

# Dispute Resolution Mechanisms, Trust and Value Added Tax Compliance among Tax Agents in Nairobi County, Kenya.

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## Abstract

Taxation serves as a crucial source of government income in nearly all nations, enabling the government to provide public goods and services. As a result, tax compliance is essential for economic stability, with tax revenue playing a key role in national development. The main objective of the study was to investigate the moderating influence of trust on the relationship between tax dispute resolution processes and Value Added Tax compliance among tax agents in Nairobi County, Kenya. Specifically, the study aimed to examine the effect of negotiation, internal reviews, and alternative dispute resolution methods Value Added Tax compliance among these agents. The research was grounded in several theories, including the Theory of Optimal Taxation, Conflict Management Theory, the Unified Theory of Acceptance and Use of Technology, and Social Interest Theory. An explanatory research design was utilized for the study, targeting 321 tax agents in Nairobi County, with a final sample size of 178 respondents. Out of 178 questionnaires distributed, 134 were properly filled out and returned, yielding a 75% response rate. The study relied on primary data collected via questionnaires, which was analyzed using descriptive and inferential statistical methods. A multiple linear regression model was employed to determine the strength of the relationships between the independent and dependent variables. The first objective, which explored the effect of negotiation, found a significant positive correlation with VAT compliance ( $\beta = 0.320$ ,  $p < 0.05$ ). The second objective, focused on internal reviews, also showed a significant positive relationship with VAT compliance ( $\beta = 0.009$ ,  $p < 0.05$ ). The third objective, examining alternative dispute resolution, revealed a similarly positive effect on VAT compliance ( $\beta = 0.386$ ,  $p < 0.05$ ). The fourth objective analyzed how trust moderates the relationship between dispute resolution mechanisms and VAT compliance, showing that trust significantly amplifies the effects of negotiation ( $\beta = 0.211$ ,  $p < 0.05$ ), internal reviews ( $\beta = 0.251$ ,  $p < 0.05$ ), and alternative dispute resolution ( $\beta = 0.452$ ,  $p < 0.05$ ). Additionally, factors such as age ( $\beta = 0.235$ ,  $p < 0.05$ ) and education ( $\beta = 0.218$ ,  $p < 0.05$ ) were found to be positively linked to VAT compliance. The study recommended that the Kenya Revenue Authority (KRA) invest in extensive training programs to enhance the negotiation abilities of tax agents. the government should consider implementing policies aimed at training tax agents in effective negotiation and dispute resolution, by investing in skills development programs for tax agents, policymakers can improve interactions between agents and taxpayers, leading to higher compliance rates. KRA should invest in building trust with taxpayers by making dispute resolution mechanisms accessible and equitable. Ensuring that these mechanisms are transparent, fair, and efficient

will reinforce trust, which was found to enhance the impact of negotiation, internal reviews, and ADR on compliance. Future research should explore the influence of the regulatory framework on VAT compliance.

Keywords: Alternative Dispute Resolution, Tax Compliance, Tax Agents

## Introduction

Taxation is the primary source of income to the governments for discharging their duties and providing services to meet the increasing needs of people. Due to the significance of tax in any country, over the time, tax systems have been changed according to the need of various citizens. In Kenya, the government derives either involuntary or compulsory taxes from the citizens including Income Tax, Value Added Tax (VAT), Turnover Tax (TOT), Presumptive Tax for domestic revenue and customs duties on imports. These collected taxes are significant for achieving budgetary objectives (OECD, 2021). A high level of trust towards tax authorities can strengthen their authority, which in turn can make taxpayers more willing to report cases of tax evasion. In contrast, this can have an inverse effect where trust reduces over time, thus weakening the authority of the tax bodies. These links are captured in the Slippery Slope Framework (see Figure 1 below) designed by Kirchler et al. (2019). In two separate studies – Wahl, Kastlunger and Kirchler (2019) and Kastlunger et al. (2019) – different dimensions of trust in and power of tax bodies have been related in five selected countries (Austria, Germany, Switzerland, the Netherlands and the US), showing that both power of tax bodies as well as more general trust in them are helpful for tax compliance. The contribution of trust and power in improving tax compliance is emphasised by Kirchler (2019), who points out that – in his opinion – they make voluntary tax compliance or enforced compliance more likely, both of which are relevant to revenues received by tax bodies. Figure 1: The Slippery Slope Framework; red arrows indicate positive, black arrows negative relations. A fundamental distinction between voluntary and enforced acceptance of taxes has to be made at this point. Usually, taxpayers do indeed voluntarily comply with paying taxes. However, there can be situations or policy measures that worsen the perception of this acceptance in the relationship with taxpayers. These cases are characterised as enforced compliance. For instance, tax authorities can exploit special mechanisms such as a national identity number or even a reference number on tax invoices that forces taxpayers to comply with paying the taxes and filing returns.

Riahi-Belkaoui (2021) reports, at the global scale, that the countries with the most compliant communities of taxpayers are Singapore, New Zealand, Australia, the UK and Hong Kong, while some European countries – Italy, Sweden, Turkey, Portugal and Poland – have some of the lowest. Despite Riahi-Belkaoui's helpful findings, his measures are

arguably unreliable, because they are based on highly subjective indicators that differ across countries. Nevertheless, his conclusions are now a reference point in the study of tax compliance. Broadly speaking, in New Zealand, there are two contexts in which tax disputes arise. In both contexts, there is a disagreement between a taxpayer and Inland Revenue over tax having been charged or assessed. The first context occurs when there is an audit or investigation carried out under the Tax Administration Act 1994 (TAA 1994). This can then lead to a tax dispute because, although a taxpayer has been formally advised of an assessment or charge to tax, the taxpayer disagrees with the amount of the assessment or charge. The second context in which a tax dispute can arise is a more obvious case of disagreement. In this context, the taxpayer and New Zealand Inland Revenue disagree about the appropriate tax position, looking primarily at what has been reported and not just at what has actually happened. State-by-state and country-by-country, the details of what tax disputes look like and how they are handled might differ. However, there are fundamentally two legal types of tax disputes. The first is a disagreement about the technical application of the law to the facts of the situation. For example, there might be a dispute over whether an item or transaction should be considered income under the relevant statutory provisions. This is akin to the first context in New Zealand. The second example is another type of tax dispute where, despite everyone being aware of all relevant facts and taking a 'real' or a 'realistic' view of the situation, there is still disagreement about how to interpret tax law. For example, there might be disagreement about whether the threshold for paying taxes has been crossed when there is no doubt about whether some income has been earned or not. In the context of a region, the government of Ethiopia is not minting money fast enough to boost economic growth. It has taken reform measures such as taxation with the objective of increasing revenue, administrative efficiency, and also equitability in the taxation system. The study conducted by Belay (2021) shows that the trajectory of cumulative tax revenue collection in Ethiopia has been irregular as it has been all over place with some years recording increases in revenue/tax collection and some years showing decrements in revenue/tax collection.

In Nigeria, the Tax Appeal Tribunal (TAT) and the courts both have the authority to decide tax issues. The Federal Republic of Nigeria's 1999 Constitution and the Taxes and Levies (Approved List for Collection) Act (LFN 2008) serve as guidelines for the assessment and collection of taxes by the federal, state, and municipal governments. Depending on whether the tax in question is a federal, state, or local tax, as

well as in some cases, the taxpayer's status and place of residence, different courts have jurisdiction over tax disputes (Olumide, 2020). To comprehend the causes of evasion, various research projects were undertaken in Kenya (Marti 2020; Pope Abdul-Jabbar 2018; Ouma et al. 2017; Kirchler 2019). The issue of evasion still exists despite the amazing work and findings of the research. Rich tax policy, low compliance, and ineffective tax administration are the main causes of the high rate of tax evasion in developing nations, according to a large body of evidence (GIZ 2010). However, not all of the contributing elements to tax evasion are understood because taxpayer knowledge, perceptions, and the cost of compliance have not been taken into account in study on the subject. Following the release of a report by the KRA in 2012, which revealed that nearly 40% of taxpayers were not fulfilling their tax-related obligations, steps were taken to reinforce the current income tax legislative framework. Since the 1973 passage of the Income Tax Act, Kenya has had an income tax system.

A change has occurred in the direction of resolving tax issues more quickly, impartially, and effectively. This includes the use of quick dispute resolution procedures like Independent Review of Objections (IRO) reviews and Alternative Dispute Resolution (ADR). Additionally, by dividing the assessment stage from the post-assessment disputes stage, the Commissioner General has given the Commissioner for Tax Dispute Resolution the authority to decide the outcome of post-assessment disputes, speeding up and centralizing the process. These reforms have, furthermore, sought to ensure that the overall dispute resolution mechanism is transparent and simple.

#### Statement of the Problem

Tax is a compulsory levy imposed by the government with no direct benefits or returns expected by the taxpayer (Parameswaran, 2019). The issue of tax compliance has gained significant attention from researchers over the past two decades due to the rising problem of tax non-compliance and its impact on the government's ability to generate revenue. Non-compliance with tax regulations remains a persistent global challenge, especially in developing nations, where domestic tax revenues are severely impacted by widespread tax evasion and avoidance (IMF, 2021; McKerchar & Evans, 2019). According to the KRA seventh corporate plan, a key priority was improving revenue collection through enhanced tax compliance (KRA, 2018). To achieve revenue self-sufficiency, KRA has implemented several initiatives aimed at improving public trust and making it easier for taxpayers to comply. However, despite these efforts, tax compliance in Kenya remains low, and the authority has consistently failed to meet its compliance targets in recent financial years.

KRA has undertaken various reforms to increase tax compliance but has still struggled to meet its revenue targets, particularly with regard to VAT. VAT is one of the key contributors to government revenue, accounting for an average of 12% over the past two financial years. For example,

in the 2019/2020 financial year, VAT revenue dropped from KSh 464.2 billion in 2018/2019 to KSh 380.8 billion (KRA, 2020). In the 2020/2021 financial year, VAT collections totaled KSh 478.2 billion, falling short of the target of KSh 484.2 billion. These revenue shortfalls are attributed to tax non-compliance. As a result, the government struggles to provide essential public services such as security, healthcare, education, clean water, improved housing, and infrastructure development. The government's capacity to reach its revenue targets has been called into question by this recurring difficulty, highlighting the need for additional research. Numerous facets of tax compliance have been the subject of prior research. For example, Kashindi (2021) investigated the efficiency of tax dispute systems when examining tax dispute resolution in Kenya. In Lagos State, Nigeria, taxpayer education plays a crucial role in boosting VAT compliance. Olowookere and Fasina's 2019 study found that education greatly increases compliance. There is a contextual gap, though, as the current study concentrates on Kenya, whereas this research was carried out in Nigeria.

Furthermore, Kanyi (2019) evaluated the tax dispute resolution system's architecture in Kenya. These studies have shown a study gap concerning the interaction between negotiation, internal reviews, alternative dispute resolution, and the function of trust in moderating the relationship between vat tax compliance and dispute resolution mechanism. This study aims to address this gap by examining the moderating effect of trust on the relationship between dispute resolution mechanisms and vat tax compliance among tax agents in Nairobi County, Kenya.

#### Research Objectives

The objectives were categorized into general objective and specific objectives

##### Main Objective

The main objective of the study was to establish the moderating effect of trust on the relationship between dispute resolution mechanisms and VAT compliance among tax agents in Nairobi County, Kenya

##### Specific Objectives

The specific Objectives of the study were;

To determine the effect of negotiation on VAT compliance among tax agents in Nairobi County, Kenya

To establish the effect of internal reviews on VAT compliance among tax agents in Nairobi County, Kenya

To analyze the effect of alternative dispute resolution on VAT compliance among tax agents in Nairobi County, Kenya

To establish the moderating effect of trust on the relationship between negotiation, internal reviews, alternative dispute resolution and VAT compliance among tax agents in Nairobi, Kenya

#### Literature Review

##### Theory of Conflict Management

This theory was propounded by Blake and Mouton in 1964. The theory explained styles for handling interpersonal conflicts into five types: forcing, withdrawing, smoothing, compromising, and problem solving. In the 1970's and 1980's, researchers began using the intentions of the parties involved to classify the styles of conflict management that they would include in their models. The model based on the concerns of the parties involved in the conflict. The combination of the parties concerned for their own interests (that is, assertiveness) and their concern for the interests of those across the table (that is, cooperativeness) would yield a particular conflict management style. Pruitt (2013) called these styles yielding (low assertiveness/high cooperativeness), problem solving (high assertiveness/high cooperativeness), inaction (low assertiveness/low cooperativeness), and contending (high assertiveness/low cooperativeness).

Pruitt (2013) adds that the problem-solving is the preferred method when seeking mutually beneficial options. Lisa (2018), adds that the principles of conflict management is applicable where tax payers and tax collector (KRA), where there is need to maintain regular relationship between the two parties. The relevance of the theory to the study is that it stresses on ways of handling tax disputes between tax payers and tax administrator such as internal tax review, tax appeal tribunal and alternative dispute resolution in an economy.

#### Unified Theory of Acceptance and Use of Technology

Venkatesh et al. (2003) developed the unified theory of acceptance and use of technology. The theory suggests that expectation of success, expectation of effort, and social effect predict behavioral purpose towards the adoption of information technology. The theory also indicates that the facilitation of situations and behavioral intent predicts the use of actions in the adoption of information technology. The theory was built on the basis of social cognitive theory with a combination of eight prominent research models of acceptance of information technology (IT) using four core determinants of use and purpose (performance expectation, effort expectation, social influence and facilitating conditions) along with four main relationship moderators (gender, age, experience and voluntary use).

The definition applies to the effect of tax dispute resolution and VAT tax compliance, although the model has been mainly used in the adoption of the information system. Efficiency expectancy, which also involves anticipated benefits, effort expectancy, which covers the presumed ease of use, and facilitating factors such as the degree of knowledge, are the key points of the theory that applies to the present research. The theory was particularly applied to explain the perceived ease of use of tax dispute resolution. This hypothesis was used in that sense to anchor the study and expound on the study's results.

#### Social Interest Theory

This theory was formulated by Rudolph von Jhering in 1913. The theory argues that the sole purpose of the law is not to protect individual liberty but to bring about equilibrium the individual principle and the social principle. It further explains that the law should be seen as the realized partnership of the individual and the society. It finally adds that the law served

to coordinate the individual interests and reconcile them with the societal interests in order to minimize conflict. From a tax dispute resolution and administration point of view, an argument can be made in that reliance on formal dispute resolution mechanisms by tax administrators has often resulted in perpetuation of conflict. This is because formal dispute resolution mechanisms are adversarial by nature and are not effective in conflict resolution because they have complex legal technicalities, are prone to delays and are expensive. Tax dispute resolution mechanisms such as internal tax review, tax appeal tribunals and ADR increase accessibility to justice since they are flexible, informal, cost-effective, expeditious, efficient, they foster parties' relations and produce win-win outcomes (Mishra, 2017). Adoption of these approaches in tax dispute resolution therefore sits well with the theory of social interest. Through inclusion of tax dispute approaches in tax legislation and policy, the interests of the taxpayer as well as those of the society (acting through tax administrators) are carefully coordinated and as a result, conflict is minimized (Oliver, 2020).

#### Conceptual Framework

### Research Methodology

#### Research Design

A research design serves as a detailed plan for achieving the study's goals. This particular study will utilize an explanatory research design, chosen due to its well-organized structure and clearly defined research questions (Kothari, 2004). The focus was on examining how one variable impacts or leads to changes in another. Explanatory research was employed to explore the effects of tax dispute resolution mechanisms and taxpayer trust on VAT compliance among tax agents in Nairobi County. This design was instrumental in gaining insights into the phenomenon by identifying and quantifying the causal relationships between the variables.

#### Target Population

The target population, according to Williamson (2015), is the entire collection of elements that have one or more things in common. In a similar vein, Mugenda & Mugenda (2008) define a study population as a unique collection of people or things with comparable characteristics. Consequently, everyone or everything within a given population typically shares a unifying attribute or feature. In this study, the focus was on 321 agents based in Nairobi County.

Table 3.1: Target Population

Department	Target Population
Agents	321
Total	321

Source: (Kenya Revenue Authority, 2024)

#### Sampling Technique and Sample Size

Researchers can draw inferences about the population as a whole by analyzing a sample, which is a fraction of the population (Sekaran, 2003). The Yamane formula was used to determine the sample size for this investigation. Since the formula presupposes a normal distribution, it can be assumed that taxpayers were distributed normally with respect to the

variables under investigation. Furthermore, by accounting for predetermined degrees of risk and confidence, the Yamane formula enables the selection of a sample that precisely represents the population.

The sample size was calculated by the formula advanced by Yamane (1967).

$$n = N / (1 + N * (e)^2)$$

Where:

n = Sample Size

N = Target Population

e = Level of Significance (5%)

Therefore

$$n = 321 / (1 + 321 * 0.05 * 0.05)$$

$$n = 178$$

Table 3.2: Sample Size

Item	Target Population	Sample Size
Agents	321	178
Total	321	178

#### Data Collection Instruments

These instruments are utilized by researchers to gather data throughout the research process (Dron & Anderson, 2007). This study employed semi-structured questionnaires based on a five-point Likert scale to collect information from tax agents in Nairobi County. Glen (2017) defines a questionnaire as any written instrument that asks respondents to reply to a series of statements or questions by either writing down their answers or making a selection from pre-given options. McLeod (2018) describes a questionnaire as a tool comprised of various questions and prompts aimed at collecting information from participants.

One of the primary benefits of using questionnaires is the ability to collect a significant amount of data from a large group of individuals quickly and cost-effectively. The questionnaire used in this study included three main sections: Section A gathered demographic data, which served as control variables; Sections B, C, and D contained questions related to the independent variables; Section E focused on the dependent variable; and Section F addressed the moderating variable. All questions were closed-ended.

Additionally, the data collection process can be executed by the researcher with minimal impact on its validity and reliability. The results can be easily quantified, either manually or through software. The questionnaires were structured using a Likert scale ranging from 1 to 5.

#### Data Collection Procedure

The data was collected from primary sources using questionnaires. Questionnaires was one of the tools of collecting data in this study because the phenomena that this study intends to analyse cannot be directly observed. Hence, questionnaires fit into this category. For the approval of the data collector, permission was obtained from Moi University and the National Commission for Science, Technology, and Innovation (NACOSTI). The questionnaires were self-administered. Self-administered surveys are frequently used to build rapport with respondents (tax agents), as well as to better address questions made by respondents immediately (Sasaka,

Namusonge, and Sakwa, 2014). The goal of the study and the process for completing the questionnaires were briefly explained to the respondents.

#### Cronbach's Alpha N of Items

VAT compliance	0.981	5
Negotiation	0.813	5
Internal reviews	0.815	5
Alternative dispute resolution	0.710	4
Trust	0.867	5

Table 3.4: Reliability Test Construct wise

(Source: Research 2024)

#### Validity of Research Instrument

Mugenda and Mugenda (2019) describe validity as the degree to which the findings derived from analyzing primary data accurately reflect the phenomenon being examined. In a similar vein, validity is defined by Veal and Darcy (2017) as the degree to which the data collected by the researcher accurately represents the topic being studied. Content, construct, face, and criteria validity are among the different kinds of validity. Content validity was used in this investigation. The validity of the data collection tool was evaluated through a discussion with the supervisor, who provided insightful criticism, revisions, and ideas that helped to validate the research instrument. Additionally, factor analysis was conducted to further assess validity.

Table 3.5: Convergence Validity

	VATC1	VATC2	VATC3	VATC4	VATC5
VATC1	1.000	.874	.943	.894	.876
VATC2	.874	1.000	.940	.913	.951
VATC3	.943	.940	1.000	.915	.909
VATC4	.894	.913	.915	1.000	.937
VATC5	.876	.951	.909	.937	1.000
	NEG1	NEG2	NEG3	NEG4	NEG5
NEG1	1.000	.800	.768	.795	.088
NEG2	.800	1.000	.897	.852	.068
NEG3	.768	.897	1.000	.933	.125
NEG4	.795	.852	.933	1.000	.116
NEG5	.088	.068	.125	.116	1.000
	IR1	IR2	IR3	IR4	IR5
IR1	1.000	.928	.890	.778	.625
IR2	.928	1.000	.962	.752	.605
IR3	.890	.962	1.000	.724	.595
IR4	.778	.752	.724	1.000	.691
IR5	.625	.605	.595	.691	1.000
	ADR1	ADR2	ADR3	ADR4	
ADR1	1.000	.886	.865	.873	
ADR2	.886	1.000	.889	.866	
ADR3	.865	.889	1.000	.945	
ADR4	.873	.866	.945	1.000	
	TR1	TR2	TR3	TR4	TR5
TR1	1.000	.209	.217	.195	.112
TR2	.209	1.000	.918	.813	.753
TR3	.217	.918	1.000	.883	.769
TR4	.195	.813	.883	1.000	.846
TR5	.112	.753	.769	.846	1.000

a. Determinant = .000

(Source: Research 2024)

### Data Analysis and Presentation

Kothari (2018) describes data analysis as the process of organizing collected information, arranging it systematically, and structuring its core components to ensure the findings can be communicated clearly and effectively. Following the collection of the required data, the data had to be edited, coded, and tabulated. Descriptive and inferential statistics were used in the analysis. While correlations, ANOVA, and regression analysis were used in inferential statistics, mean and standard deviation (SD) calculations were used in descriptive statistics. A multiple regression model was applied to predict the impact of independent variables (X1, X2, X3) and the moderating variable on the dependent variable (Y), which in this case was VAT compliance. To achieve this, three multiple regression models were employed for hierarchical testing of the variables.

### Model Specification

This study adopted linear regression model stated as follow:

$$Y = \alpha + C + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \text{ Where;}$$

Y = VAT Compliance

$\alpha$  = Constant (Coefficient of intercept)

C = Control variable

X1 = Negotiations

X2 = Internal Reviews

X3 = Alternative dispute resolution

$\varepsilon$  = Error Term

$\beta_1, \dots, \beta_3$  = regression coefficient of the independent variables

### Test for Moderation

A moderating variable is a variable that intervenes in the relationship between dependent variable and independent variable. Moderation in statistics and regression analysis can be described as the third variable interaction, where a relationship between two variables is not constant, but is contingent on a third variable. This third variable is called interaction term or moderator variable. The effect of moderation variable can be defined statistically as interaction term or conditional effect. The proposed moderation was tested with a hierarchical model regression. As Anderson (1986) stated, this model will help to explain how taxpayer trust intensifies the relationship between tax dispute resolution instrument and tax compliance. The study used hierarchical regression model stated as follow:

X1\*M= negotiation\* taxpayer trust

X2\*M= internal reviews \* taxpayer trust

X3\*M= alternative dispute resolution \* Compliance cost

The hierarchical model equations are specified below (ii)

Equation (ii)

$$Y = \alpha + C + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 M + \varepsilon$$

Equation (iii)

$$Y = \alpha + C + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + M + M*X_1 +$$

$\varepsilon$

Equation (iv)

$$Y = \alpha + C + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + M + M*X_1 + M*X_2 + \varepsilon$$

Equation (v)

$$Y = \alpha + C + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + M + M*X_1 + M*X_2 + M*X_3 + \varepsilon$$

Equation (vi)

$$Y = \alpha + C + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + M + M*X_1 + M*X_2 + M*X_3 + M*X_4 + \varepsilon$$

Where:

Y = Tax compliance.

$\alpha$  = constant

$\beta_1, \dots, \beta_3$  = Coefficients of independent variables

X1 = Negotiations

X2 = Internal reviews

X3 = alternative dispute resolutions

M = Moderating Variable (Taxpayer trust)

$\varepsilon$  = error term

### Regression Assumption Tests

Diagnostic tests are frequently carried out in scientific research with the aim of analyzing the correctness of the diagnostics in order to quantitatively quantify the impact of any errors in the study design (Lijmer et al., 1999). To guarantee the validity of the research findings, five diagnostic tests will be carried out for this study before the data is analyzed. These tests include linearity, autocorrelation, heteroscedasticity, multicollinearity, and normality evaluations.

Table 3.6: Measurement of study variables

Table 3.1: Measurement of study variables					
Variables	Indicators	Source	Instrument		
Measure Model					
Independent variables					
Negotiation					
Direct/Indirect communication					
Agreement					
Win/Win solution					
scale	Tabasuma (2020)	Questionnaires	5-point	Likert	
	Multiple regression analysis				
	Internal Reviews	Transparency			
	Independence	Maple and Jones (2021)			
	Efficiency				
analysis	Questionnaires	Multiple		regression	
	5-point Likert scale				
	Alternative dispute resolution	Sensitization			
	Referral by third parties				
	Knowledge of ADR Process & procedures				
Hussin and Ismail (2015)					
analysis	Questionnaires	Multiple		regression	
	5-point Likert scale				
	Control variables				
	Age				
	Education level				
Moderator					
Trust					
categories					

categories			
Trust in tax authority			
Trust in government			
Torgler, 2018			
Smith & Johnson, 2019			
Kirchler (2019)	Questionnaires		
Questionnaire	5-point Likert scale		
5-point Likert scale	Multiple regression analysis		
Multiple regression analysis			
Dependent variable			
VAT compliance	Registration uptake		
Tax payment			
Tax filing	KRA (2021)		
Questionnaires			
5-point Likert scale	Multiple	regression	
analysis			

Data Analysis, Presentation and Interpretation

Response Rate

The response rate in research is an indicator of participant involvement and the dependability of the gathered data. It is calculated by dividing the number of completed survey responses by the total number of individuals invited to participate. A higher response rate enhances the study's accuracy and its applicability to real-world situations. A response rate of 65% or higher usually results in satisfactory outcomes. In this study, 134 out of 178 distributed questionnaires were completed and returned correctly, achieving a 75% response rate. Figure 4.2 summarizes the demographic and other relevant details of the respondents. A 25% non-response rate, as observed in this study, suggests that a significant portion of the distributed questionnaires were not completed or returned. There are several potential reasons for this level of non-response. First, respondents may have lacked the time or interest to complete the survey. Many individuals face busy schedules or may find the subject matter unengaging, leading them to disregard the survey. This is a common challenge in voluntary surveys, where participants are not obligated to respond.

Another possible reason is survey fatigue. If the questionnaire was long, complex, or required considerable effort, some respondents may have abandoned it midway. Surveys that require too much time or thought can deter people

from completing them. In addition, misdelivery or loss of questionnaires could have contributed to the non-response. If physical questionnaires were distributed, logistical issues might have led to incomplete distribution, causing some individuals to never receive the survey.

Privacy concerns also play a role in non-responses. Respondents may have been uncomfortable sharing personal or sensitive information, especially if the survey required disclosure on private matters. Even with assurances of confidentiality, the fear of personal information being misused can deter participation. Furthermore, response bias could be at play. Certain groups, particularly those with strong opinions or more relevant experiences, might have been more motivated to respond, leaving out those with less interest or confidence in participating, which can skew the results.

To address this non-response rate, several remedial measures could be implemented. Follow-up reminders are one effective strategy. By sending additional emails or making phone calls to non-respondents, the importance of their participation can be emphasized, increasing the chances of obtaining a completed survey. Offering incentives, such as gift cards or entry into a raffle, can also boost response rates. People are often more motivated to participate when they feel there is a tangible reward for their time.

In addition, simplifying the questionnaire can help encourage participation. Reducing the length and complexity of the survey or breaking it into smaller sections can make it less daunting for respondents. Clear, concise questions will make the process more user-friendly, which may lead to a higher completion rate. Addressing privacy concerns is equally important. Ensuring respondents that their data remain confidential and explaining how the information was used alleviated fears and encourage more people to participate.

Offering multiple modes of response, such as online, phone, or in-person options, can also improve response rates. Online surveys, in particular, offer convenience and flexibility, allowing respondents to complete the survey at their convenience. Finally, targeted follow-up for specific demographic groups with lower response rates could be another effective measure. Personalized communication or adjustments in how the survey is presented to these groups could help encourage their participation.

By addressing the reasons behind the 25% non-response rate and implementing these strategies, future studies can reduce non-responses and improve the representativeness of the sample.

Figure 4.1: Response Rate  
(Source: Research 2024)

Demographics Analysis

Demographics analysis was conducted for age and education level Table 4.3 revealed that individuals aged 30 to 40 years were distributed across various education levels, with the highest representation holding primary certificates (n = 13), followed by those with diplomas (n = 11), undergraduate degrees (n = 10), and postgraduate qualifications (n = 3). This age group had a total of 37 individuals. For the age group of

41 to 50 years, the distribution was more balanced across education levels, with an equal number of individuals holding primary certificates (n = 6), diplomas (n = 4), and undergraduate degrees (n = 8), but slightly higher representation in postgraduate education (n = 6). This group totaled 24 individuals. Participants aged 51 to 60 years showed a noticeable trend towards holding diplomas (n = 12), followed by primary certificates (n = 8), undergraduate degrees (n = 6), and postgraduates (n = 4), totaling 30 individuals.

Among those aged above 60 years, the distribution favored postgraduate education (n = 8), followed by primary certificates (n = 7), diplomas (n = 5), and undergraduate degrees (n = 3). This age group included 23 individuals.

Lastly, individuals below 30 years exhibited an even distribution across education levels, with the number of individuals holding diplomas and postgraduates (n = 6 each), primary certificates (n = 4), and undergraduate degrees (n = 4). This age group had a total of 20 participants. In general, the table indicated a varied distribution of education levels across different age groups, with primary certificates being the most common among the 30 to 40 and above 60 age groups. Diplomas were predominant in the 51 to 60 age group, while postgraduate education was relatively high in the above 60 age group. The total number of participants was 134, spread across different age and education categories.

Table 4.3: Demographics Analysis

Age	Education Level				Total
	Diploma	Postgraduate	Primary	Certificate	
30 to 40 years	11	3	13	10	37
41 to 50 years	4	6	6	8	24
51 to 60 years	12	4	8	6	30
Above 60	5	8	7	3	23
Below 30 years	6	6	4	4	20
Total	38	27	38	31	134

(Source: Research 2024)

#### 4.5 Descriptive Statistics

Descriptive statistics involve a range of specialized techniques primarily used to assess, describe, and summarize research data, ensuring that the information is presented in a clear, informative, and efficient way. The Standard Deviation (SD) measures the amount of variation or dispersion in the responses. A lower standard deviation indicates that the responses are closer to the mean, while a higher standard deviation suggests more variability in responses. Skewness refers to the degree of asymmetry in the distribution of responses. A skewness value of zero indicates a perfectly symmetrical distribution, while negative or positive skewness indicates a left or right skew, respectively. Kurtosis measures the tailedness of the distribution, indicating whether the data

are heavily concentrated around the mean or more spread out. A kurtosis value of zero represents a normal distribution, while positive or negative values suggest more or less concentration of responses in the tails, respectively.(Nicholas, 2006)

##### 4.5.1 Descriptive statistics on Negotiation

The descriptive statistics for Negotiation responses were summarized on table 4.4

"Negotiation is commonly used as a dispute resolution mechanism between taxpayers and KRA officials," the mean score was 4.06 (SD = 0.811), suggesting that respondents generally agree with this statement. The skewness of -0.196 indicates a slight leftward skew, implying that most responses were clustered toward the higher end of the scale. The kurtosis of -1.227 denotes a relatively flat distribution, showing that responses were spread out more broadly than a normal distribution. The item "Negotiation between parties includes both direct and indirect communication" received a mean score of 4.03 standard deviation of 0.867, which also reflects general agreement among respondents. The skewness of -0.199 suggests a similar slight leftward skew, and the kurtosis of -1.319 indicates a flatter distribution compared to normal. For the statement "Negotiation allows the parties to agree to an outcome which is mutually satisfactory," the mean score was 4.01 and a standard deviation of 0.832), signalling agreement. The skewness of -0.028 suggests a near-symmetrical distribution, while the kurtosis of -1.555 reveals a relatively flat distribution, similar to the previous items. The item "Negotiation ensures that the parties arrive at a 'win-win' solution to the dispute at hand" had a mean score of 4.00 (SD = 0.804), indicating agreement. The skewness of 0.000 shows a perfectly symmetrical distribution, and the kurtosis of -1.451 implies a flatter distribution than normal. Lastly, for "A negotiated settlement can be recorded in the form of an agreement," the mean score was 3.92 (SD = 0.805), suggesting that respondents slightly agree with this statement. The skewness of 0.063 indicates a nearly symmetrical distribution, and the kurtosis of -1.250 denotes a flatter distribution than the normal curve. Overall, the aggregate mean score for the negotiation items is 4.00400, reflecting a general agreement among respondents that negotiation is a beneficial and effective mechanism for dispute resolution. The skewness values across items indicate a tendency toward higher agreement, while the kurtosis values suggest relatively flat distributions for the responses.

Table 4.4: Negotiation

Items	N	Mean	Std. Deviation	Skewness	Kurtosis
Negotiation is commonly used a dispute resolution mechanism between taxpayers and KRA officials.	134	4.06	.811	-.196	-1.227
Negotiation between parties includes both direct and indirect communication		4.03	.867	-.199	-1.319
Negotiation allows the parties to agree to an outcome which is mutually satisfactory		4.01	.832	-.028	-1.555



Negotiation ensures that the parties arrive at a “win – win” solution to the dispute at hand. 4.00 .804  
.000 -1.451

A negotiated settlement can be recorded in the form of an agreement 3.92 .805 .063 -1.250  
Aggregate Mean 4.00400

(Source: Research 2024)

#### 4.5.2 Descriptive statistics on Internal Reviews

The descriptive statistics for internal reviews responses were summarized on table 4.5. For the item, "The outcome of the internal review process is not final and may be appealed in a court of law," the mean score was 4.04 (SD = 0.862), indicating that respondents generally agree with the statement. The skewness of -0.215 suggests a slight skew to the left, implying that a few respondents rated the item lower than the majority. The kurtosis of -1.289 indicates a flatter distribution than a normal distribution, suggesting less concentration of responses around the mean. The item "Taxpayers should not be allowed to file for further appeals within the tax administration" received a mean score of 4.10 (SD = 0.836). This result shows that respondents also tend to agree with this statement. The skewness of -0.042 is close to zero, suggesting a nearly symmetrical distribution. The kurtosis of -1.570 indicates a flatter distribution, similar to the previous item. Respondents also agreed with the statement "Taxpayers can request another internal review through an appeal's agency," which had a mean score of 4.03 (SD = 0.822). The skewness of -0.056 suggests that the distribution is nearly symmetrical, and the kurtosis of -1.519 indicates a relatively flat distribution compared to a normal curve. For the statement, "Internal tax review system delivers timely, credible decisions at a reasonable cost," the mean score was 3.99 (SD = 0.897), suggesting a slightly lower level of agreement, but respondents still generally agree. The skewness of -0.239 shows a slight skew to the left, and the kurtosis of -1.194 points to a distribution that is flatter than normal. Finally, the item "There is transparency that is hinged on the internal tax reviews" had a mean score of 3.97 (SD = 0.909), indicating a general agreement with the statement, albeit slightly less so compared to other items. The skewness of -0.368 shows a moderate skew to the left, while the kurtosis of -0.890 indicates a flatter distribution than normal.

Table 4.5: Internal reviews

Items	N	Mean	Std. Deviation	Skewness	Kurtosis
The outcome of the internal review process is not final and may be appealed in a court of law	134	4.04	.862	-.215	-1.289
Tax payers should not be allowed to file for further appeals within the tax administration		4.10	.836	-.042	-1.570
Taxpayers can request another internal review through an appeal's agency		4.03	.822	-.056	-1.519
Internal tax review system delivers timely, credible decisions at a reasonable cost		3.99	.897	-.239	-1.194

There is transparency that is hinged on the internal tax reviews 3.97 .909 -.368 -.890  
Aggregate Mean 4.01

(Source: Research 2024)

#### Descriptive statistics on Alternative Dispute Resolution

The descriptive statistics for alternative dispute resolution responses were summarized on table 4.6. For The knowledge and awareness, we have on alternative dispute resolution has led to reduced dispute resolution costs had a mean 3.96 and standard deviation of 0.826). This submits that respondents generally agreed with this statement. The skewness value of -0.092 indicates a nearly symmetrical distribution of responses, and the kurtosis of -1.159 points, indicating that most responses were closer to the mean. For There is faster resolution process as well as confidentiality due to our understanding of the alternative dispute resolution mechanisms received a mean score of 3.87 (SD = 0.854), which also reflects agreement among respondents. The skewness of -0.264 suggests a slight leftward skew, but the distribution is still fairly symmetrical. The kurtosis value of -1.075 indicates a distribution that is flatter than the normal curve, suggesting that responses are spread out around the mean. The item Lack of knowledge had a substantial effect on the use of alternative dispute resolution in solving a conflict was rated with a mean score of 4.12 (SD = 0.832). This mean indicates general agreement with the statement. The skewness of -0.028 suggests a nearly normal distribution of responses, while the kurtosis of -1.555 reflects a notably flatter distribution than the normal distribution, suggesting that responses were more dispersed. The item Most taxpayers use alternative dispute resolution methods to solve conflicts in the tax field had a mean score of 4.23 (SD = 0.813). This result indicates that respondents generally agreed with this statement. The skewness of 0.000 shows a perfectly symmetrical distribution, and the kurtosis of -1.488 signifies a flatter-than-normal distribution, suggesting a concentration of responses around the mean but with a broader spread.

Table 4.6: Alternative Dispute Resolution

Items	N	Mean	Std. Deviation	Skewness	Kurtosis
The knowledge and awareness we have on alternative dispute resolution has led to reduced dispute resolution costs	134	3.96	.826	-.092	-1.159
There is faster resolution process as well as confidentiality due to our understanding of the alternative dispute resolution mechanisms		3.87	.854	-.264	-1.075
Lack of knowledge had a substantial effect on the use of alternative dispute resolution in solving a conflict		4.12	.832	-.028	-1.555
Most taxpayers use alternative dispute resolution methods to solve conflicts in tax field		4.23	.813	.000	-1.488

(Source: Research 2024)

#### Descriptive statistics on Trust

The descriptive statistics for trust responses were summarized on table 4.7.

The item "Taxes are perceived to be distributed fairly" received a mean score of 4.01 (SD = 0.809), suggesting that respondents generally agree with this statement. The skewness of -0.014 indicates a distribution that is nearly symmetrical, while the kurtosis of -1.469 denotes a distribution that is flatter than the normal distribution, implying that responses are spread out with fewer extreme values. The statement "All the citizens understand the law" had a mean score of 4.04 (SD = 0.888), showing a similar trend of agreement among respondents. The skewness of -0.335 indicates a slight left skew, suggesting a tendency for responses to be somewhat concentrated on the higher end of the scale. The kurtosis of -1.084 also reflects a flatter distribution, though not as pronounced as in the previous item.

For the item "Our organization believes that citizens hold positive attitudes towards government," the mean score was 4.00 (SD = 0.858). This score reflects agreement, with a skewness of -0.217 indicating a relatively balanced distribution. The kurtosis of -1.128 suggests a distribution that is flatter than normal but not excessively so. The item "Our organization believes that our interaction with authorities is trustworthy" received a mean score of 3.99 (SD = 0.813), slightly below the other items but still indicating agreement. The skewness of -0.058 suggests a near-symmetrical distribution, while the kurtosis of -1.277 signifies a flatter distribution, similar to the earlier items. Finally, the statement "The tax office is fair in collecting tax" had a mean score of 4.03 (SD = 0.831), showing a consensus among respondents that the tax office is perceived as fair. The skewness of -0.136 indicates a nearly symmetrical distribution, and the kurtosis of -1.343 points to a flatter distribution, consistent with the other items.

Table 4.7: Trust

Items	N	Mean	Std. Deviation	Skewness	Kurtosis
Taxes are perceived to be distributed fairly	134				
	4.01	.809	-.014	-1.469	
All the citizens understand the law	4.04				
	.888	-.335	-1.084		
our organization believes that citizens hold positive attitudes towards government	4.00				
	.858	-.217	-1.128		
our organization believes that our interaction with authorities is trustworthy	3.99				
	.813	-.058	-1.277		
The tax office is fair in collecting tax	4.03				
	.831	-.136	-1.343		

(Source: Research 2024)

## Descriptive statistics on VAT compliance

The descriptive statistics for VAT compliance responses were summarized on table 4.8.

For Real time update of taxpayer ledger account has increased chances of accuracy and transparency with regards to VAT payment hence increasing revenue collections. This item had a mean score of 3.95 (SD = 0.798), suggesting that respondents generally agree that real-time updates contribute

to VAT accuracy and transparency. The skewness of 0.094 indicates a nearly symmetrical distribution, while the kurtosis of -1.419 reflects a flatter distribution than the normal curve, suggesting less pronounced peaks in responses. For Filing and payment of VAT has increased over time. The mean score for this item was 4.28 (SD = 0.841), which implies that respondents agree that VAT filing and payment have grown over time. The skewness of -0.077 denotes a slight left skew, indicating a minor tendency for respondents to agree more strongly with this statement. The kurtosis of -1.400 suggests a flatter distribution, indicating that responses are somewhat uniformly spread around the mean. For Electronic tax system has encouraged voluntary compliance among taxpayers hence increasing revenue collections. Respondents rated this item with a mean score of 3.99 (SD = 0.809), showing general agreement that the electronic tax system fosters voluntary compliance. The skewness of 0.014 indicates a nearly symmetrical distribution, while the kurtosis of -1.469 suggests a distribution that is flatter than the normal curve, indicating fewer extreme responses. For With the use of the i-Tax system, it is easy to detect under-declaration of VAT among taxpayers. This statement received a mean score of 4.20 (SD = 0.813), reflecting agreement that the i-Tax system helps in detecting VAT under-declarations. The skewness of -0.028 points to a nearly symmetrical distribution, and the kurtosis of -1.487 indicates a flatter distribution, signifying that responses are more evenly distributed around the mean. For Electronic tax system has enabled KRA to detect unregistered taxpayers. The mean score of 4.02 (SD = 0.808) for this item shows that respondents agree that the electronic tax system aids in identifying unregistered taxpayers. The skewness of -0.041 suggests a slight left skew, while the kurtosis of -1.467 indicates a flatter distribution, similar to other items, implying a more uniform distribution of responses.

Table 4.8: VAT compliance

Items	N	Mean	Std. Deviation	Skewness	Kurtosis
Real time update of taxpayer ledger account has increased chances of accuracy and transparency with regards to VAT payment hence increasing revenue collections	134				
	3.95	.798	.094	-1.419	
Filing and payment of VAT has increased over time					
	4.28	.841	-.077	-1.400	
Electronic tax system has encouraged voluntary compliance among tax payers hence increasing revenue collections					
	3.99	.809	.014	-1.469	
With the use of i-Tax system, it is easy to detect under declaration of VAT of among tax payers					
	4.20	.813	-.028	-1.487	
Electronic tax system has enabled KRA to detect unregistered tax payers					
	4.02	.808	-.041	-1.467	

(Source: Research 2024)

## Factor Analysis

Factor analysis is a technique used for dimension reduction. It simplifies the original data space by expressing the entire matrix as the product of two smaller matrices plus some

random noise. This approach allows us to model the variability among the observed variables by projecting them from a high-dimensional space to a lower-dimensional one. Bacharach, (2014).

#### Factor Diagnostic test

The factor diagnostic test is KMO and Bartlett's

The Kaiser-Meyer-Olkin (KMO) measure needs to be above .70 to be considered adequate, while a value below .50 indicates inadequacy. The KMO test assesses whether each factor is predicted by a sufficient number of items. Additionally, the Bartlett test should be significant, with a p-value less than .05, indicating that the variables are correlated strongly enough to justify conducting factor analysis in this context.

Table 4.9 The Kaiser-Meyer-Olkin (KMO) measures for each factor are all well above the recommended threshold of .70, indicating that the sampling adequacy for factor analysis is satisfactory. Specifically, VAT compliance has a KMO value of .836, negotiation has .796, internal reviews had .834, alternative dispute resolution had .830, and trust had .778. These results suggest that the data are appropriate for factor analysis for each factor. Additionally, Bartlett's test for sphericity yields a significance value of .000 for all factors, which is below the conventional threshold of .05. This indicates that the variables are sufficiently correlated to support the validity of factor analysis for each factor.

Table 4.9: KMO& Bartlett's test

VAT compliance	negotiation	internal reviews
alternative dispute resolution	trust	
KMO	0.836	0.796
	0.834	0.830
		0.778
Bartlett's test for sphericity (sig)	0.000	0.000
	0.000	0.000

(Source: Research 2024)

#### Convergence Validity

Convergent validity evaluates if items that theoretically should measure the same construct indeed do so. Gonulal, (2015). The study variables and items are represented at VAT compliance (VATC), negotiation (NEG), internal reviews (IR), alternative dispute resolution (ADR), and trust (TR).

Table 4.10 presents the correlation matrix for these items. For VAT compliance, the correlations among items ranged from .874 to .943, indicating a high degree of inter-item consistency. Similarly, negotiation items showed lower but still significant correlations, with the lowest correlation being .068 between NEG5 and other NEG items, suggesting some inconsistency. Internal reviews (IR) items exhibited strong inter-item correlations, with values between .595 and .962, demonstrating good convergence validity. For alternative dispute resolution (ADR), the correlations were consistently high, ranging from .865 to .945, suggesting robust convergence among the items. In contrast, trust (TR) items displayed weaker correlations, with the lowest being .112 between TR1 and TR5, indicating limited convergence validity

Table 4.10: Convergence Validity

VATC1	VATC2	VATC3	VATC4	VATC5
-------	-------	-------	-------	-------

Correlation	VATC1	1.000	.874	.943	.894
	.876				
	VATC2	.874	1.000	.940	.913
	VATC3	.943	.940	1.000	.915
	VATC4	.894	.913	.915	1.000
	VATC5	.876	.951	.909	.937
	NEG1	NEG2	NEG3	NEG4	NEG5
	NEG1	1.000	.800	.768	.795
	NEG2	.800	1.000	.897	.852
	NEG3	.768	.897	1.000	.933
	NEG4	.795	.852	.933	1.000
	NEG5	.088	.068	.125	.116
	IR1	IR2	IR3	IR4	IR5
	IR1	1.000	.928	.890	.778
	IR2	.928	1.000	.962	.752
	IR3	.890	.962	1.000	.724
	IR4	.778	.752	.724	1.000
	IR5	.625	.605	.595	.691
	ADR1	ADR2	ADR3	ADR4	
	ADR1	1.000	.886	.865	.873
	ADR2	.886	1.000	.889	.866
	ADR3	.865	.889	1.000	.945
	ADR4	.873	.866	.945	1.000
	TR1	TR2	TR3	TR4	TR5
	TR1	1.000	.209	.217	.195
	TR2	.209	1.000	.918	.813
	TR3	.217	.918	1.000	.883
	TR4	.195	.813	.883	1.000
	TR5	.112	.753	.769	.846

a. Determinant = .000

(Source: Research 2024)

#### Principal Component Factors

The principal components extraction after varimax rotation was used to construct variable.

The exploratory factor analysis of the questionnaire items revealed strong factor loadings for each construct, enabling the selection of items that best represent the variables, in table 4.11. For VAT Compliance (VATC), all five items were retained due to their high loadings: VATC1 (.950), VATC2 (.969), VATC3 (.975), VATC4 (.965), and VATC5 (.968). In the Negotiation (NEG) construct, four items demonstrated strong loadings: NEG1 (.891), NEG2 (.944), NEG3 (.960), and NEG4 (.955), while NEG5 was excluded due to a low loading of .147. Similarly, all five items for Internal Reviews (IR) were retained with satisfactory loadings: IR1 (.947), IR2 (.954), IR3 (.937), IR4 (.876), and IR5 (.767). For Alternative Dispute Resolution (ADR), all four items displayed strong loadings: ADR1 (.946), ADR2 (.951), ADR3 (.967), and ADR4 (.963). In the Trust (TR) construct, four items were selected: TR2 (.932), TR3 (.956), TR4 (.946), and TR5 (.891), while TR1 was excluded due to a low loading of .269. These selected items indicate robust construct validity for each variable, ensuring that the factors accurately represent the intended constructs.

Table 4.11: Exploratory factor analysis

VAT Compliance	Negotiation	Internal
Reviews	Alternative Dispute Resolution	Trust

VATC1	.950	
VATC2	.969	
VATC3	.975	
VATC4	.965	
VATC5	.968	
NEG1	.891	
NEG2	.944	
NEG3	.960	
NEG4	.955	
NEG5	.147	
IR1	.947	
IR2	.954	
IR3	.937	
IR4	.876	
IR5	.767	
ADR1		.946
ADR2		.951
ADR3		.967
ADR4		.963
TR1		.269
TR2		.932
TR3		.956
TR4		.946
TR5		.891

(Source: Research 2024)

#### 4.6.4 Variable construction

To construct composite variables for each construct, we calculated the mean of the items that demonstrated satisfactory factor loadings (above the threshold of 0.5), based on the exploratory factor analysis results. This approach allowed us to create reliable composite scores for each construct (VAT Compliance, Negotiation, Internal Reviews, Alternative Dispute Resolution, and Trust) by focusing on the items with high factor loadings, which enhances construct validity and measurement precision.

#### Formulae for Constructing Variables

For each construct, the composite variable score was calculated by taking the mean of the items with loadings above 0.5, which is commonly accepted as an adequate threshold for factor loading in social science research (Hair et al., 2010). The formulas below represent the composite variable calculations in APA style, using notation that aligns with the items selected for each construct.

The composite variable for VAT Compliance (VATC) was calculated using all five items, as each demonstrated a factor loading above the threshold:

For the Negotiation (NEG) construct, four items (NEG1, NEG2, NEG3, NEG4) were included in the calculation due to their strong loadings. NEG5 was excluded because it did not meet the threshold (loading = .147). The formula is as follows:

All five items for Internal Reviews (IR) were retained, as each item surpassed the .5 threshold, demonstrating factor loadings between .767 and .954. The formula for the IR composite score is:

For Alternative Dispute Resolution (ADR), all four items were retained due to their high loadings (ranging from .946 to .967). The composite variable for ADR was calculated as follows:

Lastly In the Trust (TR) construct, four items (TR2, TR3, TR4, TR5) were retained, with loadings between .891 and .956. TR1 was excluded from the calculation due to a low loading of .269. The composite variable for Trust was thus calculated as:

#### Statistical Assumption

##### Normality Test

The Shapiro-Wilk Test was utilized to determine if the sample scores were normally distributed with a consistent mean and standard deviation. A significant result ( $P < 0.05$ ) indicates that the distribution does not significantly differ from a normal distribution. Conversely, a non-significant result ( $P > 0.05$ ) suggests that the sample distribution significantly deviates from normality (Kilungu et al., 2015). The Shapiro-Wilk test is often preferred over other normality tests due to its robustness and high power, particularly in small sample sizes, its straightforward interpretation, and its availability in most statistical software. These factors make it an ideal choice for determining normality in many research scenarios, especially when the sample size is small or moderate. While other tests may have specific advantages in certain contexts, the Shapiro-Wilk test is generally regarded as one of the most reliable and widely applicable methods for normality testing. The Shapiro-Wilk test on table 4.12 was utilized to evaluate the normality of several variables, including Negotiation, Internal Reviews, Alternative Dispute Resolution, Trust, Age, and Education. For Negotiation, the p-value of 0.46464, indicating that the distribution is consistent with normality. Similarly, Internal Reviews had a p-value of 0.99163, suggesting that this variable also follows a normal distribution. The Alternative Dispute Resolution variable showed a p-value of 0.39125, further supporting the normality of its distribution. For the Trust variable, the test resulted in a p-value of 0.75096, indicating that it too adheres to the normality assumption. The Age variable had a p-value of 0.64436, reinforcing the finding that it is normally distributed. Finally, Education yielded a p-value of 0.88523, which also supports its normal distribution. Overall, the Shapiro-Wilk test results suggest that all variables under consideration (Negotiation, Internal Reviews, Alternative Dispute Resolution, Trust, Age, and Education) do not significantly deviate from a normal distribution, thereby meeting the normality assumption.

Table 4.12: Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
Negotiation	134	0.99016	1.040	0.089	
		0.46464			
Internal Reviews	134	0.99673	0.346	-2.392	
		0.99163			
Alternative Dispute Resolution	134	0.98930	1.130		
		0.276	0.39125		
Trust	134	0.99299	0.740	-0.678	0.75096

Age	134	0.99197	0.849	-0.370	0.64436
Education	134	0.99445	0.587	-1.202	0.88523

(Source: Research 2024)

#### Homoscedasticity Test

Garson (2012) describes homoscedasticity in linear regression as the consistency in the dispersion of errors around the regression line. This means that the regression error indicates the difference between a data point and the expected regression line. In this study, the Probability of Chi square was utilized. A p-value greater than 0.05 indicates that the assumption of homoscedasticity holds true. Table 4.13 reported an F statistic of 2.590927 with a p-value of 0.074, which is greater than 0.05. This indicates that the variance is constant, and thus the assumption of homoscedasticity is not violated.

Table 4.13: Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	2.590927	Prob. F(5,128)	0.074
Obs*R-squared	16.48403	Prob. Chi-Square(5)	0.005
Scaled explained SS	41.57840	Prob. Chi-Square(5)	0.000

(Source: Research 2024)

#### 4.7.3 Linearity Test

To determine if the relationship between the independent and dependent variables is linear, scatter plots or residual plots are frequently used. Additionally, the Ramsey RESET test is employed as a formal method to test for linearity. Table 4.14 found a F statistic of 1.040728 p-value =0.309>0.05, this implies that suggesting linearity in the relationship between the predictor variables and the dependent variable.

Table 4.14: Linearity Test

Value	df	Probability
t-statistic	1.020161	127 0.309
F-statistic	1.040728	(1, 127) 0.309
Likelihood ratio	1.093616	1 0.295

(Source: Research 2024)

#### Multicollinearity Test

Multicollinearity tests evaluate the strength of the interrelationships among the independent variables in a regression model. The variance inflation factor (VIF) is typically used to detect multicollinearity in regression analysis. A tolerance value greater than 0.1 and a VIF less than 10 indicate low levels of multicollinearity, suggesting that the statistical assumptions are not violated Joshi, (2012). Table 4.15 showed that the centered VIF values provide a measure of multicollinearity for each variable in the regression analysis. Age has a VIF of 3.322915, indicating moderate multicollinearity, suggesting some correlation with other predictors but not excessively so. Education has a VIF of 1.921713, showing low multicollinearity and relative independence from other variables. Negotiation, with a VIF of 3.033590, also indicates moderate multicollinearity but remains within acceptable limits. Internal Reviews has a VIF

of 1.358336, Alternative Dispute Resolution has a VIF of 1.341309, and Trust has a VIF of 1.463734, all of which are low and suggest minimal multicollinearity, indicating these variables are relatively independent. Overall, the centered VIF values for all variables are well below the common threshold of 10, showing that multicollinearity is not a significant issue in this dataset.

Table 4.15: Multicollinearity Test

Variable	Coefficient	Uncentered Variance	Centered VIF
Age	0.003467	28.48913	3.322915
Education	0.002169	10.46339	1.921713
Negotiation	0.003165	26.00860	3.033590
Internal Reviews	0.001772	15.07158	1.358336
Alternative Dispute Resolution	0.001593	13.16054	1.341309
Trust	0.001702	14.19763	1.463734

(Source: Research 2024)

#### Correlation Analysis

The correlation analysis was conducted checking the various correlations between all the variables in the study. Correlation analysis was used in this study to examine the strength and direction of the relationships between key variables, providing valuable insights into how they are interconnected. By calculating correlation coefficients, the analysis helps identify patterns or associations between variables, such as the relationship between negotiation and VAT compliance or between trust and dispute resolution mechanisms. This method is particularly useful for determining whether variables move in the same direction (positive correlation) or in opposite directions (negative correlation) and the degree of that relationship. Correlation analysis, therefore, contributes to a better understanding of the associations among variables, aiding in data interpretation and informing future research and decision-making processes.

Table 4.15 showed that Negotiation had a strong positive correlation with VAT Compliance, indicated by correlation of 0.540,  $p < 0.05$ . This finding suggests that higher levels of negotiation skills or favorable negotiation attitudes are associated with greater VAT Compliance. This positive association implies that participants with stronger negotiation abilities may be more adept at navigating compliance requirements or resolving VAT-related issues effectively, potentially leading to more consistent adherence to VAT standards.

Similarly, Internal Reviews are positively correlated with VAT Compliance, with a correlation  $t$  of 0.513  $p < 0.05$ . This positive and statistically significant relationship indicates that participants who place a high emphasis on internal review processes may be more likely to maintain VAT compliance. Internal reviews might facilitate better oversight, identify potential compliance issues, and promote corrective actions, thereby supporting adherence to VAT requirements.

Alternative Dispute Resolution also exhibits a positive and significant correlation with VAT Compliance, with a correlation of 0.478  $p < 0.05$ . This relationship suggests that individuals who are skilled in or favor ADR processes tend to be more compliant with VAT regulations. ADR could provide a mechanism for resolving VAT-related disputes efficiently, minimizing disruptions and fostering a cooperative approach to regulatory adherence.

Trust has a positive and significant relationship with VAT Compliance, demonstrated by a correlation of 0.487  $p < 0.05$ . This relationship implies that higher levels of trust within the organization or between stakeholders may facilitate VAT compliance. Trust likely fosters transparency, encourages honest reporting, and promotes collaborative problem-solving, all of which are conducive to maintaining compliance with VAT regulations.

Age and VAT Compliance are positively correlated as well, with a correlation of 0.350  $p < 0.05$ . This positive correlation suggests that older individuals may exhibit slightly higher levels of VAT compliance. Age-related factors such as experience, maturity, or a deeper understanding of compliance requirements could contribute to this association, indicating that age may indirectly influence compliance behaviors. Although this relationship is relatively lower in strength, with a correlation  $r = 0.196$ , it is statistically significant at  $p < 0.05$ . This finding indicates a modest yet meaningful association, suggesting that as age varies, there may be slight changes in negotiation tendencies or behaviors among participants.

Lastly, Education is positively correlated with VAT Compliance, as indicated by a correlation of 0.439  $p < 0.05$ . This significant positive relationship suggests that higher levels of education may correlate with better VAT compliance outcomes. Education likely enhances awareness and understanding of compliance requirements, equipping individuals with the knowledge needed to adhere to VAT regulations effectively.

Table 4.16: Correlation Analysis

Variables	VATC	NEG	IR	ADR	TR
AG	EDU				
(1) VAT Compliance	1.000				
(2) Negotiation	0.540**	1.000			
	(0.002)				
N	134				
(3) Internal Reviews	0.513**	0.383**	1.000		
	(0.000)	(0.001)			
N	134				
(4) Alternative Dispute Resolution	0.374**	0.320**	1.000	0.478**	

	(0.001)	(0.004)	(0.000)		
N	134	134	134		
(5) Trust	0.487**	0.420**	0.438**	0.408**	1.000
	(0.003)	(0.000)	(0.003)	(0.000)	
N	134	134	134	134	
(6) Age	0.350**	0.196**	0.394**	0.414**	
	0.365**	1.000			
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
N	134	134	134	134	134
(7) Education	0.439**	0.329**	0.284**	0.295**	
	0.239**	0.473**	1.000		
	(0.000)	(0.000)	(0.001)	(0.001)	(0.005)
N	134	134	134	134	134

\*\*  $p < 0.05$ ,  
(Source: Research 2024)  
Regression Analysis

The regression analysis was conducted to determine the effects of negotiation, internal reviews, alternative dispute resolution, on VAT compliance among tax agents in Nairobi County, Kenya controlled for age and education level.

Model Summary without moderating

The model summary was summarized on table 4.17.

Table 4.16 showed that there is a positive correlation between negotiation, internal reviews, alternative dispute resolution, age and education level. and VAT compliance at 73.6%. The coefficient of determination with adjusted r square of 0.522 which implies that negotiation, internal reviews, alternative dispute resolution, age and education level account for 52.2% of variation caused on VAT compliance. The remaining 47.8% of variation was caused by factors not captured in the model.

Table 4.17: Model Summary without moderating

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.736	0.542	0.522	0.447739

a. Predictors: (Constant), alternative dispute resolution, Education, internal reviews, negotiation, Age

Analysis of Variance without moderator

The ANOVA was carried out on illustrated. Table 4.18 shows that the regression model was significant F-statistic = 180.513, indicating a significant gap between the explained and unexplained variance,  $p$ -value  $< 0.05$ .

Table 4.18: ANOVA without moderator

Model	Sum of Squares	df	Mean Square	Square
1	Regression	180.937	5	36.187
	180.513	0.000		
	Residual	25.660	128	0.200
	Total	206.597	133	

a. Dependent Variable: VAT compliance  
 b. Predictors: (Constant), alternative dispute resolution, Education, internal reviews, negotiation, Age  
 (Source: Research 2024)

#### Regression coefficient analysis

The coefficient regression analysis was conducted to determine the direct effects of the dispute resolution mechanisms and VAT compliance.

The regression equation resulting from the model was

$$Y = 0.368 + 0.289 + 0.227 + 0.394X_1 + 0.157X_2 + 0.093X_3$$

The findings on table 4.19 showed that a unit change in the Age caused a 0.289 increase in VAT compliance This positive relationship suggests that older individuals may tend to be more compliant with VAT regulations, possibly due to factors like increased financial experience, greater familiarity with tax regulations, or a heightened sense of civic responsibility that may come with age. This finding indicates that age can be an important predictor of tax compliance behavior, underscoring the value of considering demographic factors in understanding compliance tendencies. While a unit change in education level caused a 0.227 increase in VAT compliance. This relationship implies that individuals with higher educational attainment are likely to show greater compliance with VAT regulations. Education may enhance individuals' understanding of tax obligations, improve their ability to navigate tax systems, and increase awareness of the potential consequences of non-compliance. These results support the notion that educational programs or targeted informational campaigns could positively impact VAT compliance behavior. The standardized coefficient results found that a unit change in negotiation caused a 0.394 increase in VAT compliance This significant positive effect suggests that individuals with higher negotiation skills are more likely to comply with VAT regulations. This association could indicate that those who possess strong negotiation abilities may be more effective in understanding and managing compliance requirements or in seeking amicable resolutions with tax authorities. Similarly a unit change in internal reviews caused a 0.157 increase in VAT compliance. This finding suggests that organizations or individuals who regularly conduct internal reviews are more likely to comply with VAT requirements. Internal reviews may help in identifying discrepancies, ensuring accurate reporting, and reinforcing accountability, all of which contribute to higher compliance. This result underscores the importance of maintaining internal oversight mechanisms as a strategy to enhance compliance with tax regulations. Lastly a unit change in alternative dispute resolution caused a 0.093 increase in VAT compliance. Although the effect size is modest, the positive association suggests that ADR processes, which provide a structured approach to resolving conflicts, may promote VAT compliance by offering taxpayers a means to address disputes without escalation. This finding implies that enhancing access to and awareness of ADR mechanisms could have a supportive effect on compliance, particularly for taxpayers who may encounter disagreements with tax authorities.

Table 4.19: Regression Coefficients without Moderator

Model	Standardized Coefficients			Unstandardized	
	Beta	Std. Error	B		
1	(Constant)	0.368	0.159		2.314
	0.022				
	Age	0.289	0.055	0.286	5.255
	Education		0.227	0.044	0.233
	0.000				5.159
	negotiation		0.394	0.053	0.408
	0.000				7.434
	internal reviews		0.157	0.038	0.173
	0.000				4.132
	alternative dispute resolution				0.093
	0.099	2.514	0.008		0.037

a. Dependent Variable: VAT compliance

(Source: Research 2024)

#### Hierarchical Regression

The hierarchical regression model was used to establish the moderating effect of trust on the relationship between dispute resolution mechanisms and VAT compliance among tax agents in Nairobi, Kenya.

#### Model Summary with moderator

The model summary was conducted and summarized on table 4.20.

Table 4.20 shows that after moderation on models 2 3 4 and 5 the new R of 0.752 shows that the age, education, and dispute resolution mechanisms trust and interaction terms correlate to VAT compliance at 75.2%. they also account for 54.6% of the variability on VAT compliance. Adjusted R square = 0.546. The remaining 45.4% variability was caused by factors not captured in the model. The significant F change 0.007 in overall model indicate that there was a significant moderation. The R square changes of 1.25%, 0.9%, 0.1% and 0.2% firm model II to Model V respectively, indicating that the introduction of trust as a moderator significantly improved the variance caused on VAT compliance.

Table 4.20: Model Summary with moderator

Model	R	R Square	Adjusted R Square	R Square Change	F
Std. Error of the Estimate					Sig.
1	0.736	0.542	0.500	0.447739	
	0.000				
2	0.744	0.554	0.501	0.449487	0.012
	0.037				
3	0.750	0.563	0.513	0.440624	0.009
	0.014				
4	0.751	0.564	0.543	0.441505	0.001
	0.042				
5	0.752	0.566	0.546	0.430575	0.002
	0.007				

(Source: Research 2024)

#### Analysis of Variance with moderation

The ANOVA was carried out on table 4.21.

Table 4.21: ANOVA with moderation

Model	SS	df	MS	F	Prob
-------	----	----	----	---	------

1	Regression	111.976	5	22.395	30.295
	0.000				
	Residual	94.621	128	0.739	
	Total	206.597	133		
2	Regression	114.359	6	19.060	26.243
	0.000				
	Residual	92.238	127	0.726	
	Total	206.597	133		
3	Regression	116.211	7	16.602	23.143
	0.000				
	Residual	90.386	126	0.717	
	Total	206.597	133		
4	Regression	116.521	8	14.565	20.212
	0.000				
	Residual	90.076	125	0.721	
	Total	206.597	133		
5	Regression	116.831	9	12.981	17.932
	0.000				
	Residual	89.766	124	0.724	
	Total	206.597	133		

a. Dependent Variable: VAT compliance

b. Predictors: (Constant), alternative dispute resolution, Education, internal reviews, negotiation, Age, trust, NEG\_TR, IR\_TR, ADR\_TR

Table 4.21 shows that accounting for moderation the hierarchical regression models were significant and the overall  $F = 17.932$   $p$ -value  $= 0.000 < 0.05$ .

Hierarchical regression coefficients

The hierarchical regression coefficient models were summarized as

$$Y = 0.368 + 0.289 + 0.227 + 0.394X_1 + 0.157X_2 + 0.093X_3$$

$$\text{Equation (ii)} \\ Y = 0.370 + 0.290 + 0.227 + 0.392X_1 + 0.156X_2 + 0.093X_3 + 0.003M$$

$$\text{Equation (iii)} \\ Y = 0.013 + 0.256 + 0.211 + 0.317X_1 + 0.152X_2 + 0.100X_3 + 0.116M + 0.217M \cdot X_1$$

$$\text{Equation (iv)} \\ Y = 0.236 + 0.260 + 0.213 + 0.322X_1 + 0.085X_2 + 0.101X_3 + 0.187M + 0.202M \cdot X_1 + 0.124M \cdot X_2$$

Equation (v)

$$Y = 0.380 + 0.235 + 0.218 + 0.320X_1 + 0.009X_2 + 0.386X_3 + 0.011M + 0.211M \cdot X_1 + 0.251M \cdot X_2 + 0.452M \cdot X_3$$

Table 4.22: Hierarchical regression Coefficients Analysis

Model	Standardized Coefficients			Unstandardized	
Coefficients	t	Sig.			
B	Std. Error		Beta		
1					
(Constant)		0.368	0.159		2.314
0.022					
Age	0.289	0.055	0.286	5.255	0.000
Education		0.227	0.044	0.233	5.159
0.000					
negotiation		0.394	0.053	0.408	7.434
0.000					
internal reviews		0.157	0.038	0.173	4.132
0.000					

2	alternative dispute resolution				0.093	0.037
	0.099	2.514	0.008			
	(Constant)		0.370	0.163		2.270
	0.025					
	Age	0.290	0.056	0.287	5.179	0.000
	Education		0.227	0.045	0.234	5.044
	0.000					
3	negotiation		0.392	0.060	0.406	6.533
	0.000					
	internal reviews		0.156	0.040	0.172	3.900
	0.000					
	alternative dispute resolution				0.093	0.038
	0.098	2.447	0.012			
	trust	0.003	0.001	0.003	3.000	0.000
4	(Constant)		0.013	0.002		8.667
	0.000					
	Age	0.256	0.056	0.253	4.571	0.000
	Education		0.211	0.045	0.217	4.689
	0.000					
	negotiation		0.317	0.067	0.328	4.731
	0.000					
5	internal reviews		0.152	0.040	0.168	3.800
	0.000					
	alternative dispute resolution				0.100	0.038
	0.105	2.632	0.006			
	trust	0.116	0.036	0.121	3.222	0.008
	NEG*TR		0.217	0.015	0.037	14.467
	0.000					
6	(Constant)		0.236	0.086		2.744
	0.005					
	Age	0.260	0.057	0.257	4.561	0.000
	Education		0.213	0.045	0.219	4.733
	0.000					
	negotiation		0.322	0.067	0.333	4.806
	0.000					
7	internal reviews		0.085	0.039	0.093	2.157
	0.408					
	alternative dispute resolution				0.101	0.038
	0.107	2.658	0.005			
	trust	0.187	0.090	0.195	2.078	0.041
	NEG*TR		0.202	0.015	0.035	13.467
	0.000					
8	IR*TR	0.124	0.031	0.022	4.000	0.000
	(Constant)		0.380	0.139		2.734
	0.005					
	Age	0.235	0.056	0.235	4.196	0.000
	Education		0.218	0.044	0.218	4.955
	0.000					
	negotiation		0.320	0.066	0.320	4.848
0.000						
9	internal reviews		0.009	0.004	0.009	2.250
	0.040					
	alternative dispute resolution				0.386	0.116
	0.386	3.328	0.000			
	trust	0.011	0.005	0.011	2.200	0.040
	NEG*TR		0.211	0.015	0.211	14.067
	0.000					
10	IR*TR	0.251	0.031	0.251	8.097	0.000



ADR\*TR 0.452 0.029 0.452 15.586  
0.000

a. Dependent Variable: VAT compliance

(Source: Research 2024)

The overall regression model on table 5 showed that unit increase in age results in a 0.235 increase in VAT compliance, indicating that older individuals are more likely to comply with VAT requirements. Similarly, a unit increase in education leads to a 0.218 increase in VAT compliance, underscoring the positive effect of higher education levels on compliance.

Negotiation appears to play a significant role, with a unit increase in negotiation causing a 0.320 increase in VAT compliance. This suggests that effective negotiation strategies significantly enhance compliance rates. Internal reviews, though having a smaller effect, still contribute positively; a unit increase in internal reviews causes a 0.009 increase in VAT compliance.

Alternative dispute resolution shows a notable impact, with a unit increase resulting in a 0.386 increase in VAT compliance, highlighting its importance in resolving conflicts and improving compliance. Trust also plays a role, albeit smaller, with a unit increase in trust leading to a 0.011 increase in VAT compliance.

Furthermore, the interactions between these factors and trust are significant. A unit increase in the interaction between negotiation and trust (NEGTR) results in a 0.211 increase in VAT compliance, emphasizing the combined effect of negotiation and trust on compliance. The interaction between internal reviews and trust (IRTR) causes a 0.251 increase in VAT compliance, while the interaction between alternative dispute resolution and trust (ADR\*TR) leads to the largest increase of 0.452 in VAT compliance. These interactions indicate that trust enhanced the positive effects of negotiation, internal reviews, and alternative dispute resolution on VAT compliance.

The R square changes for each of the models were 0.012, 0.009, 0.001 and 0.002, this indicated that as trust and the interactions between trust, negotiation, internal reviews and alternative dispute resolution were introduced into the models the variation caused on VAT compliance increased significantly, indicating that trust had a significant moderating effect.

Table 4.23: Hierarchical regression Coefficients Analysis

	Model I	Model II	Model III	Model IV	Model V
(Constant)	0.368				
[0.159] (0.022)		0.370			
[0.163] (0.025)		0.013			
[0.002] (0.000)		0.236			
[0.086] (0.005)		0.380			
[0.139] (0.005)					
age	0.289				
[0.055] (0.000)		0.290			
[0.056] (0.000)		0.256			
[0.056] (0.000)		0.260			
[0.057] (0.000)		0.235			
[0.056] (0.000)					

education	0.227				
[0.044] (0.000)	0.227				
[0.045] (0.000)	0.211				
[0.045] (0.000)	0.213				
[0.045] (0.000)	0.218				
[0.044] (0.000)					
negotiation	0.394				
[0.053] (0.000)	0.392				
[0.060] (0.000)	0.317				
[0.067] (0.000)	0.322				
[0.067] (0.000)	0.320				
[0.066] (0.000)					
internal reviews	0.157				
[0.038] (0.000)	0.156				
[0.040] (0.000)	0.152				
[0.040] (0.000)	0.085				
[0.039] (0.408)	0.009				
[0.004] (0.040)					
alternative dispute resolution	0.093				
[0.037] (0.008)	0.093				
[0.038] (0.012)	0.100				
[0.038] (0.006)	0.101				
[0.038] (0.005)	0.386				
[0.116] (0.000)					
trust	- 0.003				
[0.001] (0.000)	0.116				
[0.036] (0.008)	0.187				
[0.090] (0.041)	0.011				
[0.005] (0.040)					
negotiation * trust	- - 0.217				
[0.015] (0.000)	0.202				
[0.015] (0.000)	0.211				
[0.015] (0.000)					
internal reviews * trust	- - - 0.124				
[0.031] (0.000)	0.251				
[0.031] (0.000)					
alternative dispute resolution * trust	- - -				
- - 0.452					
[0.029] (0.000)					
F	30.295	26.243	23.143	20.212	17.932
R	0.736	0.744	0.750	0.751	0.752
R2	0.542	0.554	0.563	0.564	0.566
R2 Change	0.542	0.012	0.009	0.001	0.002
Sig F change	0.000	0.037	0.014	0.042	0.007

Dependent Variable: VAT compliance

#### Moderation graphs digraph Analysis

Moderation occurs when the connection between two variables varies based on the levels of a third variable, known as the moderator variable. This moderator can alter the strength or even the direction of the relationship between the two primary variables in the model. Lorah, (2022).

Moderating effect of trust on the relationship between negotiation and VAT compliance

The figure 4.2 shows that trust enhances the positive effects of negotiation on VAT compliance at high and low levels of negotiations. Specifically, trust acts as a moderating variable, enhancing the impact of negotiation on compliance at both

high and low levels of negotiation. This means that: When negotiation levels are high, the presence of trust further boosts VAT compliance. In other words, when tax agents engage in robust negotiation practices and trust is high, compliance is at its highest levels. This suggests a synergistic effect where trust amplifies the effectiveness of negotiation efforts, leading to superior compliance outcomes.

Even when negotiation is at a lower intensity, trust still positively influences VAT compliance. Although compliance levels are not as high as with strong negotiation efforts, the presence of trust mitigates potential negative impacts of low negotiation intensity, thus supporting better compliance than would occur with low negotiation in a low-trust environment.

The nature of the moderation observed suggests that trust consistently strengthens the effect of negotiation on VAT compliance, regardless of whether negotiation levels are high or low. This finding implies that fostering trust can be a critical factor in ensuring effective compliance outcomes, particularly when negotiation efforts vary. The positive interaction between trust and negotiation indicates that a high-trust environment may create conditions where even minimal negotiation has a beneficial effect on compliance.

Figure 4.2: Negotiation\*Trust

(Source: Research 2024)

Moderating effect of trust on the relationship between internal reviews and VAT compliance

Figure 4.3 shows that although the slopes are divergent trust still enhances the positive effects of internal reviews on VAT compliance. Although the slopes diverge, indicating a differential effect based on trust levels, the positive influence of internal reviews on VAT compliance is consistently strengthened in the presence of higher levels of trust. Specifically, the slope representing high trust exhibits a steeper incline compared to the low-trust slope, suggesting that when trust is high, internal reviews are associated with a notably greater increase in VAT compliance. Conversely, in lower trust scenarios, internal reviews still positively impact VAT compliance, but to a lesser extent. This divergent pattern demonstrates a form of enhancement moderation, where trust amplifies the effectiveness of internal reviews in promoting compliance. In summary, while internal reviews alone contribute to VAT compliance, their impact is significantly magnified under conditions of heightened trust, reinforcing the role of trust as a critical moderating factor in this relationship.

Figure 4.3: Internal Reviews\*Trust

(Source: Research 2024)

Moderating effect of trust on the relationship between alternative dispute resolution and VAT compliance

Figure 4.4 illustrates that trust moderates the relationship between alternative dispute resolution (ADR) and VAT compliance, amplifying ADR's positive impact on compliance when trust levels are high. Specifically, VAT compliance increases more sharply in response to ADR initiatives when trust is high, as compared to when trust is low. This suggests that while ADR alone is positively associated with compliance, its effectiveness is significantly strengthened in a high-trust environment. In other words, tax

agents who experience greater trust in the dispute resolution process are more likely to comply with VAT obligations, as trust enhances the perceived fairness, reliability, and acceptance of ADR outcomes. Conversely, even at low levels of trust, ADR continues to positively affect compliance, though to a lesser degree. This interaction effect confirms that trust acts as an essential moderator, indicating that fostering trust in ADR processes can yield substantial gains in VAT compliance among tax agents. The moderation is thus characterized by an enhanced relationship between ADR and compliance outcomes, with high trust magnifying ADR's effectiveness. This pattern supports the hypothesis that trust significantly moderates the impact of ADR on VAT compliance, with both high and low levels of ADR demonstrating stronger compliance under higher trust conditions.

Figure 4.4: alternative dispute resolution\*Trust

(Source: Research 2024)

### Hypotheses Tests

Hypotheses tests were conducted and summarized on table 4.24

Table 4.24 shows that the first null hypothesis H01 was that there is no significant effect between negotiation and VAT compliance among tax agents in Nairobi County, Kenya. The study null hypothesis was rejected, since the study found that negotiation significantly and positively affected VAT compliance  $\beta = 0.320$   $t = 4.848$ ,  $p\text{-value} = 0.000 < 0.05$ .

The second hypothesis H02 was that there is no significant effect between internal reviews and VAT compliance among tax agents in Nairobi County, Kenya. The study null hypothesis was rejected, since the study found that internal reviews significantly affects VAT compliance  $\beta = 0.009$   $t = 2.250$   $p\text{-value} = 0.040 < 0.05$ .

The third hypothesis H03 was that there is no significant effect between alternative dispute resolution and VAT compliance among tax agents and in Nairobi County, Kenya. The study null hypothesis was rejected, since the study found that alternative dispute resolution positively and significantly affects VAT compliance  $\beta = 0.386$   $t = 3.328$   $p\text{-value} = 0.000 < 0.05$ .

The fourth specific hypotheses split into three were H04a: Trust does not moderate the relationship between negotiations and VAT compliance among tax agents in Nairobi County, Kenya. The study found that trust significantly moderates the relationship between negotiations and VAT compliance, the null hypothesis was rejected  $\beta = 0.211$   $t = 14.067$   $p\text{-value} = 0.000 < 0.05$ .

H04b: Trust does not moderate the relationship between internal reviews and VAT compliance among tax agents in Nairobi County, Kenya. The study found that trust significantly moderates the relationship between internal reviews and VAT compliance, the null hypothesis was rejected  $\beta = 0.251$   $t = 8.097$   $p\text{-value} = 0.000 < 0.05$ .

H04c: Trust does not moderate the relationship between alternative dispute resolution and VAT compliance among tax agents in Nairobi County, Kenya. The study found that trust significantly moderates the relationship between alternative

dispute resolution and VAT compliance, the null hypothesis was rejected  $\beta = 0.452$   $t = 15.586$   $p\text{-value} = 0.000 < 0.05$ .

Table 4.24: Summary of Hypotheses Testing

Hypotheses	P-value	Verdict
H01 There is no significant effect between negotiation and VAT compliance among tax agents in Nairobi County, Kenya.	0.000	Reject
H02 There is no significant effect between internal reviews and VAT compliance among tax agents in Nairobi County, Kenya	0.040	Reject
H03 There is no significant effect between alternative dispute resolution and VAT compliance among tax agents and in Nairobi County, Kenya	0.000	Reject
H04a Trust does not moderate the relationship between negotiations and VAT compliance among tax agents in Nairobi County, Kenya.	0.000	Reject
H04b Trust does not moderate the relationship between internal reviews and VAT compliance among tax agents in Nairobi County, Kenya.	0.000	Reject
H04c Trust does not moderate the relationship between alternative dispute resolution and VAT compliance among tax agents in Nairobi County, Kenya.	0.000	Reject

(Source: Research 2024)

#### Discussion of Findings

##### Negotiation and VAT Compliance

In this study, the main aim was to find the effect of negotiation on the VAT compliance of tax agents in Nairobi County, Kenya. The outcome prove that there is a strong positive effect of negotiation on VAT compliance as the coefficient is 0.540,  $p < 0.05$  and we believing that when the negotiation strategies are improved, agents are likely to report more on VAT compliance.

Also, the outcome revealed that negotiation has a significant and positive effect on the VAT compliance,  $\beta = 0.320$  and  $p\text{-value} = 0.000 < 0.05$ . The finding that negotiation enhances VAT compliance aligns with several studies. For example, Temitayo (2018) emphasizes negotiation as a crucial tool for dispute resolution, suggesting that VAT compliance can benefit from more cooperative approaches over adversarial ones. Bame-Aldred and Kida (2007) also support the positive effects of negotiation, finding that in auditor-client negotiations, the parties that prioritized mutual understanding achieved better compliance outcomes, potentially reducing conflicts over tax assessments. Their research underscores that collaborative negotiation styles, where both parties focus on mutual goals, can foster trust and adherence to compliance standards.

However, some research disagrees with this view, suggesting that negotiation alone may be insufficient to ensure compliance. Azmi and Hoong (2014) argue that aggressive negotiation tactics, particularly in tax audits, can sometimes backfire, resulting in lower compliance. They found that taxpayers who perceived negotiation with tax authorities as one-sided or overly aggressive were less likely to comply, as they felt the process was coercive. This view is echoed by

Gibbins, McCracken, and Salterio (2010), who found that auditors preferred more conservative strategies, like contending or conceding, rather than cooperative negotiation, as a means to preserve compliance while avoiding compromises that could potentially reduce compliance rigor.

##### Internal Reviews and VAT Compliance

The second objective focused on assessing the influence of internal reviews on VAT compliance among tax agents in Nairobi County, Kenya. The findings indicated a positive correlation between internal reviews and VAT compliance, implying that enhancing internal review processes can significantly boost compliance, with a coefficient of 0.513 and  $p < 0.05$ . Furthermore, the study revealed that internal reviews have a positive and significant impact on VAT compliance, with  $\beta = 0.009$  and  $p\text{-value} = 0.040 < 0.05$ . The positive impact of internal reviews on VAT compliance is supported by Maple and Jones (2021), who examined reforms in New Zealand's tax dispute process and found that regular, fair internal reviews significantly improved taxpayer compliance. They reported that taxpayers were more likely to engage with tax authorities constructively when they felt their cases were handled through transparent internal reviews, reducing disputes and boosting compliance. Twesige (2019) supports this view in a study from Rwanda, noting that internal review processes contribute to taxpayer satisfaction and fairness, enhancing compliance.

Conversely, other research points to limitations in relying solely on internal reviews. Binh and Walpole (2016) argue that internal reviews without external oversight can sometimes lead to biased decisions, as observed in Australia, where internal reviews did not always meet taxpayers' expectations for fairness. Similarly, Twesige (2019) noted in Rwanda that internal reviews managed by internal tax authority staff without independent experts were often perceived as biased, diminishing their positive effect on compliance.

##### Alternative Dispute Resolution and VAT Compliance

The third objective of the study was to analyse the effect of alternative dispute resolution on VAT compliance among tax agents in Nairobi County, Kenya. Alternative Dispute Resolution also exhibits a positive and significant correlation with VAT Compliance, with a coefficient of 0.478  $p < 0.05$ . This implies that improving alternative dispute resolution improves VAT compliance. The study also found that Dispute Resolution had a positive and significant effect on VAT compliance  $\beta = 0.386$   $p\text{-value} = 0.000 < 0.05$ . Several studies support the finding that ADR positively affects VAT compliance. Kashindi (2017) examined the Kenyan ADR system and concluded that alternative approaches to resolving tax disputes, such as mediation and arbitration, could improve compliance by providing fairer, faster outcomes. Almutairi (2015) similarly found that increased awareness of ADR mechanisms in Saudi Arabia's construction industry resulted in fewer disputes and greater compliance, as parties were more willing to engage in processes that they perceived as balanced and equitable.

However, some studies caution that ADR's impact on compliance may be limited if taxpayers lack sufficient knowledge of these mechanisms. Hussin and Ismail (2015)

found that limited awareness of ADR in Malaysia's construction sector hindered its use, leading parties to opt for litigation instead. Similarly, Khekale and Futane (2015) observed in India's construction sector that a lack of understanding of ADR limited its adoption and effectiveness, implying that ADR's impact on compliance may depend on education and familiarity with these processes.

Trust on the relationship between dispute resolution mechanisms and VAT compliance

The fourth specific objective of this study was to assess how trust moderates the relationship between dispute resolution mechanisms and VAT compliance among tax agents in Nairobi, Kenya. The findings indicated that trust is positively and significantly related to VAT compliance, with a coefficient of 0.487 ( $p < 0.05$ ). This suggests that higher levels of trust are associated with increased compliance with VAT obligations. Additionally, the study found that trust significantly impacts VAT compliance, with a coefficient of  $\beta = 0.011$  and a  $p$ -value of 0.040 ( $p < 0.05$ ). It was also revealed that trust positively moderates the effect of negotiation on VAT compliance ( $\beta = 0.211$ ,  $p = 0.000 < 0.05$ ) and enhances the positive impact of internal reviews ( $\beta = 0.251$ ,  $p = 0.000 < 0.05$ ). Furthermore, the positive effects of alternative dispute resolution on VAT compliance are strengthened by trust ( $\beta = 0.452$ ,  $p = 0.000 < 0.05$ ). Research strongly supports the finding that trust moderates the relationship between dispute resolution mechanisms and VAT compliance. Kirchler et al. (2020) argue that taxpayer trust in tax authorities is essential for encouraging compliance, as it assures taxpayers that their contributions are used effectively and fairly. Their research shows that trust fosters a collaborative environment, enhancing the effectiveness of negotiation, internal reviews, and ADR as compliance mechanisms. Similarly, Batrancea et al. (2019) found that in Romania, trust in tax authorities directly improved tax compliance, as taxpayers were more likely to view tax payments as contributions to the public good.

However, studies such as Güzel et al. (2019) highlight that trust can be easily eroded if there is perceived misconduct, such as bribery or corruption. In Turkey, their research demonstrated that bribery among tax officials reduced taxpayers' trust and compliance, even when ADR and negotiation mechanisms were in place. Yaser et al. (2019) further observed that tax compliance was undermined in environments where taxpayers perceived authorities as untrustworthy, suggesting that without high ethical standards and transparency, trust may not effectively moderate compliance behavior.

Age and Education and VAT compliance

Age and VAT Compliance has 0.350 coefficient of  $P > 0.05$ , as show that improve of age influence to compliance VAT. The coefficient regression showed the effect that age has appositive significance unto tax compliance  $\beta = 0.235$   $p$ -value = 0.000  $< 0.05$ .

Lastly, Education has 0.439 coefficient  $P > 0.05$ , is relates in to VAT Compliance. It expressed that when the level of education is increase. The compliance of VAT obligation is

will be improve too. The coefficient regression showed the effect that education has appositive significance unto tax compliance  $\beta = 0.218$   $p$ -value = 0.000  $< 0.05$ .

The study's findings that age and education positively influence VAT compliance are supported by a substantial body of research. Grasmick et al. (2019) report that tax compliance tends to improve with age, as older individuals generally have greater financial stability and a stronger sense of civic responsibility. Torgler (2018) also found that younger taxpayers are more likely to evade taxes than older taxpayers, suggesting that compliance increases with age.

In terms of education, Chan, Troutman, and O'Bryan (2019) found that higher education levels were associated with improved compliance. Educated taxpayers were more likely to be aware of their tax obligations and possessed a better understanding of the tax system, fostering compliance. Smith and Johnson (2019) similarly note that education indirectly boosts compliance by increasing familiarity with tax technology solutions, which makes tax filing more accessible and efficient.

On the other hand, Spicer (2020) presents an opposing view, finding a negative correlation between age and tax compliance in certain contexts. His study suggests that older taxpayers may perceive tax obligations as more burdensome, potentially leading to higher evasion rates. Moreover, some studies argue that education alone does not guarantee compliance. For instance, Blomquist and Micheletto (2008) argue that compliance also depends on moral and social factors, which may not be directly influenced by education. These findings suggest that while age and education generally promote compliance, other factors, like personal ethics and social influence, can also play a significant role.

## Summary of findings, conclusions and recommendations

### Negotiation and VAT Compliance

The study's primary objective was to assess the relationship between negotiation and VAT compliance. Findings revealed a strong positive correlation between negotiation abilities and VAT compliance, suggesting that tax agents with advanced negotiation skills are more likely to comply with VAT regulations. The study also rejected the null hypothesis H01 since the study found that negotiation positively affected VAT compliance.  $\beta = 0.009$   $t = 2.250$   $p$ -value = 0.040  $< 0.05$ . This relationship may stem from the ability of skilled negotiators to foster clear communication and establish cooperative relationships with tax authorities, leading to a more transparent and collaborative approach to compliance. The significant impact of negotiation on compliance implies that developing agents' negotiation skills could be a strategic approach for tax authorities, enhancing their interactions with taxpayers and leading to improved compliance rates.

### Internal Reviews and VAT Compliance

The second objective focused on the role of internal reviews in VAT compliance, revealing that a robust system of internal review mechanisms within organizations positively

influences compliance. The study also rejected the null hypothesis H02 since the study found that internal review mechanisms positively affected VAT compliance.  $\beta = 0.009$   $t = 2.250$   $p\text{-value} = 0.040 < 0.05$ . This finding suggests that organizations with consistent internal checks and oversight are better positioned to comply with tax regulations. Internal reviews may contribute to the accuracy and reliability of financial reporting, reducing the likelihood of errors or discrepancies that can lead to non-compliance. The significant positive effect observed underscores the importance of promoting internal review practices among tax agents as a way to reinforce accountability and ensure adherence to VAT obligations.

#### Alternative Dispute Resolution and VAT Compliance

The third objective examined the impact of alternative dispute resolution (ADR) mechanisms on VAT compliance. Results showed a positive and significant correlation, indicating that ADR contributes to higher compliance levels. The study also rejected the null hypothesis H03 since the study found that alternative dispute resolution positively affected VAT compliance.  $\beta = 0.386$   $t = 3.328$   $p\text{-value} = 0.000 < 0.05$ . ADR provides a structured and less adversarial framework for resolving disputes, allowing taxpayers to address disagreements with tax authorities in a cooperative manner. By reducing the escalation of conflicts and fostering trust, ADR can serve as a valuable tool for encouraging compliance. The study suggests that enhancing access to ADR mechanisms and training tax agents in its procedures could help create a more compliant environment by minimizing potential conflict-related obstacles.

#### Trust as a Moderator in the Relationship Between Dispute Resolution Mechanisms and VAT Compliance

The fourth objective investigated the moderating role of trust on the relationship between dispute resolution mechanisms (such as negotiation, internal reviews, and ADR) and VAT compliance. Trust was found to have a significant positive impact on VAT compliance, with higher levels of trust resulting in improved compliance outcomes. Furthermore, trust was shown to positively moderate the effects of negotiation, internal reviews, and ADR on VAT compliance. The study found that trust significantly moderates the relationship between negotiations and VAT compliance, the null hypothesis H04a was rejected  $\beta = 0.211$   $t = 14.067$   $p\text{-value} = 0.000 < 0.05$ . The study found that trust significantly moderates the relationship between internal reviews and VAT compliance, the null hypothesis H04b was rejected  $\beta = 0.251$   $t = 8.097$   $p\text{-value} = 0.000 < 0.05$ . The study found that trust significantly moderates the relationship between alternative dispute resolution and VAT compliance, the null hypothesis H04c was rejected  $\beta = 0.452$   $t = 15.586$   $p\text{-value} = 0.000 < 0.05$ . This finding implies that when tax agents trust in the fairness, transparency, and effectiveness of tax authorities, they are more likely to engage in compliant behaviors. Trust enhances the efficacy of compliance-promoting factors, reinforcing the idea that fostering trust between tax authorities and taxpayers can amplify the positive impacts of negotiation, internal reviews, and ADR on compliance.

#### Age and Education and VAT compliance

The study investigated the effects of age and education on VAT compliance. The findings indicated a positive correlation between age and VAT compliance, suggesting that compliance improves with age. Age had a significant positive effect on VAT compliance. Similarly, education was positively correlated with VAT compliance, with higher education levels leading to improved compliance. Education also had a significant positive effect on VAT compliance.

#### Conclusion

The study general objective was to establish the moderating effect of trust on the relationship between dispute resolution mechanisms and VAT compliance among tax agents in Nairobi County, Kenya. The study generally concludes that trust enhanced the positive effects of dispute resolution mechanisms on VAT compliance among tax agents in Nairobi County, Kenya. The first objective was to determine the effect of negotiation on VAT compliance among tax agents in Nairobi County, Kenya. The study findings conclude that various factors significantly influence VAT compliance among tax agents in Nairobi County, Kenya. Firstly, the study concludes that negotiation techniques have a substantial positive impact on VAT compliance. As negotiation methods improve, compliance levels among tax agents are enhanced, highlighting the importance of effective negotiation strategies in tax administration. Based on hypothesis testing, negotiation was found to have a significant positive impact on VAT compliance H01 was rejected. This conclusion supports prior findings by Gibbins, McCracken, and Salterio (2010), who demonstrated that negotiation fosters compliance by offering a collaborative approach, aligning both taxpayer and authority goals. In line with Temitayo's (2018) findings on negotiation as an effective conflict resolution tool, this study concludes that implementing structured negotiation mechanisms can increase compliance rates among tax agents by reducing the adversarial nature of tax disputes. The contribution of this study lies in its emphasis on negotiation as an essential factor in compliance strategies, suggesting that tailored negotiation techniques may enhance tax compliance behaviors, especially within challenging regulatory environments.

Secondly, the study sought to establish the effect of internal reviews on VAT compliance among tax agents in Nairobi County, Kenya. The study establishes that internal reviews play a critical role in promoting VAT compliance. The study rejected H02, finding a significant positive impact of internal reviews on VAT compliance. The findings indicate that robust internal review mechanisms are associated with higher compliance rates, underscoring the need for thorough and systematic review processes within tax agencies. This result aligns with previous research, such as Twesige (2019), who found that fair and consistent review processes improve taxpayer compliance. Additionally, Maple and Jones (2021) highlighted that transparent review mechanisms, as implemented in New Zealand, positively influence taxpayer trust and, consequently, compliance. The current study's findings contribute to the existing literature by demonstrating that enhanced internal review processes within tax authorities in Nairobi can reduce disputes and foster trust. This outcome

underlines the necessity for tax authorities to adopt rigorous review processes as a means to improve compliance rates.

The third objective was to analyze the effect of alternative dispute resolution on VAT compliance among tax agents in Nairobi County, Kenya. The H03 was rejected finding a significant positive impact of internal reviews on VAT compliance. The study concludes that alternative dispute resolution methods positively affect VAT compliance. Improved dispute resolution processes lead to better compliance, suggesting that providing efficient and effective resolution mechanisms is essential for encouraging adherence to tax obligations. These findings are consistent with prior research by Kashindi (2017), which found ADR mechanisms reduce taxpayer resistance and enhance compliance in tax disputes. Similarly, Hussin and Ismail (2015) identified that ADR increases compliance by resolving disputes fairly and efficiently, particularly in sectors with high potential for conflict. This study contributes to the body of knowledge by reinforcing the role of ADR as a viable, effective approach in Kenyan tax administration. It suggests that adopting ADR mechanisms can streamline tax dispute resolution, increase taxpayer cooperation, and strengthen compliance in complex tax environments. The study sought to establish the moderating effect of trust on the relationship between dispute resolution mechanisms and VAT compliance among tax agents in Nairobi, Kenya.

Additionally, the study found that trust significantly moderates the relationship between dispute resolution mechanisms and VAT compliance. H04 was therefore rejected. High levels of trust among tax agents enhance the positive effects of negotiation, internal reviews, and alternative dispute resolution on compliance. This highlights the crucial role of trust in fostering a cooperative and compliant tax environment. This finding supports the assertions of Kirchler et al. (2020) and Lange et al. (2020), who argue that taxpayer trust in authorities is crucial for compliance, as trust reduces perceived risk and fosters a collaborative taxpayer-authority relationship. The study adds to the theoretical discourse on tax compliance by affirming that trust enhances the efficacy of dispute resolution mechanisms, especially in settings where tax compliance may be affected by perceived fairness and legitimacy of tax authorities. As trust moderates compliance positively, fostering taxpayer trust should be a core focus for tax authorities seeking to enhance voluntary compliance. Furthermore, the study concludes that demographic factors, such as age and education, significantly influence VAT compliance. Older tax agents tend to comply more with VAT obligations, and higher levels of education correlate with better compliance. This suggests that demographic characteristics should be considered in strategies aimed at improving VAT compliance.

This study makes significant contributions to the understanding of VAT compliance in Nairobi County, Kenya, by highlighting the critical roles of negotiation, internal reviews, ADR, and trust as components that can enhance compliance. Through its empirical findings, the study offers

actionable insights into how tax authorities can effectively implement dispute resolution mechanisms to foster compliance, particularly in resource-constrained settings. By establishing the moderating role of trust, the study also underscores that fostering transparency and accountability in tax administration is integral to encouraging voluntary compliance, thus enriching the discourse on tax compliance behavior and its determinants.

#### Recommendations

The findings of this study have several important implications for policymakers, particularly in the Kenyan government and the Kenya Revenue Authority (KRA). The significant relationship between negotiation skills and VAT compliance suggests that the government should consider implementing policies aimed at training tax agents in effective negotiation and dispute resolution, by investing in skills development programs for tax agents, policymakers can improve interactions between agents and taxpayers, leading to higher compliance rates. Additionally, the positive influence of internal reviews on VAT compliance points to the potential benefits of mandating routine internal audits for tax-compliant organizations. Policies could be developed to encourage or even require regular internal reviews among VAT-registered businesses to ensure compliance. Finally, the study's findings emphasize the importance of trust in compliance behaviors, suggesting that the government should implement transparency-enhancing policies. Policies aimed at building trust such as open data initiatives, regular public reporting on tax revenues, and streamlined, user-friendly compliance processes could strengthen the relationship between taxpayers and tax authorities and encourage voluntary compliance.

For the Kenya Revenue Authority (KRA), tax management teams, and taxpayers, the study provides actionable insights. KRA and tax management bodies should prioritize training tax agents in negotiation and alternative dispute resolution (ADR) skills to reduce conflicts and foster cooperative relationships with taxpayers. Providing resources and support for agents to conduct regular internal reviews is another practical recommendation. KRA could establish a framework encouraging businesses to self-review and verify VAT submissions before reporting, reducing errors and increasing compliance. Additionally, KRA should invest in building trust with taxpayers by making dispute resolution mechanisms accessible and equitable. Ensuring that these mechanisms are transparent, fair, and efficient will reinforce trust, which was found to enhance the impact of negotiation, internal reviews, and ADR on compliance. For taxpayers, adopting regular internal review practices and seeking constructive resolution in disputes with KRA can improve VAT compliance while minimizing potential disputes and penalties.

#### Future Research

The present study aimed to determine how trust influences the relationship between tax dispute resolution mechanisms and tax compliance among tax agents in Nairobi County, Kenya. The specific goals included investigating the roles of negotiation, internal reviews, and alternative dispute

resolution in influencing tax compliance within this group. For future research, it would be beneficial to explore how the regulatory framework affects VAT compliance.

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## Independent Variables

## Dependent Variable





