levies are perceived as exorbitant, often charged upfront irrespective of the size and type of business (Misch et al., 2011). New local taxes, fees and charges are introduced replacing taxes abolished by the government in recent years. The foregoing issues contribute towards undermining the legitimacy of the local tax system, encourage tax evasion and delay the formalization of micro and small scale enterprises. Furthermore, it undermines tax compliance thus enhancing initiatives such as community outreach and taxpayer education.

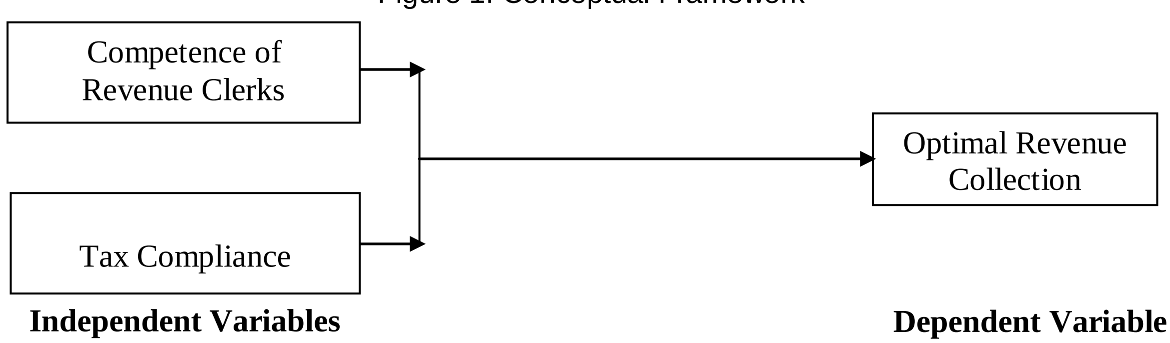
Empirical surveys in both Tanzania and Uganda indicated that, citizens generally appreciate the necessity of taxation to support local service provision. However, citizens were found to choose non-compliance due to lack of confidence in local government (Bahiigwa et al., 2004; Fjeldstad et al., 2009). In addition, Fjelstad et al.'s (2009) study suggested that, in Tanzania people's opinions regarding local taxation may change over time with implications for policy design. The study, further, noted that, people were more positive towards the tax system in 2006 as compared to 2003. The foregoing change was attributed to enhanced service delivery, specifically education, health, and law and order. More so, less oppressive revenue collection was found to have contributed to the increased people's positivity towards taxation. The study, moreover, noted that, citizens were inclined towards non-compliance in tax payment due to corrupt officials, a factor that had eroded their trust in government and government officials. Indeed, there were increased demands by the citizenry on how the revenues collected were employed by the government. Fjelstad and Haggstad (2012) infer that, measures ought to be taken to enhance compliance of taxpayers.

Simiyu (2010) delved into the challenges that affect collection of turnover revenue tax in Nairobi County. In his study, the scholar pinpoints that governments ought to generally simplify tax administration for businesses. This is against the argument that tax compliance costs may slow down the economy. He noted that, taxation of small and micro enterprises (SMEs) faces several key policy challenges. It is averred that, when scaled by sales or assets, the compliance costs of SMEs are higher than those of for large businesses. The scholar while agreeing with Chiumya's study findings indicated that, turnover tax suffered from tax evasion and illegal practices.

Conceptual Framework

The conceptual framework outlines the presumed relationship between the independent variables and the dependent variable as illustrated in Figure 1.

Figure 1: Conceptual Framework



As outlined in Figure 1, there are four independent variables which are competence of revenue clerks and tax compliance. On the other hand, there is one independent variable (optimal revenue collection). The framework illustrates the hypothesized relationship between the aforementioned two sets of variables. That is, competence of revenue clerks and tax compliance are presumed to influence optimal revenue collection by Nakuru County Government.

METHODOLOGY

Research Design

The research design is simply the roadmap of conducting the study. Appropriateness of the design chosen is guided by a number of factors including the topic and objectives of the study, hypotheses, scope among others. The current study adopted descriptive research designs. The design was employed in order to describe the views of the respondents regarding the variables of the study. In tandem with Kothari's (2008) assertions, descriptive study is quantitative in nature.

Target Population

The study was limited to Nakuru County Government staff attached to the revenue collection, accounts/finance and administrative departments. The aforementioned employees are directly or indirectly involved in revenue collection and as such were presumed to be on a vantage position to understand the factors that influence optimal revenue collection by the County Government. In total, there are 398 revenue clerks, 29 accounting/finance officers, and 27 administrative staff. Therefore, the target population comprises of 454 employees of Nakuru County Government.

Sample Design

The first step in this section is deriving the sample size. This was done using Nassiuma's (2000) formula and stratified random sampling which is a form of probability sampling was employed to obtain the sampled respondents from the study population. In probability sampling, the findings are generalizable to the population of the study.

$$n = \frac{NC^2}{C^2 + (N-1)e^2}$$

Where

n = sample size;

N = population size;

C = coefficient of variation which is 50%

e = error margin which is 0.05.

Substituting these values in the equation, estimated sample size (n) will be:

$$n = \frac{454\,(0.5)^2}{0.5^2 + (454 - 1)0.05^2}$$

$$n = 82.10$$

$$n = 83 \text{ respondents}$$

Stratified random sampling was adopted on the reasoning that, the three afforested categories of employees (revenue collectors, accounting/finance officers, and administrative staff) are relatively heterogeneous. The three categories imply three strata. Within each stratum, the respondents were expected to be homogenous. In addition, random sampling was conducted amongst respondents in each stratum. Stratified random sampling is asserted to return less error than simple random sampling (Trochim, 2002), which further justified its pick in the current study.

Research Instrument

A set of structured questionnaires was used to collect primary data from the respondents. This instrument was picked on the basis that it would manage to capture data relevant to the research objectives. In addition, Kothari (2004) asserted that, a questionnaire is one of the most appropriate tools for collecting data from a large number of respondents as is the case with this study. The questionnaire was drafted in a way that it could be employed to objectively collect data that would tally with all the study variables.

Reliability of the Research Instrument

Reliability of a research instrument explains the accuracy and consistency of the measuring tool. All the three variables (competence of revenue clerks, tax compliance, and optimal revenue collection) returned alpha values at least equal to 0.7 and were as such considered reliable.

Validity of the Research Instrument

The process of developing and validating a research instrument is largely focused on reducing error in the measurement process (Kimberlin & Winterstein, 2008). A valid instrument is said to measure what it purports to measure. In this study, validity of the research questionnaire was determined by seeking views of the research supervisors. After both the reliability and validity of the research questionnaire were determined data was collected for the main study.

Data Processing and Analysis

The primary data collected from the field was first cleaned in order to get the response rate. This implies that any questionnaires that were insufficiently filled were deemed unsuitable for the next phase of data processing and analysis. The Statistical Package for Social Sciences (SPSS) tool aided in data processing and analyzing. Data was first analyzed descriptively in form of frequencies, percentages, means, and standard deviations. This was followed by inferential (correlation) analysis. The latter analysis employed the Pearson's correlation coefficient. The findings obtained were presented in form of statistical tables.

DESCRIPTIVE FINDINGS

Competence of Revenue Clerks

Table 1 outlines the level of agreement to propositions on the competence of revenue clerks in Nakuru County Government.

Table 1: Descriptive Statistics for Competence of Revenue Clerks

		n	Min	Max	Mean	Std. Dev
i.	There are elements of corrupt revenue clerks	71	3	5	4.84	.451
ii.	The problem of inexperienced and unqualified personnel is aggravated by lack of training facilities and opportunities in the County	71	3	5	4.68	.536
iii.	There are measures to improve the accountability of revenue clerks	71	3	5	4.61	.554
iv.	Corrupt revenue clerks and tax officials create problems for the business community	71	4	5	4.61	.491
v.	There is inadequacy of skilled and competent revenue clerks in Nakuru county	71	1	5	4.45	1.019
vi.	Financial constraints have led to hiring of revenue clerks who lack understanding of the county government laws	71	3	5	4.42	.560

Respondents strongly opined that there are elements of corrupt revenue clerks and that corrupt revenue clerks and tax officials create problems for the business community. More so, they strongly believed that the problem of inexperienced and unqualified personnel is aggravated by lack of training facilities and opportunities in the County; and that there are measures to improve the accountability of revenue clerks. The foregoing propositions returned means inclined towards 5.00 (strongly agree). In the same breadth, it was established that there is inadequacy of skilled and competent revenue clerks in Nakuru County, and that financial constraints have led to hiring of revenue clerks who lack understanding of the County Government laws. In regard to these statements, the findings returned means that tended towards 4.00 (agree).

Tax Compliance

The study further assessed the level of tax compliance and the opinions of the respondents regarding the same are outlined in Table 2.

Table 2: Descriptive Statistics for Tax Compliance

		n	Min	Max	Mean	Std. Dev
i.	There are several incidence of tax noncompliance in Nakuru county	71	4	5	4.94	.248
ii.	There is duplication of taxes which has encouraged non compliance	71	4	5	4.90	.298
iii.	The county government experience high compliance cost	71	4	5	4.90	.298
iv.	Noncompliance is caused by lack of requisite knowledge of the tax law by the taxpayers	71	4	5	4.74	.441
v.	It's not clear to taxpayers which tax they should pay to the county and national government	71	3	5	4.71	.584
vi.	Lack of clarity in tax payment has led to non-compliance	71	4	5	4.65	.482

The respondents strongly concurred (mean ≈ 5.00) with all propositions on tax compliance in Nakuru County. Therefore, it was strongly admitted that there are several incidence of tax noncompliance in Nakuru County and duplication of taxes which has encouraged noncompliance. As a result the County Government incurs high compliance cost. Noncompliance is caused by lack of requisite knowledge of the tax law by the taxpayers; and there is ambiguity regarding which tax should be paid to the County and National Government. The lack of clarity in tax payment has led to non-compliance.

Optimal Revenue Collection

This section outlines the respondents' views on how administrative capacity, tax compliance, ICT and competence of revenue clerks influence revenue collection as shown in Table 3.

Table 3: Descriptive Statistics for Optimal Revenue Collection

		n	Min	Max	Mean	Std. Dev
i.	Tax compliance enhances revenue collection	71	4	5	4.71	.458
ii.	Competence of revenue clerks affects revenue collection	71	4	5	4.87	.482

The results indicated that indeed tax compliance and competence of revenue clerks strongly (mean ≈ 5.00) influence optimal revenue collection. In other words, Nakuru County Government should ensure that tax compliance and competence of revenue clerks are upheld in order to enhance revenue collection in the County.

INFERENTIAL FINDINGS

In order to relate the various constructs (tax compliance and competence of revenue clerks) to the optimal revenue collection Pearson's correlation analysis.

Effect of Competence of Revenue Clerks on Optimal Revenue Collection

In line with the second study objective, the relationship between competence of revenue clerks and optimal revenue collection in Nakuru County. The findings of correlation analysis are as shown in Table 4.

Table 4: Correlation between Competence of Revenue Clerks and Optimal Revenue Collection

		Optimal Revenue Collection
Competence of Revenue Clerk	Pearson Correlation	.823
	Sig. (2-tailed)	.000
	n	71

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

The correlation analysis results indicated that there exists a very strong, positive and statistically significant relationship between competence of revenue clerks and optimal revenue collection by Nakuru County Government ($r = 0.823$; $p < 0.01$). Therefore, the second null hypothesis "**H_{02}:** The relationship between competence of revenue officials and revenue collection by Nakuru County Government is not significant" was also rejected. The findings indicated that the more competent the revenue clerks are, the more likely revenue collection will be optimized in Nakuru County, and the reverse is true. The findings further underline the essence of the County Government training or hiring competent revenue clerks.

Effect of Tax Compliance on Optimal Revenue Collection

The study also assessed the effect of tax compliance on optimal revenue collection in Nakuru County Government and the results of the assessment are as outlined in Table 5.

Table 5: Correlation between Tax Compliance and Optimal Revenue Collection

		Optimal Revenue Collection
Tax Compliance	Pearson Correlation	.065
	Sig. (2-tailed)	.617
	n	71

The findings revealed that tax compliance only marginally affected optimal revenue collection ($r = 0.65$; $p > 0.05$) in Nakuru County Government. The relationship between the two constructs is not statistically significant even at 0.05 level of significance. Thus, the third null hypothesis "**H_{03}:** Tax compliance does not significantly influence revenue collection by Nakuru County Government" failed to be rejected. The results of the study could be due to lack of clarity and defined taxation structure in the County Governments. This makes it rather difficult to assess how compliance to tax at County level could affect optimal revenue collection.

SUMMARY

It was found that there are elements of corrupt revenue clerks and that corrupt revenue clerks and tax officials create problems for the business community. More so, it was strongly believed that the problem of inexperienced and unqualified personnel is aggravated by lack of training facilities and opportunities in the County; and that there are measures to improve the accountability of revenue clerks. It was also established that there is inadequacy of skilled and competent revenue clerks in Nakuru County, and that financial constraints have led to hiring of revenue clerks who lack understanding of the County Government laws. It was indicated that there exists a positive and statistically significant relationship between competence of revenue clerks and optimal revenue collection by Nakuru County Government ($r = 0.823$; $p < 0.01$).

It was strongly concurred that there are several incidence of tax noncompliance in Nakuru County and duplication of taxes which has encouraged noncompliance. As a result the County Government incurs high compliance cost. Noncompliance is caused by lack of requisite knowledge of the tax law by the taxpayers; and there is ambiguity regarding which tax should be paid to the County and National Government. The lack of clarity in tax payment has led to non-compliance. The findings revealed that tax compliance only marginally affected optimal revenue collection ($r = 0.65$; $p > 0.05$) in Nakuru County Government.

CONCLUSIONS

It is acknowledged that there are some revenue clerks and tax officials working with the Nakuru County Government who are corrupt. More so, it is deduced that lack of training facilities and opportunities has led to inexperienced employees in the County Government. Financial constraints have led to hiring of revenue clerks who lack understanding of the County Government laws. It is further concluded that the importance of competence of revenue clerks and other County officials in revenue collection cannot be understated.

It is concluded that there are several incidence of tax noncompliance in Nakuru County and duplication of taxes which has encouraged noncompliance. It is also deduced that lack of requisite knowledge of the tax law by the taxpayers has resulted in non-compliance. The ambiguity in tax issues at County Government level has led to confusions among citizens who either fall victim to double taxation or fail to comply altogether.

RECOMMENDATIONS

i. It is recommended that County Governments should create competitive terms for their employees in order to attract skilled and competitive employees. More so, County Governments should organize workshops and seminars as part of in-house training with the aim of imparting skills in their workforce.
ii. Taxes payable to County Governments should be distinct from the ones payable to the National Government. The foregoing would reduce tax evasion, non-compliance and also Double Taxation of Citizens.

STUDY LIMITATIONS

The study failed to obtain n personal opinions of the sampled respondents due to lack of open-ended questions in the research instrument. In light of the foregoing, it was ensured that the research questions comprehensively captured the study objectives. There was also a likelihood of the respondents failing to divulge crucial information or being insincere due to fear of being victimized. This limitation was overcome by ensuring that the respondents remained anonymous in that they were not required to indicate their names anywhere on the research instrument.

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