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DESK AUDIT AND TAX COMPLIANCE IN KENYA

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Abstract

Tax compliance in Kenya has been poor and consequently Kenya Revenue Authority has not been meeting targets for past five years. Additionally, tax revenue decreased from 15.1% in 2019 to 14.3% in 2020. This study examined how desk audits affect tax compliance within Kenya. This study was anchored on Allingham and Sandmo (AS) theory. In addition, explanatory research technique was used. Moreover, the study population was all 232 staffs in seven departments in Kenya Revenue Authority. Yamane's Formula was utilized to establish study sample size. Using this formula, 146 respondents were selected from target population. The study utilized both primary and secondary data. Moreover, secondary data was acquired from Kenya Revenue Authority annual reports. Primary data was collected using semi-structured questionnaires. Moreover, the questionnaires produced qualitative and also quantitative data. Moreover, thematic analysis was utilized in qualitative data analysis and the findings were presented in a narrative format. Further, descriptive and inferential statistics were used in analyzing quantitative data with assistance of SPSS version 24. Descriptive statistics included frequencies, percentages, mean and standard deviation while inferential statistics comprised of regression analysis and correlation analysis. Diagnostic tests in the study included the normality test, linearity test, autocorrelation test, multicollinearity test and also heteroscedasticity test. The study results were then displayed in figures and tables. The research found that desk audit has positive and significant effect on tax compliance in Kenya. Therefore, the study recommends that KRA should enhance desk audits by requesting the tax payers to provide more documents including books and financial records to support the submitted returns.

Keywords: *Desk Audits, Tax Audits, Tax Compliance, Revenue Collection*

INTRODUCTION

Taxation is the primary approach through which governments generate the public revenue necessary to finance infrastructure projects, invest in human capital, and provide essential services to citizens and businesses (Enofe & Embele, 2019). Governments mandate that all individuals and entities within their jurisdiction comply with the nation's tax laws, as highlighted by Livoi (2019). Compliance is essential for the smooth functioning of the tax system, as it ensures the fair and efficient distribution of the tax burden across the population (Twinomugisha, 2019). To be considered tax-compliant, individuals and businesses must adhere to tax regulations, including accurately reporting their taxable income and paying the appropriate taxes.

Those who fail to do so—whether through negligence or intentional evasion—are classified as non-compliant, as they do not meet their legal obligations to report and pay taxes as required by law (Mashiri, Dzomira & Canicio, 2021). Non-compliance can result in penalties and legal consequences, affecting the government's ability to fund critical public services.

Tax noncompliance is one of the main factors affecting taxation around the world leading to inadequacy in government revenue (Senbeta, 2020). Tax noncompliance deprives governments worldwide of $427 billion a year. In United States, approximately one out of six dollars belonging to state taxes is unpaid (Gale & Krupkin, 2019). In the year 2019, tax evasion in United States amounted to $406 billion; Brazil had $280.1 billion, Italy had $238.7 billion, Russia had $221 billion, France had $171.3 billion and United Kingdom had $109.2. As indicated by Tang (2020), China has a reason to be worried about tax non- compliance as the country is losing US$134 billion in tax revenue annually. During 2018/19 FY, the revenue authority in Sri Lanka collected 514.1 billion against 605.3 billion target (International Monetary Fund, 2019). Tax non-compliance among small and large tax payers was been blamed for Sri Lanka financial challenges.

Mansor and Gurama (2016) report estimate that Africa loses around $50 billion annually due to tax non-compliance, a significant financial drain, particularly affecting the continent's poorest nations. Tax non-compliance is notably prevalent among the wealthiest individuals and large corporations. In countries like Kenya, Tanzania, and Uganda, only about 33% of organizations are considered tax compliant (Lakuma, 2019). Uganda's gross tax gap is approximated at 52.73% of baseline tax, or Ug. Shs 1,783.31 billion (Twinomugisha, 2019), though tax compliance efforts have managed to recover Shs 130.37 billion of this gap (Twinomugisha, 2019). In Rwanda, a significant portion of the population is non-compliant, with 38% of taxpayers failing to meet their obligations (Mascagni & Nell, 2018). In Kenya, tax evasion results in a high tax burden of 20.9% (Kabaka, 2019), which severely hampers the government's ability to fund key services such as healthcare and infrastructure, and deters both domestic and foreign investment (Korir, Adoyo, & Momanyi, 2018).

Around the world, tax reforms have been adopted to improve tax compliance and revenue collection. Reforms aimed to tackle common challenges encountered by tax systems in developing nations, such as improving tax administration, increasing tax revenue, and reducing economic distortions caused by taxation (Maweu, 2019). Throughout the revisions, the emphasis on different objectives, including effectiveness, equity, and administrative feasibility of the tax system, has evolved. The Tax Modernization Program (TMP) initiated tax reforms in Kenya during the late 1980s. The main objective of these revisions was to create a sustainable tax framework capable of generating sufficient revenue to cover public expenditures and address issues of inequity. Since the 1980s, other tax reforms have been adopted in Kenya (Livoi, 2019). Some of these tax reforms include implementation of ITMS, taxes payments using mobile money, establishment of single customs territory as well as strengthening and revamping tax enforcement mechanisms.

Tax audits can be conducted through four primary methods: desk audits, correspondence audits, field audits, and back duty audits. A desk audit involves the review of written documents and supporting records by a qualified auditor, who also provides recommendations and findings in writing (Amah & Nwaiwu, 2018). During a desk audit, the tax official may interview the taxpayer and meticulously examine the taxpayer's records (Alemu, 2020). The main objective of a desk audit is to verify that taxpayers are accurately reporting their income and paying the appropriate taxes. Taxpayers are typically not notified in advance about the desk audit, learning about it only when they receive requests for specific records or justifications (Mirera, 2014). Desk audits focus on specific issues identified by tax officials, ensuring compliance with tax laws, regulations, and guidelines (Olaoye & Ogundipe, 2018). Audits may target selected tax returns for review based on discrepancies or routine compliance checks.

Statement of the Problem

Tax compliance has posed a significant challenge across both low-income and developed nations in the past three decades. In the United States, the voluntary compliance rate dropped from 83.1% in 2019 to 81.7% in 2020. In Nigeria, corporate tax compliance is alarmingly low, with only 9% of firms paying corporate tax and 12% adhering to VAT obligations (Mansor & Gurama, 2016). Similarly, less than 33% of businesses in Kenya, Uganda, and Tanzania are considered tax compliant, implying that a large majority, about 67%, in these East African countries remain non-compliant (Lakuma, 2019). Rwanda also struggles with tax compliance, with 38% of taxpayers failing to meet their obligations (Mascagni & Nell, 2018). These statistics highlight the need for more effective tax compliance mechanisms in these regions.

In Kenya, despite some progress, the revenue collection performance of the Kenya Revenue Authority (KRA) remains below target in several fiscal years. For example, in the 2020/2021 fiscal year, KRA collected Kshs. 1.669 trillion, surpassing its target of Kshs. 1.652 trillion. However, in the previous fiscal year 2019/2020, it fell short by Kshs. 54.63 billion, and in 2018/2019 it missed the target by Kshs. 72.7 billion (KRA, 2019). The tax-to-GDP ratio has fluctuated, with a decrease from 15.052% in 2017 to 14.361% in 2018, though it slightly increased to 15.074% in 2019. These figures remain lower compared to other African nations, such as South Africa, with a tax-to-GDP ratio of 23.1% in 2018 (Owino, 2019). The KRA has also reported significant losses from excise tax non-compliance, with an estimated Sh53 billion lost in the 2019 fiscal year (Owino, 2019). Tax audits, particularly desk audits, were once viewed as effective in addressing the tax gap; however, their efficacy has recently been questioned (Wameyo, 2019). Understanding the role of desk audits in improving tax compliance and revenue collection is crucial for enhancing Kenya's tax system.

Numerous studies have been done in Kenya in respect to desk audits in Kenya. For example, Nyakamba (2014) assessed how tax audit influences revenue collection; and Kipkoech and Joel (2016) assessed tax audits and tax compliance in Companies within Eldoret Municipality. However, Nyakamba (2014) study focused on Nairobi West region while Kipkoech and Joel (2016) study was limited to Eldoret Municipality, but this research took place in headquarters of KRA and data was collected from staff working in KRA while Kipkoech and Joel (2016) looked at tax audits in terms of frequency of audits and quality of audits. The researcher sought to examine the effect of desk on tax compliance in Kenya.

The null hypothesis in this study was;

$H_0$1: Desk audit has no significant effect on tax compliance in Kenya

LITERATURE REVIEW

Theoretical Framework

The study was anchored on Allingham and Sandmo theory, which was proposed in 1972. This theory has widely been adopted by various authors to examine the consequences of evaded tax and partial enforcement (Spartà, 2015). The theory focuses on instances where tax avoidance or evasion takes the form of late tax payments, which are subject to penalties. It also explores how reduced penalty incentives, regular tax audits, and misunderstandings about penalty rates influence non-compliance decisions. However, the theory has been criticized for overlooking the role of morality and social norms, where individuals may dislike dishonesty and choose to pay

taxes voluntarily due to ethical reasons (Lykke, Nicholl & Plumley, 2019).
According to the theory, taxpayers are more likely to evade taxes if they perceive the cost of non-compliance as low and the likelihood of being detected or audited as minimal. If a taxpayer believes that the cost of compliance is too high, they may be inclined to cheat on their taxes (Spartà, 2015). Moreover, time-consuming tax procedures and systems often promote tax avoidance, and if taxpayers view tax rates as excessively high and severe, they may resort to evasion. The probability of detection and the severity of penalties are inversely related to tax evasion (Gemmell, 2016). The theory assumes that when taxpayers believe it is difficult to be caught, they are more likely to disregard tax laws (Olaoye, Ogunleye & Solanke, 2018), and as taxes rise, taxpayers become less willing to take risks, further contributing to non-compliance.
In line with this study, the Allingham and Sandmo theory was used to describe the effect of desk audit on tax compliance in Kenya. The Allingham and Sandmo theory of tax compliance, which posits that taxpayers weigh the costs and benefits of compliance, directly influences the effectiveness of desk audits in Kenya. According to this theory, taxpayers are more likely to comply with tax regulations when the perceived probability of detection through audits is high, and the penalties for non-compliance are severe. In the context of desk audits, the theory suggests that when the Kenya Revenue Authority (KRA) enhances its audit processes by increasing the likelihood of detection and applying stricter penalties for tax evasion, taxpayers will be more inclined to comply. Thus, desk audits, by improving the visibility of potential enforcement actions, align with the principles of the Allingham and Sandmo theory, encouraging higher tax compliance in Kenya.

Empirical Review

Desk or office audits are tax audits or examinations that take place in tax office and look at taxpayers' books and financial records. In this situation, a tax official may simply request that taxpayers provide additional documents to address specific issues with their submitted returns. In this type of audit, the taxpayer is not formally notified that a desk audit is occurring. They only become aware of it when they receive letters requesting specific documents or justifications. The primary objective is to ensure compliance with tax laws to some extent and to conduct administrative reviews of the submitted returns (Olaoyea & Ogundipe, 2018).
Using a descriptive research design, D'Agosto, Manzo, Modica and Pisani (2016) assessed how field audits influences tax declaration in small businesses operating in Italy. The study used self-employed individuals from 2006-2011 and small firms as study's sample. The study discovered that field audits had significant but weak effect influence tax compliance. However, this research was performed in Italy, a developed country, and hence distinct from Kenya, which is a developing country. In addition, study's dependent variable was tax declaration, which differs from tax revenue.
In a different study, Amah and Nwaiwu (2018) examined how desk audit influences tax revenue generation in Nigeria. Secondary and primary data was adopted. Positive relation between desk audit and personal income tax was found. In addition, desk tax audit ensures submission of present returns. Nonetheless, this study was conducted in Nigeria and diverse countries are governed and regulated by distinct tax policies thus findings obtained from one nation cannot be applied to other countries. Moreover, the study only focused on personal tax income.
In Nigeria, Olaoyea and Ogundipe (2018) examined tax audit application and regulation of tax evasion. Moreover, data was sourced from administration of questionnaire. The researcher found that desk audit is instrumental in tax evasion reduction. However, it is noteworthy that the inquiry was performed in Nigeria, a nation with diverse tax policies from those in Kenya.

Moreover, the researcher used tax evasion control as dependent variable while this research used tax compliance.

In a descriptive research in Rwanda, Karemera (2017) studied how desk tax audit influences taxpayer's compliance. The population under this research consisted of tax auditors totaling to 113. 88 respondents were included in the study's sample. Desk tax audit influenced tax compliance was measured in terms of accurate tax returns, taxpayer behavior as well as taxpayer book keeping and reporting. Besides being limited to Rwanda, a country with different tax policies from those of Kenya, this study utilized taxpayers' compliance as dependent variable. Also, the researcher adopted descriptive research design, but this research adopted an explanatory research method.

A study by Alemu (2020) examined how desk audit, penalties and fines, and tax knowledge and education influence tax compliance. Population of interest in this research comprised of 50 Hawassa City audit officers. Given that total staff number was small, the researcher employed a census approach. Relevant data of interest was collected by employing structured questionnaire. The study disclosed that desk audit, and knowledge and education on tax influences tax compliance level positively. Similarly, fines influences tax compliance level positively. However, the researcher failed to examine influence of field audit, correspondence audit and back duty audit which was addressed in this study.

A study by Mirera (2014) assessed how tax audit influences tax compliance. Moreover, data used was from KRA reports. The researcher identified a significant correlation between the amount of tax collected before and after a desk audit, indicating that desk audits improve tax compliance. In essence, this indicates that the amount of income collected increases with the number of desk audits undertaken. However, the study employed descriptive method while this research used explanatory research method**.**

Conceptual Framework

A conceptual framework is a structured representation that outlines the key variables or concepts in a study and the relationships between them. It helps in understanding how the various elements of the study are interrelated and guides the research by identifying the key factors to be examined (Creswell & Creswell, 2017). Figure 1 shows hypothesized relations between study variables. The independent variable in this study was desk audit. Dependent variable was tax compliance in Kenya.

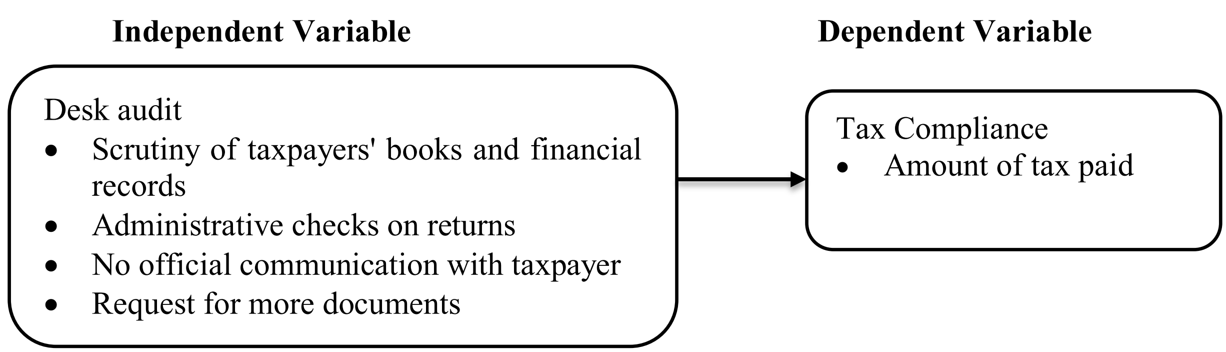

Figure 1: Conceptual Framework

RESEARCH METHODOLOGY

The study adopted an explanatory research design. The target population was all 232 departmental staffs in Kenya Revenue Authority. These departments included: corporate support services; investigations & enforcement; customs & border control; strategy, innovation & risk management; domestic taxes; intelligence & strategic operations; and legal services & board coordination. Yamane's Formula was utilized to determine the sample size of the study. The focus was preferred because it considers the study population.

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

Where: n = Sample size; N = Population size; and e = margin of error (0.05)

$$n = \frac{232}{1 + 232(0.05^2)} = 146$$

Table 1: Sample Size

Department	Target Population	Sample Size
1. Corporate Support Services	32	20
2. Customs & Border Control	43	27
3. Investigations & Enforcement	45	28
4. Strategy, Innovation & Risk Management	30	19
5. Domestic Taxes	22	14
6. Intelligence & Strategic Operations	38	24
7. Legal Services & Board Coordination	22	14
Total	**232**	**146**

Stratified random sampling was used in the selection of a sample size of 146 staff. The strata comprise of seven departments at Kenya Revenue Authority. In addition, the study used both primary and secondary data. Secondary data on amount of tax paid was obtained from annual reports of the Kenya Revenue Authority with the help of a data extraction tool. Primary data was gathered using semi-structured questionnaires comprising of closed ended questions. A pilot study was conducted in Nairobi West KRA office with 10% of the sample size (14) to assess the validity and reliability of the research instrument. According to Hair, Page and Brunsveld (2020), pilot test sample size must be at least 10% of the sample size.

The questionnaires yielded both qualitative and quantitative data. Qualitative analysis was conducted using thematic analysis, and the results were presented in a narrative format. Furthermore, both descriptive and inferential statistics were employed to analyze quantitative data using the Statistical Package for Social Sciences (SPSS version 24) statistical software. Descriptive statistics included frequency distribution, mean, percentages, and standard deviation. Inferential statistics involved linear regression and correlation analysis. Results were visually presented in tables and figures. The study utilized a 95% confidence level, with a significance level of $p = 0.05$. The linear regression model was used as follows:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where; Y=Tax compliance in Kenya; B_0=Constant; β_1 =Coefficients of determination; X_1 = Desk Audit; ε = Error term

In this study, diagnostic tests were conducted to verify key assumptions for linear regression: linearity, multivariate normality, no multicollinearity, no autocorrelation, and homoscedasticity. Multicollinearity was assessed through tolerance and Variance Inflation Factor (VIF), with a VIF greater than 10 indicating multicollinearity. Linearity was checked using scatter plots to ensure the relationship between variables was linear. The Durbin-Watson test measured autocorrelation, with values close to 2 suggesting no autocorrelation. The Breusch-Pagan test assessed heteroscedasticity, where constant variance in residuals is required. Finally, the Shapiro-Wilk test evaluated normality, with a p-value above the alpha level indicating a normally distributed sample. These tests ensured the data met assumptions essential for reliable regression analysis.

RESEARCH FINDINGS AND DISCUSSIONS

The sample size included the 146 employees working in various units in Kenya Revenue Authority. Out of 146 respondents that were selected, 130 filled their research tools. This represents 89.04% response rate, as shown in Table 2. As per Hair et al. (2020), a response rate of 50% is deemed adequate, 60% is considered good, and 70% is regarded as optimal for conducting efficient analysis. As a result, it may be concluded that response rate (89.04%) was appropriate for giving recommendations and drawing conclusions.

Table 2: Response Rate

Department	Sample Size	Responses	Response Rate
1. Corporate Support Services	20	18	90.00
2. Customs & Border Control	27	25	92.59
3. Investigations & Enforcement	28	26	92.86
4. Strategy, Innovation & Risk Management	19	16	84.21
5. Domestic Taxes	14	13	92.86
6. Intelligence & Strategic Operations	24	21	87.50
7. Legal Services & Board Coordination	14	11	78.57
Total	**146**	**130**	**89.04**

Descriptive Statistics

The following section presents descriptive statistics. Quantitative data was collected from items measured using 5-point Likert scale. Babbie (2017) suggest that in 5-scale Likert questions, strongly agree (SA) is from 4.5 -5.0, agree (A) is from 3.5 - 4.5, moderately agree is from 2.5 - 3.5, disagree is from 1.5 - 2.5 while strongly disagree is from 1 - 2.5.

Desk Audit

The participants indicated their level of agreement with statements related to desk audits at KRA. With 4.223 (SD=0.982) mean, the study participants agreed that the firm requests tax payer to provide more documents to support the submitted return. With (M= 4.107, SD=1.087) mean, the participants also agreed that the firm use letters to request the tax payer to provide more information on submitted return. The participants agreed that the firm is only interested in getting some extra evidence to make sure information on tax return is accurate and proper (M= 4.069, SD=0.925). Further, the respondents also concurred with mean of 4.069 (SD=1.093) that documents requested from the taxpayer provide adequate information to support the tax return submitted. They agreed that taxpayers' books and financial records are thoroughly inspected (M = 3.907, SD=0.960). These findings agree with Olaoye and Ogundipe (2018) observation that desk audit is done in tax office where tax payer’s books and financial records are examined.

With 3.900 (SD=1.105) mean, the participant agreed, their organization examines the information on tax return to ensure it is accurate and proper. With 3.961 (SD=0.839), they also suggested that audit is closed so long as the returns are examined, and the taxpayer has evidence. Further, with mean of 3.838 (SD=0.896), the participants suggested that they were satisfied with manner of scrutiny of taxpayers' books and financial records. With (M= 3.807 (SD=1.188), they agreed that after assessment, the tax payer may face fines and penalties if the tax return are found to be inaccurate. With mean of 2.715 (SD=1.149) they were neutral that they could get all the necessary information after analyzing the taxpayers' books and financial records. With mean of 2.323 (SD=1.108) respondents indicated that their organization does not hold no meetings with the tax payers. Also, they disagreed that their firm does not make phone calls to the taxpayer as presented by mean of 2.230 (SD=0.902).

The respondents were requested to state how else correspondence audit influences tax compliance in Kenya. Respondents indicated that desk audit allows for more in depth analysis on the information available on the taxpayer returns. In addition, desk audit provides insights on trends and patterns on the taxpayer level of compliance which helps highlights instances of non-compliance. The respondents further indicated that desk audits help in varying and clarifying information from the tax payers. These findings conform to D'Agosto et al. (2016) observation that in desk audit tax official may merely ask taxpayers to give some additional papers to their office in order to help him resolve some problems with the submitted returns.

Table 3: Aspects of Desk Audit

	Mean	Std. Deviation
Taxpayers' books and financial records are thoroughly inspected	3.907	.960
I can get all the necessary information after analyzing the taxpayers' books and financial records	2.715	1.149
Am satisfied with the way in which scrutiny of taxpayers' books and financial records	3.838	.896
Our organization examine the information on tax return to ensure it is accurate and proper	3.900	1.105
The audit is closed so long as the returns are examined, and the taxpayer has evidence	3.961	.839
After assessment, the tax payer may face fines and penalties if the tax return are found to be inaccurate	3.807	1.188
Our organization does not hold no meetings with the tax payers	2.323	1.108
Our organization does not make phone calls to the taxpayer	2.230	.902
Our organization use letters to request the tax payer to provide more information on submitted return.	4.107	1.087
Our organization request the tax payer to provide more documents to support the submitted return	4.223	.982
Our organization is only interested in getting some extra evidence to make sure the information on tax return is accurate and proper.	4.069	.925
The documents requested from the taxpayer provide adequate information to support the tax return submitted	4.069	1.093

Tax compliance

Tax compliance was measured using amount of tax collected. The respondents indicated their level of agreement level regarding tax compliance. With a 4.330 (SD=0.708) mean, respondents agreed that they possessed sufficient information to accurately calculate their taxes. Additionally, with a 4.284 (SD=0.695) mean, respondents also agreed that the amount of tax collected on a yearly basis has been increasing. However, with a mean of 4.023 (SD=0.741), they agreed that the tax base is highly complex. Contrary to Adenya's (2018) findings suggesting firms' reluctance to pay taxes on time, respondents disagreed (mean = 3.300, SD=0.993) with the statement that the organization always pays its taxes punctually. They were neutral (mean = 2.715, SD=1.324) about the timely payment of taxes being a significant issue among large taxpayers. Moreover, respondents disagreed (mean = 2.123, SD=1.078) with the assertion that organizations consistently ensure accuracy in tax payment and disagreed (mean = 1.953, SD=0.888) with the notion that organizations are never fined for late tax payments. Similarly, they disagreed (mean = 1.861, SD=1.316) that organizations are never penalized for inaccurately paying taxes. Additionally, respondents disagreed (mean = 1.723, SD=1.148) with the statement that the amount of tax collected yearly has been decreasing and expressed dissatisfaction (mean = 1.615, SD=1.163) with the revenue collected from taxpayers.

Table 4: Measures of Tax compliance

	Mean	Std. Deviation
Timely payment of tax is major problem facing many large taxpayers	2.715	1.324
Organizations always pay its taxes in time	3.300	.993
Organizations have never been fined for late payment of tax	1.953	.888
I have adequate information on how to correctly calculate the taxes to be paid	4.330	.708
The tax base is very complicated	4.023	.741
Organizations always ensure accuracy in payment of its taxes	2.123	1.078
Organizations have never been fined for inaccurate payment of taxes	1.861	1.316
The amount of collected on yearly basis has been decreasing	1.723	1.148
The amount of tax collected on yearly basis has been increasing	4.284	.695
Am satisfied with the amount of revenue collected from the taxpayers	1.615	1.163

Figure 2 displays the trend of tax collected for duration between FY 2017/2018 and the FY 2021/2022. The tax collected in FY 2017/2018 was Ksh. 1.435 trillion, which increased to Ksh. 1.580 trillion in FY 2018/2019, Ksh. 1.607 trillion in the FY 2019/2020, Ksh. 1.669 trillion in the financial year 2020/2021 as well as Ksh. 2.031 trillion in the financial year 2021/2022. This implies that the amount of tax collected in Kenya has increased consistently over the years. This is in line with Kenya Revenue Authority (2022) report that indicates that revenue collection in KRA has been increasing.

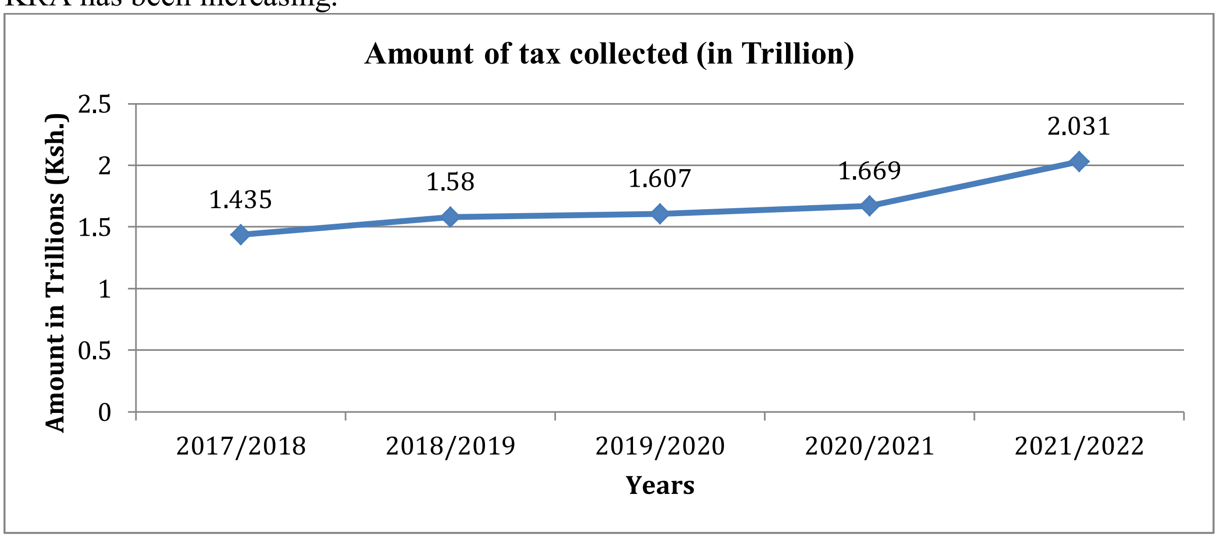

Table 2: Trend of Amount of Tax Collected

Inferential Statistics

This study employs inferential statistics, specifically correlation and regression analysis, to examine the effect of desk audits on tax compliance in Kenya. Correlation analysis is used to identify the strength and direction of the relationship between desk audit activities and taxpayer compliance. Regression analysis is then applied to assess the magnitude of this effect, enabling the study to determine how changes in desk audit practices might influence tax compliance behavior across different sectors and taxpayer categories in Kenya.

Correlation Analysis

The Pearson product-moment correlation coefficient was used to determine the strength of the correlation between the study variables. The results are presented in Table 5. A very strong and positive relationship was found between desk audit and tax compliance in Kenya (r=0.882, p-value=0.000), indicating significant correlation with a p-value below 0.05. This aligns with Amah and Nwaiwu's (2018) findings, suggesting that desk audits have a significant and positive impact on personal income tax compliance.

Table 5: Correlation Coefficients

		Tax compliance	Desk audit
Tax compliance	Pearson Correlation	1	
	Sig.(2-tailed)		
	N	130	
Desk audit	Pearson Correlation	.882**	1
	Sig.(2-tailed)	.000	
	N	130	130

Regression Analysis

Regression analysis was used to assess the magnitude of this effect of desk audit on tax compliance in Kenya. The R-squared for the relationship between desk audit and tax compliance was 0.266, as shown in Table 6. This implied that 26.6% of variation of tax compliance could be accounted for by desk audit.

Table 6: Model Summary

Model	R	R-Square	Adjusted R-Square	Std. Error of Estimate
1	.516[a]	0.266	0.244	0.2675

a. Predictors (Constant), Desk Audit

In this study, ANOVA was utilized to evaluate the adequacy of the model in fitting the data. The calculated F-value was 286.030, while the critical F-value was 3.94, as shown in Table 7. Since the calculated F-value surpassed the critical F-value and the p-value (0.000) was < 0.05, the model was considered to be a good fit.

Table 7: Analysis of Variance

Model		Sum of Squares	df	Mean-Square	F	Sig.
1	Regression	64.759	1	64.759	286.030	.000[b]
	Residual	28.98	128	0.226		
	Total	93.739	129			

a. Dependent Variable: Tax compliance

b. Predictors: (Constant), Desk audit

Regression equation was;

$Y=0.455+0.883X_2+\varepsilon$

Desk audit influences tax compliance in Kenya significantly and positively ($\beta_1=0.883$, p value=0.000). Since, p-value (0.000) was less than 0.05, the association was considered to be significant. This denotes that enhancement in desk audit would increase in tax compliance in Kenya. The results conform to Olaoye et al. (2018) who disclosed that Field tax-audit has significant positive relation with tax productivity.

Table 8: Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
	B	**Std. Error**	**Beta**	**t**	**Sig.**
(Constant)	0.455	0.169		2.692	0.031
Desk audit	0.883	0.160	0.899	5.519	0.000

a. Dependent Variable: Tax compliance

Conclusions and Recommendations

Conclusions

The researcher concludes that desk audit has significant positive correlation with tax compliance in Kenya. The scrutiny of taxpayers' books and financial records, along with administrative checks on returns, plays a significant role in influencing tax compliance. Official communication with taxpayers, coupled with requests for additional documentation, also contributes to ensuring accurate reporting and adherence to tax obligations. These processes not only ensure transparency but also act as deterrents to potential non-compliance. The findings suggest that improving and enhancing desk audits can further promote tax compliance by increasing the effectiveness of these administrative checks and fostering a more compliant taxpayer environment.

Recommendations

The research revealed that desk audits significantly influence tax compliance in Kenya. To improve the effectiveness of these audits, the Kenya Revenue Authority (KRA) should enhance its desk audit processes by requesting taxpayers to provide additional documentation, including books and financial records, to support the submitted returns. This would enable a more thorough review of financial activities and ensure the accuracy of tax filings. Furthermore, tax officials should incorporate phone calls as a communication tool during tax audits, fostering better engagement and clarification with taxpayers, thereby improving transparency and encouraging higher compliance with tax regulations.

Recommendation for Further Studies

The researcher assessed the relationship between desk audits and tax compliance in Kenya, focusing solely on data collected from staff working in the Kenya Revenue Authority (KRA). As a result, the views and opinions of taxpayers were not included in this study, limiting the scope of the findings. Given this, the study suggests further research that incorporates the perspective of taxpayers to gain a more comprehensive understanding of the factors affecting tax compliance. Additionally, the study found that desk audits could explain only 26.6% of tax compliance, indicating the need for further studies on other factors influencing compliance in Kenya.

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