PERCEIVED DETERMINANTS OF TURNOVER TAX COMPLIANCE. DOES PATRIOTISM MATTER? A CASE OF DEVELOPING ECONOMIES

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February 2025

ABSTRACT

Tax compliance is an important part of contemporary discourse regarding corporate taxation in the corporate sector. The topic of tax avoidance, which constitutes an ethical dilemma for businesses, has been a widespread concern in both industrialized and developing nations. The main problem of this study is to examine the effect of perceived enforcement power, tax fairness, tax complexity and tax knowledge on turnover tax compliance. This study examined the whether patriotism moderates the relationship. The paper adopted a survey research method, and 360 copies of the questionnaire were administered to the SMEs owners/managers in Eldoret Town, Kenya. The study found that there is a significant level of tax compliance among SMEs in Eldoret Town. The study also shows that the taxpayer's perception of enforcement power, fairness, knowledge and complexity have a significant impact on turnover taxpayers' willingness to pay taxes and this association is significantly influenced by the level of patriotism. Based on findings, the study recommends that tax authorities must improve the taxpayers' knowledge, enhance tax collection mechanism and inculcate a sense of patriotism through programs, initiatives, and training on tax awareness.

Keywords: *Turnover Tax, Compliance, Patriotism, Fairness, Enforcement, Knowledge*

1. INTRODUCTION

Governments all over the world have a significant challenge when it comes to tax compliance since it has an impact on the efficient operation of public services and the establishment of sustainable economic growth. There are considerable obstacles that are faced by small and medium enterprises (SMEs) in terms of adhering to tax legislation. These challenges hinder the collection of revenue and have the potential to undermine the fiscal stability of a country. According to the Organisation for Economic Cooperation and Development (OECD), the rates of tax compliance vary widely

across nations and regions. The levels of compliance are determined by a number of factors, including the understanding of taxpayers, the enforcement that is involved in compliance, the complexity of taxes, and the fairness of taxes. As indicated by the Kenya Revenue Authority (KRA), the level of tax compliance among turnover taxpayers who operate as sole proprietors, family companies, or in the informal sector continues to be low. This is despite the fact that the small and medium-sized enterprise (ME) sector is highly productive. Despite the fact that the KRA revenue target for 2022/2023 was exceeded by 6.7% growth, the presence of numerous unregistered small and medium-sized enterprises (SMEs) continues to exist. This is emphasised in the eighth corporate plan of the KRA, which highlights the fact that approximately 5 million SME businesses continue to be unregistered for tax purposes (KRA, 2023). This reflects the informal nature of the sector and presents challenges in terms of taxation enforcement and compliance, thereby highlighting the crucial role that voluntary compliance plays in successful taxation. Although the Turnover Tax (TOT) was implemented in 2007 with the intention of including the small and medium-sized enterprise (SME) sector into the tax framework, the KRA in 2015 observed that development has been somewhat slow. Noncompliance is made worse in certain parts of Kenya due to the complexity of conventional tax systems and the difficulties that small and medium-sized enterprises (SMEs) face in maintaining comprehensive transaction records.

Previous studies have shown that compliance behaviour is highly influenced by a variety of factors, including taxpayers' understanding of tax legislation, perceptions of enforcement, the complexity of taxes, and fairness (Belahouaoui & Attak, 2024). For example, studies have demonstrated a substantial association between tax knowledge and compliance levels. This suggests that increasing taxpayers' understanding of tax rules could lead to increased compliance with tax regulations. Additionally, views of justice in the tax system have been found as significant drivers of compliance behaviour, with dissatisfaction frequently leading to increased levels of noncompliance views of fairness in the tax system have been identified as drivers of compliance behaviour (AbdelNabi et al., 2022). The Kenya Revenue Authority (KRA) has recently made certain revisions to the tax on goods and services (TOT) rates, penalty structures, and administrative procedures. These changes highlight the necessity of conducting a comprehensive examination into the factors that influence TOT compliance among legally permitted enterprises. The elimination of the Presumptive Tax, the move to a monthly filing system, and the altered thresholds for registration are all important developments that have the potential to influence compliance dynamics (KRA, 2023). Furthermore, the difficulties that small and medium-sized businesses (SMEs) encounter when navigating tax processes, notably in terms of the costs of compliance and the complexity of the process, further emphasise the significance of this study.

 In the present study, the authors seek to delve deeper into the underlying mechanisms that drive compliance behaviour (Alshira'h & Abdul-Jabbar, 2020). The findings of previous research, which identified attitude towards behaviour, subjective norms, and perceived behavioural control as significant determinants of intentions towards engaging in sales tax compliance among Jordanian manufacturing SMEs, serve as a foundation for this investigation. Patriotism is hypothesised to play a crucial role in moderating the relationship between key determinants such as taxpayers'

knowledge, perceptions of enforcement, tax complexity, and fairness, and TOT compliance. This is in recognition of the fact that Jordan is a country with a distinct socio-cultural context, which is characterised by a strong sense of national identity and allegiance. By incorporating patriotism as a moderating factor within the framework of the extended theory of planned behaviour (TPB), the purpose of this study is to shed light on the ways in which individuals' patriotic sentiments may either amplify or attenuate the influence of these determinants on their intentions to comply with TOT regulations. This research aims to provide insights that can inform policy interventions and administrative measures that are aimed at improving compliance rates and enhancing revenue collection efficiency. These insights will be provided by exploring the interplay between factors such as taxpayers' knowledge, perceptions of enforcement, tax complexity, and fairness in the current TOT compliance.

2. EMPIRICAL LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

As taxpayers become more familiar with tax authorities and their procedures, the occurrence of tax evasion tends to diminish (Wallschutzky et al., 1979). Previous studies have shown a significant link between taxpayers' overall knowledge of tax laws and regulations and their understanding of these rules, which in turn enhances their compliance with tax requirements(Emran & Stiglitz, 2015). This link between tax knowledge and understanding prompts a significant question: could enhancing tax knowledge lead to increased tax compliance? This question has been raised by researchers in the field (Cummings, Martinez-Vazquez, McKee & Torgler, 2019). In Ethiopia, Adimassu and Jerene (2016) identified various factors influencing taxpayer behavior within the self-assessment system, including tax knowledge, administration simplicity, and fairness perceptions. Nurwanah et al. (2018) examined corporate taxpayers in South Sulawesi, finding a relationship of importance taxpayer behavior and compliance. Abd Hamida et al. (2020) studied GrabCar drivers in Malaysia, showing that tax knowledge impacted compliance. Olaoye et al., (2017) found information on taxation and understanding to be influential on compliance in Nigeria. Hassan et al. (2016) explored tax education's impact on compliance, suggesting positive perceptions of tax education among taxpayers. Savitri (2016) highlighted the role of service quality in moderating taxpayer compliance in Pekanbaru, Indonesia. Yee, Moorthy, and Soon (2017) examined Malaysian taxpayers' attitudes towards tax morality, finding tax literacy to be pivotal in shaping compliance attitudes.

In Indonesia, Inasius (2019) explored compliance with income tax reporting among SMEs, revealing significant impacts of tax advisory services, audit probabilities, and perceptions of justice on compliance. Across different regions, studies such as those by Helhel and Varshalomidze (2015) in Georgia's tourism sector and Abd Hamida et al. (2020) among cab car drivers in Malaysia, further emphasized the significance of tax knowledge in influencing compliance behavior.

The more the understanding and the knowledge of the tax authorities by the tax payers, the less the cases of tax evasion (Wallschutzky *et al.,* 1979). Previous research has demonstrated a strong correlation between general tax knowledge and taxpayers' capacity to comprehend taxation laws

and regulations, as well as their ability to adhere to them (Emran & Stiglitz, 2015). This link between tax knowledge and understanding prompts a significant question: could enhancing tax knowledge lead to increased tax compliance? This question has been raised by researchers in the field (Cummings, Martinez-Vazquez, McKee & Torgler, 2019).

In Indonesia, Fauziati, Minovia, Muslim, and Nasrah (2016) conducted a study to examine the influence of tax knowledge on tax compliance. Employing a research design that involved gathering data through questionnaires, their findings indicated that tax compliance remained unaffected by knowledge levels. Similarly, Mwandiambira (2017) explored the relationship between tax understanding and tax evasion among Small and Medium Enterprises (SMEs) in Zimbabwe, utilizing quantitative methods. Despite discovering that SMEs possessed a basic awareness of taxation, the study revealed a lack of comprehension regarding specific tax categories, such as assumed tax versus income tax, with little impact on their non-compliance behavior. Both studies highlighted the significance of addressing factors like tax rates and corruption to enhance tax compliance, suggesting that merely increasing tax knowledge may not suffice.

Contrastingly, Adhiambo (2019) investigated tax compliance determinants among merchants in Nakuru, Kenya, revealing that tax awareness and education significantly influenced compliance. The study, employing a descriptive research design, found that while perceptions of tax avoidance and compliance costs had varying impacts, technology, particularly online filing, significantly enhanced tax compliance.

Yayuk et al. (2017) explored taxpayer compliance in Indonesia, finding that while knowledge and understanding of tax regulations contributed to compliance, community-level tax literacy did not substantially impact compliance, even indirectly through taxpayer awareness. Further studies from diverse contexts, such as Kamil (2015) in Bandung, Indonesia, and Helhel and Varshalomidze (2015) in Georgia's tourism sector, corroborate the nuanced relationship between tax knowledge and compliance. While Kamil's study highlighted the positive impact of taxpayer knowledge on compliance, Helhel and Varshalomidze emphasized the significance of internal factors in predicting compliance behavior.

In Ethiopia, Adimassu and Jerene (2016) identified various factors influencing taxpayer behavior within the self-assessment system, including tax knowledge, administration simplicity, and fairness perceptions. Nurwanah et al. (2018) examined corporate taxpayers in South Sulawesi, finding a positive correlation between taxpayer behavior and compliance.

Abd Hamida et al. (2020) studied GrabCar drivers in Malaysia, showing that tax knowledge impacted compliance. Olaoye, Ayeni-Agbaje, and Alaran-Ajewole (2017) found tax information and understanding to be influential on compliance in Nigeria. Hassan, Nawawi, and Puteh Salin (2016) explored tax education's impact on compliance, suggesting positive perceptions of tax education among taxpayers. Savitri (2016) highlighted the role of service quality in moderating taxpayer compliance in Pekanbaru, Indonesia. Yee, Moorthy, and Soon (2017) examined Malaysian taxpayers' attitudes towards tax morality, finding tax literacy to be pivotal in shaping

compliance attitudes. Asrinanda (2018) studied taxpayer compliance in Banda Aceh, emphasizing the influence of tax knowledge, self-assessment, and awareness. Finally, Saad (2014) investigated taxpayers' perceptions of tax knowledge and system complexity, linking these factors to compliance behavior.

H1. *Perceived Tax Complexity has a significant effect on Turnover Tax Compliance*

The preventive aspect of tax penalties primarily lies in deterrence (Wenzel, 2004; OECD, 2010; Majka, 2010), with taxpayer education contingent upon the certainty of detection and punishment (Frey and Feld, 2002; Torgler, 2007). Principles such as "settling tax obligation is a correct action" and "citizens are straightforward – only resistant individuals are punished" strongly influence taxpayer compliance (Torgler, 2007; Poppelwell et al., 2012). Furthermore, enforcement mechanisms such as fines, penalties, and tax audits play a crucial role in enhancing turnover tax compliance. Tax audits, designed to uncover fraud or negligence, provide evidence for potential prosecution (Adams, 2001). The rates and thoroughness of audits can influence taxpayers' filing behavior, with audits serving as a deterrent to understating income or making false deductions (Palil and Mustapha, 2011; Manaye, 2018). However, tax penalties shouldn't aim for suppression or revenue generation (Debowska & Romanowska, 2008), as their effectiveness varies and can even lead to increased evasion (Kirchler et al., 2007). Alkhatib et al. (2018) conducted a study focusing on the impact of deterrence factors on income tax evasion among Palestinian SMEs. They collected data from 500 SMEs affiliated with the Federation of Palestinian Chambers of Commerce and Industry. The study revealed a significant negative correlation between the likelihood of detection and income tax evasion.

Rianti and Hidayat (2021) examined the influence of tax knowledge, tax justice, and tax sanctions on compliance among MSME taxpayers in West Bandung District. Using a quantitative causal explanatory approach, they gathered data through questionnaires from 143 registered MSMEs in the district. The study found direct effects of tax knowledge, tax justice, and tax sanctions on tax compliance, indicating significant impacts on SME taxpayer compliance. The study recommended further research on tax compliance and suggested policymakers organize outreach activities related to these factors to enhance compliance.

Manual and Xin (2016) examined the tax compliance behavior of self-employed taxpayers in West Malaysia, focusing on tax knowledge, tax deterrence, and compliance costs. The study revealed that tax deterrence significantly correlated with self-employed taxpayers' compliance behavior, while tax knowledge and compliance costs had no effect. Lalo et al. (2019), Anyaduba & Oboh (2019), and Jemberie (2020) found significant positive influences of penalties on compliance in Nigeria and Ethiopia. Similarly, Kamil (2015) noted that imposing penalties had a positive relationship with taxpayers' compliance attitude in Bandung, Indonesia, leading to higher compliance due to effective penalty application.

Studies have shown that the probability of detection through audits correlates with turnover tax compliance. Devos (2012), Trivedi et al. (2004), Pameranz (2015), and others found significant correlations between detection probability and compliance in both developed and developing

countries. However, Gichiku (2014) noted a negative effect of penalty rates and audit probability on compliance in certain contexts.

H2. Perceived enforcement power has a significant effect on turnover tax compliance

Equity or fairness in taxation is fundamental, as it entails treating individuals equally in similar circumstances. According to James (2000), Richardson (2006), and Saad (2012), a fair taxation system should ensure equity across three dimensions: vertical, horizontal, and exchange equity. Vertical equity involves taxing individuals at different rates based on their business nature, while horizontal equity treats taxpayers equally regardless of size. Torgler (2005) suggests that providing taxpayers with sufficient information and involving them in tax law development fosters a sense of fairness. Additionally, taxpayers may perceive the system as unfair if they feel they receive fewer services than what they contribute in taxes (Chau and Leung, 2009).

To enhance tax compliance, tax authorities must address perceived fairness concerns (Gupta, 2017). Studies have shown positive correlations between tax compliance attitudes and fairness in developed countries like Hungary, New Zealand, and Germany (Pantyal et al., 2016; Woodward & Tan, 2015; Hennighausen & Hennighausen, 2015). Conversely, in the UK, taxpayers were unwilling to pay taxes they deemed unfair (Besley et al., 2014). Similarly, developing countries such as Sri Lanka, Yemen, Zimbabwe, and various African nations have demonstrated a positive correlation between tax compliance behavior and fairness (Joyawardane, 2016; Helhel & Ahmed, 2014; Nyamwanza et al., 2014; Ali et al., 2014).

Amina & Kedir (2015) reported a positive relationship between tax compliance and the fairness of the tax system, suggesting that a fair taxation system increases tax compliance. However, findings on the relationship between equity and tax compliance vary. In Ethiopia, Manaye (2018) found an insignificant relationship between equity and tax non-compliance behavior.

In Malaysia, Faizal and Palil (2015) conducted research on the relationship between fairness and individual tax compliance. A sample of 82 questionnaires were used. The findings revealed that perceived tax fairness could influence tax compliance rates, particularly procedural fairness, while distributive and retributive fairness had no significant effect. Bin-Nashwan et al. (2020) investigated the relationship between taxpayers' perceptions of income tax system fairness and compliance behavior in Yemen. They surveyed 400 individual taxpayers in Hadhramaut and found that perceptions of system fairness, preferred tax rates, government interactions, and self-interest significantly influenced compliance. In Nigeria, Ya'u and Saad (2019) studied the role of trust in explaining voluntary tax compliance. They distributed 450 questionnaires to micro-enterprise owners in Jigawa State and found significant positive relationships between fairness perceptions, trust in authority, and voluntary tax compliance.

H3. Perceived tax fairness has a significant effect on turnover tax compliance

Tax complexity, stemming from intricate tax laws and procedural challenges, poses a significant barrier to tax compliance among small and medium-sized enterprises (SMEs) worldwide (Richardson & Sawyer, 2014; Atawodi & Ojeka, 2012). Studies highlight various forms of tax

complexity, including computational, procedural, and law complexity, which contribute to non-compliance behavior (Carnes & Cuccia, 2011; Cox & Eger, 2013; Pau et al., 2015). This complexity burdens taxpayers with excessive record-keeping and form completion tasks, often necessitating professional assistance (Maingot & Zeghal, 2011; McKerchar, 2011).

Empirical evidence suggests a negative correlation between tax complexity and compliance behavior among SMEs (McKerchar, 2007; Richardson, 2006). For instance, a study in Malaysia by Mustafa (2012) identified tax complexity in terms of recordkeeping and ambiguous tax laws, consistent with findings in Australia (McKerchar, 2013). Furthermore, Richardson's (2006) cross-country analysis revealed that complexity is a significant determinant of tax evasion, emphasizing its adverse impact on compliance. Güzel et al. (2019) investigated the influence of tax justice perception and government trust on tax compliance among 392 independent accounting professionals in Turkey. Utilizing correlation, factor, and regression analyses, the study found significant positive associations between trust in government, tax compliance, and tax justice perception. Taing and Chang (2021) explored tax compliance intention determinants in Phnom Penh with a focus on the theory of planned behavior, surveying 402 residents. The study revealed that tax morale, tax fairness, and tax complexity significantly influenced compliance intention.

Sifuni (2017) evaluated perceptions of tax compliance factors among Tanzanian SMEs, surveying 160 taxpayers. The study revealed connections between tax rates, fines, government service delivery, penalties, and compliance.

Mat et al. (2021) examined tax compliance behavior among Malaysian employees, surveying 152 respondents nationwide. Their findings highlighted significant influences of tax knowledge, complexity, and morale on compliance, emphasizing the crucial role of tax morale in intrinsic motivation. Yahya et al. (2021) investigated tax knowledge and complexity perceptions among income taxpayers, sampling 384 individuals in Malaysia. Findings indicated that tax knowledge and complexity contributed to noncompliance behavior among sole proprietors, underscoring the importance of addressing compliance issues collaboratively. Jusoh and Mustapha (2024), studied taxpayers who conducted online business through social media platforms such as YouTube, Instagram, and Facebook. A sample of 120 was selected randomly. The authors found that tax complexity has a positive and significant effect on tax compliance behaviour. This means that complexity does not necessarily lead to lower tax compliance. They concluded that taxpayers who find taxation complex usually hire experts to file their tax return due to their intention to comply thus resulting in higher tax compliance instead of lower compliance

H4. Perceived Tax Complexity has a significant effect on Turnover Tax Compliance

Patriotism is regarded by the general populace as an allegiance and affection for one's nation, linked to a willingness to sacrifice for the welfare of the state. The taxpayers' affection for the state and their desire for its prosperity are demonstrated by their tax payment behaviors (Hanifah & Yudianto, 2019). Patriotism often significantly influences several elements of societal life, particularly in relation to tax compliance (Kurniawan et al.,2023). Governments may employ their

educational institutions to cultivate patriotism. This program can streamline and enhance tax collection by utilizing patriotic sentiments as a substitute for auditing (Geys & Konrad, 2020).

Al-Maghrebi et al., (2022) emphasized the significance of taxpayer patriotism and its favorable correlation with heightened tax compliance. Furthermore, patriotic taxpayers regard tax non-compliance as unpatriotic behavior. Conversely, Gangl et al. (2016) discovered that patriotism had no significant direct correlation with tax compliance; nevertheless, it demonstrated an indirect association with faith in the tax authorities and voluntary collaboration. However, limited empirical research has investigated the correlation between patriotism and income tax compliance. To the researcher's knowledge, no empirical study has been conducted to demonstrate the impact of patriotism on sales tax compliance.

Despite the growing significance of identifying the causes of tax non-compliance as an illicit activity, the factors influencing tax compliance continue to be enigmatic (Schneider & Torgler, 2007). The evidence regarding the impact of deterrence variables on tax compliance behavior is fairly inconsistent. The research examining the correlations among tax audits (Woodward & Tan, 2015), tax rates (Giesecke and Tran, 2012; Matthews, 2003; Engel et al., 2001), and tax penalties (Woodward & Tan, 2015) in relation to sales tax compliance has yielded inconclusive findings. The literature on sales tax compliance is insufficient. Furthermore, certain authors discovered that various circumstances may influence the aforementioned association.

A moderating variable, as defined by Baron and Kenny (1986), is a variable that influences the strength and/or direction of the relationship between an independent variable and a dependent variable. A contributing factor to the variable outcomes in the diverse investigations is the potential influence of a moderating variable. Carnes and Cuccia (1996) asserted that the correlation between economic variables and tax compliance was inconsistent in many metrics due to potential moderation by other factors.

Tajfel (1974) posited that social identity theory, developed in 1971, provides a valuable explanation for the effects of patriotism. The social identity of a taxpayer influences their obligations and commitments, and it is seen as a fundamental socio-psychological component in tax compliance (Wenzel, 2007).

Specifically, social identity theory is more influential in predicting compliance than legitimacy.

However, relying solely on a single theory is inadequate for elucidating the matter of tax compliance (Alm, 1991). Torgler and Schaffner (2007) asserted that tax compliance behavior cannot be elucidated or described by the fundamental model of deterrence theory. Feld and Frey (2003) demonstrated that the deterrent strategy for tax non-compliance cannot enhance compliance rates unless implemented alongside an alternative option. Moreover, Andreoni et al. (1998) shown that the amalgamation of economic theory with social psychology theory is imperative. Christian and Alm (2014) identified that non-economic factors are essential in understanding tax compliance behavior. Similarly, Wenzel (2004) noted that social factors could substantially influence and fulfill

the demands of deterrent mechanisms. Downs and Stetson (2014) asserted that social variables may exert moderating influences on economic considerations.

Concerning the aforementioned topic, the conventional model in tax research asserts that taxpayers are rational. They evaluate the perilous possibility of audits and penalties against the anticipated advantages of effective tax compliance. The expected utility model of tax compliance posits that an increase in tax audits and tax penalties results in heightened tax compliance (Alm and Torgler, 2011; Andreoni et al., 1998; Allingham and Sandmo, 1972).

The empirical data on these predictions is inconclusive (Maciejovsky et al., 2012; Frey, 2003), leading to other interpretations of tax behavior, including patriotism (MacGregor and Wilkinson, 2012). Consequently, this research synthesizes deterrence theory and social identity theory to enhance the understanding of tax compliance behavior, including patriotism as a moderating variable for deterrence considerations in the realm of sales tax compliance.

The existing literature reveals contradictory findings regarding the correlation between patriotism and tax compliance, indicating that patriotism may exert potential consequences. Gangl et al. (2016) and MacGregor and Wilkinson (2012) emphasized the necessity for additional research on the correlation between patriotism and tax compliance, as existing literature on the subject is scant, leaving the role of patriotism unclear. This research posits that patriotism may enhance the comprehension of the inconsistent results on the relationships between sales tax compliance and tax audits, tax rates, and tax penalties, serving as a moderating variable. This theory posits that taxpayers' patriotism may influence their behavior regardless of the certainty of a tax audit, the tax rate, or the severity of tax penalties. The correlation between sales tax compliance and the aforementioned criteria may be influenced by patriotism.

The study by Alshira'h and Abdul-Jabbar (2020) delves into the moderating role of patriotism on sales tax compliance among Jordanian manufacturing SMEs. Utilizing a sample of 385 manufacturing SMEs in Jordan, the study employs Partial Least Squares Structural Equation Modelling (PLS-SEM) to analyze the impact of tax audit, tax rate, and tax penalty on sales tax compliance, as well as the moderating effect of patriotism on these associations. Key findings indicate a positive association between tax audit and tax penalty with sales tax compliance, while tax rate shows insignificance in this regard. Furthermore, the study reveals a significant moderating effect of patriotism on the relationships between tax penalty, tax audit, and tax rate with sales tax compliance. The implications of the study extend to tax authorities and policymakers, particularly in developing countries like Jordan, suggesting the formulation of policies based on the findings to enhance SME compliance and boost sales tax collections. Additionally, the study contributes to the deterrence theory by introducing patriotism as a moderating variable in the context of sales tax compliance among SMEs, thereby enriching both theoretical and practical understanding in this domain.

The study by Li, Liu, and Qing (2022) investigated the moderating role of patriotism on the relationship between different domains of corporate social irresponsibility (CSI) and consumer forgiveness, considering the mediating effect of moral judgment and the influence of corporate

reputation. Conducted among 483 actual consumers in China, the study finds that must-be CSI has a more pronounced negative impact on consumers compared to attractive CSI, leading to less forgiveness. Moreover, moral judgment acts as a mediator in the differential effects of CSI domains on consumer forgiveness. Additionally, high corporate reputation buffers the negative effects of both CSI domains for consumers with high patriotism, while it has a boomerang effect on must-be CSI and a buffering effect on attractive CSI for consumers with low patriotism.

In this study by Intansari and Supramono (2022), the researchers investigate the influence of tax literacy on tax compliance among individual taxpayers with Micro, Small, and Medium Enterprises (MSMEs), while also examining the moderating role of patriotism in this relationship. Data was collected via online questionnaires from MSME taxpayers in various industries in Central Java, resulting in 102 respondents. Moderation regression analysis was employed to analyze the data. The findings reveal a significant positive effect of tax literacy on MSME taxpayer compliance. Furthermore, patriotism was found to moderate the relationship between tax literacy and tax compliance, indicating that patriotism strengthens the impact of tax literacy on compliance behavior.

In their study, MacGregor and Wilkinson (2012) investigate the impact of economic patriotism on taxpayer attitudes towards taxation. Utilizing subjects involved in a Volunteer Income Tax Assistance program, the researchers explore how patriotism influences beliefs about tax payment, the progressivity of the tax system, and perceptions of tax evasion. The findings reveal that patriotic individuals exhibit more positive attitudes towards paying taxes to support their country and are more likely to endorse the progressivity of the tax system compared to non-patriotic individuals. Additionally, patriotic taxpayers view tax evasion as unpatriotic. However, the study does not find evidence supporting the notion that patriotic taxpayers consider paying more taxes overall as a patriotic act.

In his article, Lavoie (2010) explores the relationship between patriotism and tax compliance, particularly in the context of the Tea Party movement in the United States. Drawing on a social contract framework, Lavoie examines how patriotism influences attitudes towards taxation and the potential impact of the Tea Party movement on tax compliance. He suggests that patriotism may be a weaker factor in promoting tax compliance in the United States compared to other countries. Furthermore, Lavoie argues that the Tea Party movement, with its historical association with tax protests, could further weaken the influence of patriotism on tax compliance. To address this challenge, Lavoie proposes steps to disentangle American patriotism from anti-tax sentiments, including the introduction of a voluntary "Patriotic Remittance Tax" to strengthen the positive association between patriotism and taxation.

3. METHODOLOGY

3.1. Population and sample

The present study focused on registered SMEs owners/managers in Eldoret Town required to pay turnover tax payers. As of 2024, Eldoret Municipality had 3,624 SMEs (KNBS, 2023). Considering the numbers of taxpayers registered under the turnover tax, the sample of 360 SMEs owners/managers was calculated using the Slovin's formula. The present study implemented a random sampling method and the collection of data was conducted via structured questionnaire. These questionnaires were distributed to registered turnover tax payers. As a result, the present study recorded the response rate of 281 respondents, which exceeds the threshold of 30%, as suggested by Frohlich (2002). As for research instruments, the present study uses survey questionnaires to identify relationships between the constructs. The questionnaires employed in this study are adopted from Kasipillai and Jabbar (2003) and Saad (2011) as it focuses on tax compliance attitude. The questionnaire contains two major sections, the first section collects the demographic information about the respondents, while the second section comprises questions regarding three factors which are the tax knowledge, tax complexity, tax morale towards tax compliance behaviour. The study employed a corresponding 5 Likert scale (1 for "Strongly Disagree"; 2 for "Disagree"; 3 for "Neither Agree or Disagree"; 4 for "Agree" and 5 for "Strongly Agree").

3.2 Data collection

Data was collected using closes ended questionnaires. The items were borrowed from earlier studies:

Perceived tax fairness (Oladipo et al., 2022), Enforcement power (Gobena & Van Dijke, 2016), tax complexity (Mat Jusoh et al., 2021), patriotism (Alshira'h et al., 2021), tax compliance (Bani-Khalid et al., 2022). A 5-point Likert scale was employed : 5- strongly agree, 4-agree, 3- neutral, 2-diagree and 1- strongly disagree.

3.3 Regression model

The study adopted the following regression model to test for the moderating effect of patriotism.

$$TTC = \beta 0 + \beta 1 PTK + \beta 2 PEP + \beta 3 PTF + \beta 4 PTC + \beta 5 P + \beta 6 PTK * PAT$$
$$+ \beta 7 PEP * P + \beta 8 PTF * PAT + \beta 9 PTC * PAT + \varepsilon$$

Where:

TTC is the dependent variable (Turnover Tax Compliance)

PTK denotes perceived taxpayers' knowledge.

PEP denotes perceived enforcement powers involved in turnover tax systems

PTF is the perceived turnover tax fairness

PTC is the perceived turnover tax complexity

PAT is patriotism

$\beta 0$ is the constant

$\beta 1$, $\beta 9$ are the beta coefficient.

ε is the error term

4. FINDINGS AND DISCUSSION

4.1 Descriptive statistics

The descriptive statistics for the research variables are presented in Table I. The data indicates a mean turnover tax compliance of 3.6219 and a mean perceived tax complexity of 2.9. The mean enforcement power was 3.29, whereas the average perceived tax fairness was 2.837. The average score for tax fairness is 2.837, whereas the average tax knowledge indicated is 2.754, and the average patriotism is 2.670.

Table 1: Descriptive statistics

Item	N	Min	Max	Mean	Std
Turnover tax compliance	281	1.50	5.00	3.6219	1.02472
Perceived tax complexity	281	1.00	5.00	2.9440	1.03885
Perceived enforcement power	281	1.00	5.00	3.291	.932
Perceived tax fairness	281	1.00	5.00	2.837	.988
Perceived Taxpayer's knowledge	281	1.00	5.0	2.754	.921
Patriotism	281	1.0	5.0	2.670	1.0094

Source: Author

4.2 Correlation analysis

The study applied the Pearson pairwise correlation to estimate the nature and strength of the relationship among the variables. The results presented in table II indicate that tax complexity, enforcement power, tax fairness, tax knowledge and patriotism are positively correlated with turnover tax compliance.

Table 2: Correlation Matrix

Variables	TTC	PTC	PEP	PTF	TPK	PAT
Turnover tax compliance	1.0000					
Perceived tax complexity	0.468**	1.0000				
Perceived enforcement power	0.466**	0.311**	1.0000			
Perceived tax fairness	0.580**	0.444**	0.303**	1.0000		
Perceived Taxpayer's knowledge	0.390**	0.496**	0.266**	0.605**	1.000	
Patriotism	0.612**	0.428**	0.400**	0.490**	0.514**	1.0000

Source: Author

4.3 Regression analysis

Prior to regression analysis, the data was checked for several linear regression assumptions, including linearity, multicollinearity, normality, and homoscedasticity. The results indicated that the data was appropriate for further statistical analysis. The data was subsequently normalized utilizing the z-score. The predictor variable and the moderator were mean-centered prior to their interaction to assess moderation.

The regression results are presented in table III. Based on Hypothesis 1, tax knowledge is expected to significantly influence turnover tax compliance behaviour among SMEs. The results as per Table III provide full support of the hypothesis with the significant impact at Beta ($\beta = 0.311$) and p-value less than to be 0.05. This finding provides evidence that the dimension within the tax knowledge construct (responsibility, tax rate, penalties charges, deadlines, technical and record keeping) have a significant impact on the tax compliance behaviour of Malaysian salaried taxpayers. The findings are found to be consistent with Loo et al. (2010), Salawati et al. (2021), Kasipillai and Abdul Jabbar (2003) as well as Kirchler et al. (2008) who adopted TBP in examining the tax compliance behaviour and revealed that higher tax knowledge would enhance tax compliance level. This is consistent with TPB as the knowledge alters the myths and misperception towards the imposition of tax, the individual attitudes towards taxation also change while the tax regulations remain unchanged (Eriksen & Fallen, 1996). The results of this study can enlighten policymakers on the scope to which tax knowledge is essential in a self-assessment system and in what ways it can affect compliance. Hypothesis 2 posited that perceived enforcement power has a significant influence on turnover tax compliance. Power is a term used to describe a tax authority's ability to find and prosecute tax evaders (Kirchler et al., 2008). Presence of a tax investigation accompanied with consequences against non-compliant taxpayers, power grows. Some prior research (Kastlunger et al., 2013) has found that when taxpayers have a positive

opinion of the power of tax authorities, they are more likely to follow the rules. Although having the power is vital for increasing TC, relying just on power is insufficient because not all taxpayers have the same impressions or perceptions on tax authorities. Previous studies Chong and Arunachalam (2018) suggest that taxpayers' trust in authorities has an effect on taxpayers' compliance, and taxpayers' trust is dependent on their perception whether the authorities are responsible, transparent, and trustworthy or not. Further, increasing TC needs not only power, but also trust and transparency (Benk & Budak, 2012). Thus, when taxpayers feel that the tax authority has significant taxing powers, as well as appropriate transparency and a high degree of trust, they are more inclined to comply with the law. Furthermore, that coercive power could reduce committed cooperation (Gangl et al., 2015). Coercive power is perceived as a sign of distrust by honest complaint taxpayers, resulting in them showing defiance towards tax administrators (Torgler, 2004). Honest compliant taxpayers are argued to exist in a confidence climate, a climate with mutual trust between taxpayers and tax administrators, resulting in committed cooperation.

On the other hand, Hypothesis 3 posited that tax complexity will significantly influence turnover tax compliance. Based on the results portrayed in Table III above, Hypothesis 3 is accepted with a significant level of $\beta = 0.122$ and p-value less than 0.05. Therefore, despite the mixed results as found by Alm et. al, (1992) and Hajah Mustafa (1996), the present study manages to prove that tax complexity would significantly influence tax compliance behaviour by the taxpayers. When taxes are complex, there is less room for the tax payers to circumvent around the gaps in tax laws. In addition, they may be forced to hire experts to assist them meet their tax obligations. This may increase compliance. The findings contradict the theory of planned behaviour (TPB) which contend that individual's decision to engage or not in a particular behaviour is determined by the degree of individual control (Bobek & Hatfield, 2003). If the taxpayer perceived that the behaviour of performing tax obligation as difficult and complicated, there is high tendency of him not being compliant with the tax rules and regulations. Hypothesis 4 posited that tax fairness significantly influences turnover tax compliance behaviour among salary group taxpayers. Hypothesis 3 is accepted with a significant level of $\beta = 0.301$ and p-value of 0.000. Taxpayers' tendency to comply is closely related to commensurate mutual feeling or fairness between taxes paid to governments and benefits perceived by taxpayers (Mangoting et al., 2015). Tax fairness covers various dimensions (Saad, 2012). In this respect, Wenzel (2003) explicitly defines tax fairness as an equilibrium perceived by taxpayers on administrative procedures and punishment for violating regulations. Tax fairness can be manifested as distributive fairness, procedural fairness, and retributive fairness (Gberegbe, Idornigie & Nkanbia-Davies, 2015). Distributive fairness refers to how taxpayers perceive that they are treated equally to other taxpayers in terms of the benefits of tax payments (Kirchler, Kogler & Muchlbacher, 2014). Meanwhile, procedural fairness is a form of fairness where tax authorities implement tax procedures fairly (Tyler, 2006) and retributive fairness refers to fairness on actions to comply with existing regulations such as audit and sanction. People will try to avoid tax and tend to behave in a manner of non-compliance towards tax obligation if they feel injustice in the system enforced by the government. As a conclusion, it is concluded that tax morale serves to increase intrinsic motivation to pay taxes, implying that the

trust in paying taxes is based on intrinsic motivation instead of just compliance with applicable laws and regulations. Poor tax morale results in a low level of tax compliance. Moving on to the moderating effect of patriotism, based on the results obtained, it has a positive and significant association with the tax audit and sales tax compliance. Therefore, this is an indication that the effects of patriotism strengthened the influence of tax audit on sales tax compliance. As such, in the existence of patriotism and with an increase in tax audit, the owner-managers of SMEs in Eldoret town would more likely to be more compliant with sales tax collections. The findings also showed the significant and positive moderating effect of patriotism on the associations between tax rate with sales tax compliance. This means that taxpayers would be willing to increase the collection of the sales tax rate if this would help the country due to their love of the nation. The study also found positive and significant coefficients for the impact of the tax penalty on sales tax compliance in the presence of the moderating effect of patriotism. This indicates that owner-managers of SMEs in Eldoret town are patriotic in paying taxes because of the tax penalties that stem from being discovered for misreporting.

Table 3: Regression Results

TC	Model 1 Coef.	Model 2 Coef.	Model 3 Coef.	Model 4 Coef.	Model 5 Coef.	Model 6 Coef.
CONSTANT	.622(0.191)**	.595(0.182)**	.824(0.183)**	1.092(0.198)**	1.059(0.199)**	1.213(0.208)**
PTK	.311(0.063)**	.229(0.061)**	.169(0.061)**	.144(0.060)**	.142(0.060)**	.150(0.060)**
PEP	.297(0.050)**	.228(0.049)**	.201(0.048)**	.169(0.048)**	.177(0.048)**	.168(0.048)**
PTC	.122(0.050)**	.084(0.048)**	.089(0.047)**	.079(0.046)**	.076(0.046)**	.071(0.046)**
PTF	.284 (0.057)**	.225(0.055)**	.199(0.054)**	.196(0.053)**	.202(0.053)**	.164(0.055)**
PAT	-	.285(0.052)**	.313(0.051)**	.299(0.050)**	.290(0.050)**	.276(0.050)**
PAT*PTK	-	-	-.144(0.032)**	-.147(0.031)**	-.158(0.032)**	-.142(0.033)**
PAT*PEP	-	-	-	-.130(0.040)**	-.143(0.041)**	-.126(0.042)**
PAT*PTC	-	-	-	-	.058(0.044)**	.069(0.044)
PAT*PTF	-	-	-	-	-	-.093(0.040)**
R^2	0.505	0.553	0.584	.600	. 0.602	0.610
Δ-R^2	-	0.	0.031	0.016	.002	0.008
F-value	70.293	66.293	64.231	58.424	51.493	47.129
Prob > F	0.000	0.000	0.000	0.000	0.000	0.000

Source: Author

5. CONCLUSIONS AND RECOMMENDATIONS

The Theory of Planned Behaviour by Ajzen (1991) asserts that individual behaviour is a force of three components which are attitude, subjective norms, and perceived behavioural control to empirically prove that they posed a significant influence on tax compliance behaviour among Individuals. Adapting to the present study, the three components are further narrowed to perceived enforcement power, tax fairness and tax complexity. The study further explored the moderating role of patriotism. As a result, the study managed to empirically prove significant influence of the independent variables which comprises enforcement power, tax fairness, tax complexity and tax morale to the dependent variable of turnover tax compliance. Further patriotism played a moderating role. This study however, identified some limitations of the use of closed questionnaires that do not collect all of the details needed to fully understand tax regulations and the factors that lead to noncompliance by taxpayers. In addition, the present study did not employ control variables in examining the influence between independent and dependent variables. The variables or contributing factors that are fixed or omitted in order to clearly identify the relationship between an independent variable and a dependent variable are known as control variables. Therefore, there might be other factors such as tax ethics, tax morale and compliance costs that could influence compliance behaviour amongst turnover tax payers. As for future research, it might be fruitful to add control variables such as gender in examining the factors why people are motivated to comply with tax rules and regulations. In addition, it may make a difference if researchers are able to obtain more samples for the study, so that a stronger deduction can be made. On a final note, the present study's results may have contributed practically and theoretically. The relevant authorities may use the result of this study as a guide to develop programs necessary in understanding how intention could influence the behaviour of taxpayers' compliance. Furthermore, the results may provide guidance for policy makers in using their power as the tax authority in making sure taxpayers fulfil their tax obligations.

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