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Influence of enforcement measures on tax debt revenue realization case of Kenya revenue authority

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Abstract

Tax debts affect the economy of a country negatively hence provision of service constrained. Tax enforcement measures are important component in debt revenue collection and recovery because they directly affect the amount of revenue a country collects within a certain period of time. The study sought to establish the effect of enforcement measures on tax debt realization in Kenya. Specifically the study sought to assess the effect of issuance of Agency notice, use of distraint actions, use of charge and security on immovable property and use of court suits as an enforcement measures on tax debt realization in Kenya. To achieve these objectives, the study adopted a descriptive research design. The study relied on secondary data that was obtained from the monthly, quarterly and yearly debt reports from Kenya Revenue Authority spanning for the last 11 years from 2006 to 2016. Correlation and regression analysis showed a statistically significant positive relationship between the enforcement measures and debt realization. The use of Agency notice as an enforcement measures since it had a strong positive relationship ($r = 0.662$, $p > 0.05$). The regression model was significance with p-value of 0.000b which is less than 0.05 significance level. In line with fostering compliance, the study recommends the use of Agency notice efficiently to improve debt realization since it had the highest positive coefficient.

Keywords: Tax debt, enforcement tool, correlation, regression analysis

Introduction

The aim of tax administration is to ensure collection of revenue on time as shortfall in government revenue or collection delays, significantly affects the timeliness and level of financial resources available to Government (OECD, 2013) ^[18]. Revenue authorities expect businesses and taxpayers to organize their financial affairs to ensure that taxes due from them are paid on time. If a taxpayer does not pay what is due on time and does not engage with revenue authority in a timely manner, then revenue authority will proceed with appropriate recovery enforcement action to recover the debt (OECD, 2013) ^[18]. Further, OECD (2013) ^[18] defines an unpaid tax debt as the total amount of tax liabilities (including any penalties, fines and interest) which is not disputed by the taxpayer that is overdue for payment for all taxes administered by the revenue agency (OECD, 2013) ^[18]. A tax debt arises when tax is assessed either by self or tax official but not collected within the stipulated time frame. According to (OECD, 2013) ^[18] it is the responsibility of the respective revenue agency to ensure tax debt is collected together with penalties, interest and fines where applicable.

Debt management forms an important initiative in revenue collection. However, collection and recovery of tax in arrears (debt) has become a major problem in a large number of countries worldwide. Despite rise in revenue collection, the tax debt level continues to grow. This trend in tax debt is alarming and it's a sign that overtime taxpayers continue to be non-compliant and even the most sophisticated strategies for facilitating or enforcing voluntary compliance are worth little if the tax owed is not actually collected (UN, 2014) ^[27].

The state of the global economy has made most revenue agency face challenges of rising levels of tax debt coupled with corresponding resource pressures and risks. For instance in Australia, the total tax debt holdings as at the 30 June 2012 was AU\$31.7billion (€25.6 billion) with close analysis showing about two-thirds of the tax debt in Australia is attributed to small businesses. This led to implementation of among other measures the use of enforcement tools that were more risk-based to prioritizing various tax cases and

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differentiating various treatment based on the circumstances of individual taxpayer's in Australia. This approach and strategy yield positive results evidenced by increase in the tax debt collections and recovery during the financial year 2011-2012. Another case, United Kingdom (UK) reported in 2013 a reduction in recovery of tax debt to €15.6 billion (£ 13.3 billion) as compared with €17.6 billion (£ 15.0 billion) for the same period, 2011-2012. This reduction of debt was attributed to the fact that UK had put in place debt collection strategies of utilizing proper enforcement tools that appear to be providing effective outcomes (Her Majesty Revenue & Customs Accounts, 2012-2013). In Canada, tax debt had grown at a faster rate than total taxes paid in 2012 despite an increasing trend in the amount of cash collected by Tax Services of Canada. In the reporting period 2014-2015, there was €5.7 billion (\$7.5 billion) in tax debt less than a year old accounting for about 1.8% of gross receipts despite data reported indicating that individuals and businesses in Canada increasing willingness to pay their taxes on time. This is a clear evident that tax debt collection strategy has not reflected the success rates recorded in other endeavors to date and has not kept pace with the overall revenue collection.

In Kenya, despite an increasing trend in tax revenue collection for the past one decade, there has been an increasing trend in tax debt and recovery is not proving to be fruitful. KRA reported a tax collection of KES 360.191 billion with a debt collection of KES 1.345 billion for the financial year 2006/2007 and a tax collection of KES 1,200.159 billion with a debt collection of KES 7.0413 billion in the financial year FY2015/2016. This is 70% growth in revenue collection for a period of eleven years (KRA, 2016) ^[10]. However, this growth has not resulted in less tax debt as it continues to grow at alarming rate as not all taxpayers' honour their obligation to pay taxes. As such, they may end up defaulting on tax payment and KRA suffer from target shortfall from the actual collection and thus the tax uncollected becomes debts. It is asserted that, tax debts affect the economy negatively and provision of service by the government is compromised. Wambugu (2012) and Jesang (2012) argue that many taxpayers have become debtors having progressed through the system as non-payers. This vice has been encouraged by laxity in tax debt management and political interferences. In the present climate of financial challenges, KRA face rising levels of tax debt with corresponding resource pressures and risks (KRA, 2017) ^[11]. In response to mitigating this resource pressures and risks, KRA has resorted to tax arrears collection as short term solution. Debt collection Strategy such as organization of debt management (segmentation, centralization, digitalization, public sector partnership and co- operation and use of call centres) has been put in place with little Success. Debt recovery is a major challenge not only to revenue agency but, even business such as commercial banks creditors in Kenya have too witnessed a low rate of debt recovery from borrowers making the banks to incur huge losses. Thus the right enforcement tools need to be in place and in Kenya are indeed provided for in Tax Procedure Act 2015. However, the contribution of this enforcement measures/tools has to date not been established by either KRA or scholars in the field of academics.

Literature Review

Tax enforcement tools find their basis on the rational choice theory, debt maturity theory and economic theory model proposed by Allingham and Sandmo, (1972). In their paper, Allingham and Sandmo model tax compliance behaviour as a utility maximization decision where a taxpayer will consider the benefit of tax evasion against the probability of getting caught evading (paying the correct taxes plus interest and penalties). The rational choice theory utilizes the economic model and proposes that economic action is based on rewards and punishment in which action is motivated by pursuit of balance of rewards over costs. In tandem, in Kenya, underreporting, underpaying or non-paying of taxes due and failure to declare taxes are punishable by imprisonment of up to a maximum of 6 months or a fine of double the tax due or both (Tax Procedure Act, 2015) ^[3]. The rational choice theory tries to explain the use of enforcement tool in debt recovery and in an attempt to feel the tax gap (as a result of underreporting, underpaying or non- paying of taxes due) and further provide explanation to of deterrence tax evasion schemes.

Enforcement tools vary with their level of effectiveness and they include use of agency notice, use of distraint action, charge/security on immovable property and court suit among others. These tools can be used in the recovery and collection of tax debt and ensures that tax due is collected as soon as possible and in full. According to African economic outlook (2005), the use of reminders and issuance of agency notice has positively impacted on debt recovery strategy by aiding in collection of debt by in African banks. Agency notice has proved to be a good tools to softly persuade and compel the debtors to pay up their debts (African economic outlook, 2005). This is so because genuinely some customers are not able to remember when their debts are due, thus reminders such as email, short text (SMS) or a telephone call enables the debtor remember and honor their obligation to pay/settle the their debts.

According to Nyaoke (2007), distraint action is a method of debt recovery through auction of properties of the debtors who have defaulting in their obligation to pay the amount owed. This method of debt recovery has been used in most case by lenders to recover their debts arising either from lending loans or supplying goods and services but the debtors' fails to pay the amount owed. In banking industry, the uses of distress actions has been effective and have enabled banks to manage high non - performing loans especially when debt recovery at bank level was not doing very well hence making loans being declared delinquent experienced in the years 2003 -2007 when the absolute amounts of non-performing loans reduced to KES 73.2 billion from KES 171.5 billion.

In tax administration, the distress actions have also been applied and used by various revenue authorities to collect and recover tax debts from tax defaulters in the last one decade (Mutua, 2012) ^[17]. In Kenya for instance, where there is reasonable ground to believe that tax is due and payable but the person will default in making payment and all other soft avenues are exhausted, the Kenya Revenue Authority may, recover it by distress instead of using court suits. The commissioner of income tax may levy distress on chattels and goods or sale of the movable property of the taxpayer from whom the tax is recoverable and at the cost of that person to recover the unpaid tax; Mutua, 2012 ^[17]. Higher rates distress actions simply make evading or

defaulting in tax payment more hazardous for taxpayers and should deter them from evasion. This proposition is supported by study which evaluated the effect of use of distress actions on tax compliance by the small and medium enterprises in Nairobi central district.

For more than a century, criminal sanctions have been used as deterrence measures against noncompliance. Economics model of crime perspective in tax evasion adopts heavily from criminologist economics of crime model. Becker observed that tax evasion which is synonymous with tax compliance is a top white-collar crime and thus this model is appropriate. Becker, (1968) explained criminal actions from a rational utility maximizing decision-making process where the criminal weighs the costs and benefits before deciding to commit a crime.

Research Methodology

The study employed a descriptive research to determine how one variable causes or is responsible for the changes in other variables. An extensive desk assessment to ascertain the gaps in research was conducted to inform the objectives of the study. This referred to the on desk review that analyzed various reports from scholars, government entities and Domestic Tax Departments (DTD) on the subject matter. The study relied on secondary data on tax debt revenue collection, collected from Kenya Revenue Authority Abstracts. For the last eleven (11) years, a proximately 340 taxpayers in LTO have defaulted and different traditional enforcement measures have been applied to recover the unpaid tax debt from financial year 2006/2007 to 2016/2017. This was the population of interest where a minimum sample size of 34 taxpayers were selected randomly and secondary data on debt recovery from them financial year 2006/2007 to 2016/2017 was reviewed and collected with respect to the tools used to recover the tax debt.

Ordinary Least Square (OLS) estimates was used to estimate the linear regression coefficient. To establish the correlation between the enforcement measures (Recovery of unpaid taxes by Agency notice, Recovery of unpaid taxes by Distraint action, Recovery of unpaid taxes by Charge/security on immovable property and Recovery of unpaid taxes by Court suits and tax debt realization, correlation analysis was employed.

Analytical Model: This study used a mathematical multiple linear regression approach and used Ordinary Least Square (OLS) estimates to estimate the coefficient of the regression equation. The mathematical equation used was as follows:

Equation 1: Multiple regression equation

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$$

Where Y= Tax Debt Realized Amounts over the period of research. These was collected from tax revenue statistical bulletins available at the KRA and KNBS, β_0 - is the Y intercept or co- efficient of constant of the equation, β_i - is the coefficient of each independent variable, X1- use of Agency Notice, X2- use of Distraint actions, X3- use of Charge/Security on immovable property for unpaid tax, X4 – use of Court suit and ϵ - is the error term capture the un-explainable effect on tax debt realization.

Aggregate data relating to tax debt revenue collected from employing techniques such as use of Agency Notice, Distraint Actions, Charge/Security on Immovable Property and fraud investigation and Court Suits was regressed against total debt revenue collections as a measure of the overall revenue collection and debt performance.

Result and Discussions

The findings showed that, over the last 11 years, a total of Kshs 44.4344 Billions of tax debt had been recovered with average debt revenue collection in Kenya of Kshs 4.039495 Billion. However, debt written off over the same period was very high compared to debt recovered. The total debt written off stood at Kshs 421.7963 Billions with a mean of Kshs38.345121 Billion. This write off is very high and shows that the debt recovery strategy employed by the Kenya revenue authority was performing below the expectation. The mean of the dependent variables that is, issuance of Agency Notice, use of Distraints Action, use of Charge or Security on Immovable Property, use of Court Suits/Criminal investigation was 1.776809, 0.161419, 0.280818, and 0.598273 respectively. The highest amount of debt collection amounted to Kshs 9.7051 Billion while the lowest collected debt amounted to Kshs. 1.3450 Billion. On average the mean collection through the use of enforcement measures as high fur use of Agency notices at Kshs 1.776809 Billion over the last 11 years. This is summarized in table 1 shown below:

Table 1: Average Debt revenue from enforcement Measures in Billions of Kenya Shillings from 2006 to 2017

Descriptive Statistics						
	N	Minimum	Maximum	Sum	Mean	Std. Deviation
Total Tax Debt Collection as revenue	11	1.3450	9.7051	44.4344	4.039495	2.4876164
Use of Agency Notice	11	.1162	4.4587	19.5449	1.776809	1.4371826
Use of Distraints Action	11	0.0000	.2552	1.7756	.161419	.0824404
Use of charge or securit on immovable property	11	.1380	.4510	3.0890	.280818	.1222750
Use of court suits	11	.1470	2.2820	6.5810	.598273	.6544193
Tax Debt written Off	11	29.1321	65.2290	421.7963	38.345121	10.0455783
Valid N (listwise)	11					

In large corporate taxpayers category where 34 observations were made for all the variables and produced almost the same result. In Kenya, the bulk of revenue collection; about 50% are collected from firms in the in large taxpayer category. Thus the result clearly demonstrated thatindeed debt collection is a challenge in revenue collection that

affects almost all revenue departments within Kenya Revenue Authority. The mean of the independent variable, Debt collection in LTO was Kshs 1.7008294 Billion. While the mean for dependent variables mean of the dependent variables i.e. issuance of Agency Notice, use of Distraints Action, use of Charge or Security on Immovable Property,

use of Court Suits/Criminal investigation was 0.4237353B, 0.0111544B, 0.1694059B, and 0.2120221B respectively. The highest amount of debt collection in LTO over the last 11 years amounted to Kshs 4.67640 Billion while the lowest collected debt amounted to Kshs. 0.05970

Billion. On average the mean collection through the use of enforcement measures as high for use of Agency notices at Kshs. 4237353 Billion over the last 11 years. This is summarized in table 2 shown below.

Table 2: LTO average debt revenue from enforcement Measures in Billions of Kenya Shillings from 2006 to 2017

Descriptive Statistics						
	N	Minimum	Maximum	Sum	Mean	Std. Deviation
Total tax debt collected	34	.05970	4.67640	27.82820	1.7008294	1.37265073
Collection from use of Agency Notice	34	.011150	4.23000	11.30700	.4237353	1.61703217
Collection from use of Distraint Actions	34	.003300	.03500	.37925	.0111544	.01029554
Collection from use of Charge/Security on Immovable Property	34	.00330	.51300	1.75980	.1694059	.22406545
Collection from use of fraud investigation and Court Suits	34	.003300	4.06000	3.20875	.2120221	.13549350
Valid N (listwise)	34					

Source: Author Computation, 2018

Correlation Analysis

To show the correlation and the degree of association between variables under investigation, Pearson correlation

analysis was employed. The table below shows the Pearson correlation coefficient generated from the data.

Table 3: Correlation Analysis

Correlations						
		Total tax debt collected	Use of Agency Notice	Use of Distraint Actions	Use of Charge/Security on Immovable Property	Use of fraud investigation and Court Suits
Pearson Correlation	Total tax debt collected	1.000	0.662	0.239	0.216	0.201
	Use of Agency Notice	0.662	1.000	0.333	-0.162	0.141
	Use of Distraint Actions	0.239	0.333	1.000	0.215	-0.071
	Use of Charge/Security on Immovable Property	0.216	-0.162	0.215	1.000	-0.194
	Use of fraud investigation and Court Suits	0.201	0.141	-0.071	-0.194	1.000
Correlation is significant at the 0.05 level (2-tailed)						

Source: Author computation, 2018

From the correlation analysis above, clearly there exists a weak correlation between variables. However, there is statistically a strong significant relationship between the debt collection with the use of Agency notice as an enforcement measure ($r= 0.662, p>0.05$). The use of Distraint Action ($r = 0.239, p>0.05$), Charge/security on Immovable property ($r= 0.216, p>0.05$) and taxdebt collection through Court Suits ($r= 0.201, p>0.05$), had weaker but significant relationship to debt realization in LTO.

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Regression Analysis

Table 4: Model Summary

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.849a	0.721	0.683	0.77283390	1.715
a. Predictors: (Constant), use of Agency Notice, use of Distraint Actions, use of Charge/ Security on Immovable Property, use of fraud investigation and Court Suits.					
b. Dependent Variable: Total tax debt revenue collected.					

The findings of the regression analysis show a fairly moderately linear relationship between dependent and independent variables. The coefficient of determination (Adjusted R-squared value) equals to 0.683 was established and this implies that 68.3% of the variation in the dependent variable is attributed to the changes in the independent variables. That is the use of Agency Notice, use of Distraint

Actions, use of Charge/ Security on Immovable Property and the use of fraud investigation and Court Suits accounts for 68.8% of total debt revenue collection, leaving 31.2 % unexplained maybe by other factors not captured in this study. There was no autocorrelation since the DW statistics was more than the prescribed value of 2.0 for residual independence.

Co-efficient of regression

Table 5: Regression Coefficients

Model		Co-efficients					95.0% Confidence Interval for B	
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.		
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.837	.220		3.799	.001	.387	1.288
	Use of Agency Notice	.520	.092	.613	5.649	.000	.332	.708
	Use of Dstraint Actions	3.575	4.520	.027	.246	.007	-2.121	3.272
	Use of Charge/Security on Immovable Property	1.307	.642	.013	2.034	.005	-.007	2.621
	Collection from use of fraud investigation and Court Suits	.942	.179	.032	5.275	.000	.577	1.307

a. Dependent Variable: Total tax debt collected
 b. Predictors: (Constant), use of Agency Notice, use of Dstraint Actions, use of Charge/Security on Immovable Property, use of fraud investigation and Court Suits

Thus the regression equation is presented as shown below

$$Y = 0.837 + 0.613X_1 + 0.027X_2 + 0.013X_3 + 0.032X_4$$

A Constant of 0.837, shows that if the use of Agency Notice, Dstraint Actions, Charge/Security on Immovable Property and fraud investigation and Court Suits are all held constant at zero, debt revenue collection would be Kshs 0.837 Billion. The regression coefficient for Agency Notice is 0.613. This means that the relationship between the Agency Notice and debt revenue collection is strongly positive. This implies that an increase in use of Agency Notice would results to 61.3% increase in debt revenue collection. The regression coefficient for Dstraint Actions is 0.027 meaning that the relationship between Dstraint Actions imposed on firms within the large taxpayer category and debt revenue is positive.

This implies that a unit increase in the use of Dstraint Actions imposed on firms results to an increase debt revenue collection by only 2.7%. The regression coefficient for criminal sanctions ratio is 0.032. The relationship between criminal sanctions on fraudulent taxpayers and court suits and debt revenue is positive. This implies that an increase in criminal sanctions and strict enforcement of criminal sanctions results to an increase in total debt revenue recovery although this might affect voluntary tax compliance.

The regression coefficient for contribution of charge or/ security on immovable property for unpaid tax to total tax debt collection is 0.013. This relationship is however is positive implying that an increase in charge or/ security on immovable property for unpaid tax as an enforcement measures an extent increase in debt revenue collected.

Analysis of Variance

Table 7: ANOVAa

ANOVAa						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	44.857	4	11.21425	18.775658	0.000b
	Residual	17.321	29	0.597276		
	Total	62.178	33			

a. Dependent Variable: Total tax debt revenue collected
 b. Predictors: (Constant), use of Agency Notice, use of Dstraint Actions, use of Charge/Security on Immovable Property, use of fraud investigation and Court Suits.

From the findings in the table 4.5 above, there is a significant association between the predictor variables (Agency Notice, Dstraint Actions, Charge/Security on Immovable Property, fraud investigation and Court Suits) and tax debt revenue realization. A large F ratio (18.775658) shows that there was more variability between the groups than within each group. This variability can caused by the independent variable. The p value is of 0.000b was less than 0.05 significance level, the model was significance.

Discussion of Findings

Outstanding tax debts affect the economy negatively and provision of service by the government is compromised. However, the use of combination of strategies and debt enforcement measures to collect more revenue in arrears/debt has intensified debt collection and recovery of tax in arrears of the last one decade. The use of enforcement tools initiatives has led to improvement in debt collection recovering a total of KES 44.4344 billions of tax debt in

revenue over the period under study translating to average KES 4.039495 billion in tax debt revenue. This increase was recommendable and in line with the increase in revenue collection. However, this collection is far much behind full tax debt recovery as debt now stand at over KES 157.38 billion (KRA, 2017) [11]. KRA suffer from target shortfall from the actual collection and thus if the tax uncollected or in arrears are recovered would enhance revenue collection efficiency. The aggressive use and employment enforcement measures/tools when unpaid taxes are discovered, the taxpayers are compelled by law to pay all the outstanding taxes plus a fine not exceeding one million shillings or an imprisonment for a term not exceeding three years or both (Income Tax Act, 2014 cap 470 of laws of Kenya).

The study found that there exist strong positive relationships between use of agency notice as enforcement measure and debt revenue collection. The effect is moderate and significant. The compliance theory provides that as the detection of defaulting increase, there is an increase in the

level of compliance. Therefore, the findings of this study are in line with theories and majority of prior studies. This implies that an increase in Agency Notice results to increased debt revenue recovery. The large agency notice coefficient also means that the use of agency notices are effective enforcement strategy for ensuring debt recovery for the Kenyan Revenue Authority in line with facilitating compliance. It shows that a small increase in the use of agency notice as an enforcement measure in unpaid tax collection increases debt recovery by a good margin. Governments can increase their debt revenue recovery by increasing the issuance of agency notice as soft enforcement measures while enabling facilitation for enhanced tax compliance. These findings are consistent with Keen research that looked at the current challenges in revenue mobilization; Improving tax compliance. The research found a close relationship between use of agency notice as an enforcement strategy for tax compliance measures and the amount of revenue for various revenue collecting bodies in different countries.

An earlier study done in the US by Witte and Woodbury, (1985) showed that, notices of tax dues sent out to taxpayers by the data processing unit had a significant effect on tax compliance. If the data processing unit adopted this method concerning use of agency notice, that is, sending out notices of taxes owed, it might greatly improve the effect of enforcement measures on debt revenue recovery and enhances tax compliance. After all, issuance of agency notices inform of demand letters are a much cheaper enforcement measure and more far reaching. This would also counter the problem of penalties charged to unknowing taxpayers. This implies that an increase in imposition of agency notice approach as an enforcement on errant taxpayers results to an increase in debt revenue recovery and thus good revenue performance.

On use of Court suits to collect unpaid taxes, the study found that there exists a weaker positive relationship between use criminal sanctions or Court suits and debt revenue collection that was statistically insignificant at 95% confidence level with regression coefficient of -0.032. The result of the relationship between criminal sanctions and court suits to debt revenue collection was unexpected and non-significant. The negative relationship is congruent with compliance theory, that punishment is not an effective way of deterring undesired behavior. The weak negative result implies that an increase in criminal sanctions and use of Court suits results to a slight decrease in the amount of debt revenue recovered by 3.2%. The findings were in line previous research that shows that legal proceedings negatively affect revenue performance. However, this find was contrary to Eissa and Jack (2009) who found that the relationship between criminal sanctions and revenue correction is positive. This findings could implies that the higher the taxpayers are subjected to legal battles on fraudulent issues; the lower is the contribution in revenue collections and compliance. The theory of compliance behavior and criminal psychology both state that punishment does not help prevent undesirable behavior. Previous studies have also found that punishment of noncompliant taxpayers tends to erode tax morale – internal motivation to pay taxes.

The study found a positive relationship between contribution of charge or/ security on immovable property for unpaid tax to total tax debt revenue collection. The ratio

is 0.013. This implies that an increase in attachment or charge on immovable property for unpaid taxes results to an increase in the amount of debt collection by 1.3% and vice versa. While use of Distraint Actions imposed on firms results to an increase debt revenue collection by only 2.7%. Therefore KRA should strictly apply these measures as a means of enforcing debt revenue recovery in LTO in order to enhance the amount of revenue collection.

Conclusion

Tax enforcement measures are a very important component in debt revenue collection and recovery because they directly affect the amount of revenue a country collects within a certain period of time. Therefore steps should be taken to ensure strict enforcement of these measures as a means of attaining this goal. Ordinary Least Square (OLS) regression found that the use of Agency Notice is positively associated to the debt revenue recovery. The results show that KRA can improve their debt collection performance by managing the enforcement of issuance of agency notice efficiently as it has the highest positive coefficient. Distraint actions, Charge or security on immovable property and use of Court suits too have positive relationship with debt revenue performance. However their contributions ratios are less 5% as determined by their coefficient and are interrelated. Other finding shows Criminal sanctions or Court suits on the have a negative relationship with revenue collection and tax compliance. Previous study findings indicate that tax revenue decreases with increasing in number of taxpayers investigated for fraud and prosecuted. Court suits are therefore non-significant in debt revenue collections and the authority should not engage much in this. Although KRA faces challenges to this end of attaining these goals, it needs to put its powers to the stretch by ensuring strict observance of the measures that will result in a high amount of debt revenue being collected. The study therefore concludes that enforcement measures especially use of agency notice is an important area in the field of tax debt collection and administration. It therefore requires KRA to employ the most efficient enforcement measures such as conducting issuance of agency notices non-compliant taxpayers in order to increase the revenue collection.

Limitation of the Study

The study was limited to firms within the large taxpayer category most of which are located or have their head offices in Nairobi. These firms, as much as they are the biggest contributors of revenue collection, the effect of enforcement measures should not be limited to these firms only. Actually, the effect of these measures should be on all categories of taxpayers to increase revenue collection. However, time was a limitation to study these effects on other taxpayers in other categories that include MTO and MST.

The study was limited to eleven years. The period of study was too short to observe lengthy changes in variables overtime. Some of changes could not be observed then. Period under review for the study was short and that could not allow extensive analysis of the relationship between issuance of agency notice, use of distraint order, charge on immovable property and court suits to debt revenue collections which also resulted to a limitation.

Recommendations

From the study findings, efficient tax enforcement measures results to improved tax debt revenue performance and thus foster compliance with tax laws and regulations. From the findings, there exists a positive relationship between use of agency notice and debt revenue collection. The study recommends that the frequency of usage of agency notice in tax debt collection and recovery as opposed to other tradition means of debt recovery. The Kenya Revenue Authority should to that effect increase the number of agency notice issued as means of soft collection of debt revenue.

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