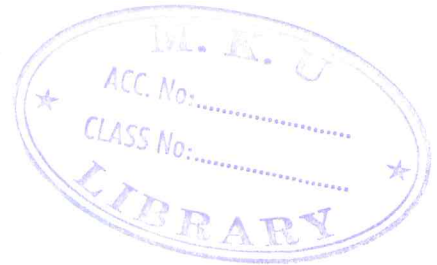


**EFFECTIVENESS OF ELECTRONIC TAX REGISTERS IN TAX COLLECTION
(A CASE STUDY OF STATIONERY TRADERS IN PIPELINE AND UTAWALA
TOWNS IN NAIROBI)**

BY

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT FOR THE
AWARD OF DEGREE IN BACHELOR OF COMMERCE, (BCOM)**

**SCHOOL OF BUSINESS AND ECONOMICS,
MOUNT KENYA UNIVERSITY.**

APRIL 2015

ABSTRACT

This study aimed to assess the effectiveness of Electronic Tax Registers (ETRs) in the processing of Value Added Tax returns. The study sought to determine the extent to which the Electronic Tax Registers are being used by the taxpayers, the problems if any that they were encountering in using them as well as get possible solutions to the problems. Since many researchers had concentrated much of their work on tax systems, tax evasion, taxes and interest rates, a lot was desired especially in this area to assess the effectiveness of Electronic Tax Registers had been recently introduced by the Kenyan tax authority. The study sought to establish if the Electronic Tax Registers had increased the speed at which taxpayers processed their VAT returns and if there were any associated costs in the processing of VAT. The main instrument of collecting primary data was the questionnaires. Analysis of data was mainly done using descriptive statistics. The findings of this research project will assist the Kenya Revenue Authority look for ways of improving the processing of VAT returns. Due to limited sources of literature, this research was not considered as exhaustive but could form the basis for further investigation. Data was collected from 30 registered VAT taxpayers in Pipeline estate and Utawala in Nairobi city. The respondents were operators of stationery shops across the two estates. Out of the 30 registered VAT taxpayers to whom the questionnaires were administered, only 25 responded. This gives a response rate of 87% percent. The Data analysis tool used in the research was Excel and data was presented in form of tables and graphs. Based on the results from data analysis and findings of the research, one can safely conclude the following; First, Kenya has witnessed significant changes in many aspects of its economy over the last four decades, but like most developing countries, it has had to contend with the common problems that plague tax systems of developing countries (Karingi, Wanjala, Dec, 2005). Secondly, the timely filing of the monthly VAT returns is attributed to many factors. ETR is one of the factors. Further the introduction of ETR has assisted in cutting costs that the business used to incur in processing VAT. Thirdly, It was found that ETRs have enhanced the revenue collection.

Fourthly, to evaluate the effectiveness of ETRs in filing VAT Returns at regular intervals, it was found that the use of ETRs was not a waste of funds and has assisted the business in many ways. They also don't break down too often. Lastly, KRA has faced challenges while meeting its pillars that include: the cost and classification of the businesses which need to use ETRs. ETRs are expensive, cost to be paid in installments; ETRs should be compatible with computers in business premises.