IMPACT OF STRATEGIC CHANGE: INTRODUCTION OF ELECTRONIC TAX REGISTER FOR ENHANCEMENT OF TAX COLLECTION AT KENYA REVENUE AUTHORITY

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ABSTRACT

The Kenya Revenue Authority was until 2005 using tax collection methods that were prone to falsification and did not have a fiscal memory which could record and store tax information. The Authority therefore introduced the use of Electronic Tax Register (ETR) which was more advanced than the ordinary Electronic Cash Register (ECR) used at that time. The Authority therefore embarked on two year project that required implementing change at all levels starting from the KRA Management, cascading to the staff and trickle it down to the customers/ users of the ETR machine. In order to manage the change and ensure effectiveness and efficiency of the project KRA had to adopt certain change models, identify areas on resistance to change and also define ways of dealing with the change resistance both from internal and external customers. The objective of the project was to tighten the grip on tax collection as KRA was losing a lot of revenue through falsification and other malpractices. This study therefore was to establish the effect of the change caused by implementation of the ETR project and if the ETR system enhanced the tax collection in Nairobi. The target population was 500 traders along Luthuli Avenue in Nairobi who were Value Added Tax (VAT) holders using the ETR machines and also Ninety eight (98) KRA managers in the Department of Domestic Taxes. The major findings indicated that ETR system had enhanced tax collection in business premises in Nairobi and that the system had to a great extent assisted in sealing loopholes of tax evasion in Nairobi. It was further found out that the stakeholders were yet to be trained effectively on the use of ETR machines. The system had also assisted in improvement on tax compliance. It was however established that the system is yet to be fully institutionalized in the KRA system. The study established that the Authority is still experiencing some resistance to change from both internal and external customers.

Key Words: *Electronic Cash Register, Electronic Tax Register, Fiscalised Electronic Devices (FED), Strategic change, Models of change*

Introduction

The Kenya revenue Authority (KRA) was established by an Act of parliament, chapter 468 of the laws of Kenya, which became effective on 1st July 1995. The authority is charged with the responsibility of collecting revenue on behalf of the Government of Kenya. Since 2000, KRA has been undergoing several reforms all geared towards enhancing tax collection. KRA funds over 70% of the Kenya National Budget and hence the need to increase revenue through continuous improvement on tax collection processes.

As part of the reforms, KRA embarked on a project in 2004 whose aim was to tighten grip on revenue sources by introducing the Electronic Tax Register (ETR) machines to replace the Electronic Cash Register (ECR). The ECR machines that were initially used by traders to account for taxes were not effective and were subject to falsification.

Why the change from ECR to ETR

In the Finance Bill of 2004, the Minister for Finance through an amendment in the Value Added Tax Act required that all registered taxpayers use Electronic Tax Registers in accounting for their sales with effect from 1st January, 2005. The VAT registered taxpayers were using Electronic Cash Registers which did not have a fiscal memory which could record and store tax information. Cash Registers could therefore not be a substitute for Electronic Tax Registers for they lacked fiscal memory and other required tax features. ETR could be used as a stand alone or configured into a network. ETR has a backup battery which can go for 48 hours. It can also use an external battery in areas without electricity. ETR has special security features e.g. Seal, Memory, Serial Number and other special technique features.

Why use Electronic Tax Registers (ETR) and Fiscalised Electronic Devices (FED)

Ordinary ECR was prone to falsification. ETR has a tax memory that carries information on tax. Tax memory is programmable read only memory. The tax memory capacity should store data for at least 5 years or 1800 day transactions. ETR issues fiscal receipts which are easily identifiable for inspection purposes and daily fiscal summary reports.

Who should use ETR & FED

All V.A T Registered taxpayers were eligible to use ETR and FED machines. However the selection of the device to use depended on the business. The users were required to have a business with a turnover of Kshs3.6 million per year.

Funding of the ETR and other Fiscal devices

The project was fully funded and facilitated by KRA. The authority financed the purchase of ETR and other fiscal devices. However taxpayers were required to install the machines and claim the cost from KRA. The refund or claim was restricted to the ETR or other FED installed or interfaced with the existing systems. A taxpayer with more than one point of sale e.g. branches was refunded for all the machines and devices purchased for use in the business.

Statement of the Problem

The main objective of KRA was to tighten grip on revenue source by introducing the ETR systems by January 2005. The authority was losing a lot of revenue previously as the ECR machines used were prone to falsification. Other challenges included sales that were not updated, a lot of paperwork, conflicts between the taxpayers and revenue officers and delayed audit reports among others. In the Finance Bill of 2004 the Minister of Finance through an amendment in the Value Added Tax Act required that all tax payers should use Electronic Tax Registers in accounting for their sales with effect from 1st January 2005. Statistics showed that KRA could improve tax compliance by 5% per annum. This would enhance revenue collection by an additional 5 billion per annum on account of improved compliance. Based on these challenges KRA embarked on the 2 year project by introducing the ETR system.

Objectives of the study

1. Establish if ETR system has enhanced tax collection in business premises in Nairobi
2. Determine if ETR system has sealed loopholes of tax evasion in Nairobi.
3. Establish if stakeholders are effectively trained on the use of ETR machines
4. Find out if ETR system has improved tax compliance.
5. Establish if the ETR system has been institutionalized at KRA to effectively to reinforce the tax laws.

Limitations of the Project

The study did not experience any major limitations. However, it was difficult to gather information from the taxpayers due to suspicion and interference with their daily routine. Some traders declined to be interviewed and argued that the researchers may have been KRA inspectors disguising themselves as researchers.

Literature Review

Fundamentals of Change Management

Organizations today, amidst a commercially competitive global economic environment, are struggling for their survival and growth. Evolutionary changes are taking place at revolutionary speed, largely pushed by strong external forces, arising out of a desire to increase competitiveness and efficiency. According to Armstrong (2006) the contribution of Human Resource (HR) will often take the right tasks, structures, processes and systems to support change. Change is a continuous process that can be implemented in phases and requires constant reviewing. KRA as one of the major organizations in Kenya has been undergoing reforms with a view of enhancing tax collection. The use of the ETR systems was introduced as one of its reforms.

Strategies of Change

According to Swanson (1997) the selection of a strategy for implementing the change technique has consequences for the final outcome. Three approaches to change include; Unilateral authority; Shared authority; and Delegated authority. The rule is to adopt the strategy which minimizes resistance. The strategy which emphasizes shared authority has the greatest likelihood of minimizing resistance to change, as it involves the participations of superiors and subordinates in the entire process. KRA adopted the shared authority as it allows the clients to claim for their taxes consumed when remitting their tax returns each year. The users had to be empowered to feel that they also owned the process.

Models of Change Management

According to Tichy (1983) all change requires exchanging something old for something new. People have to learn and relearn, exchange power and exchange the old norms for new norms and values. These changes are frightening but also provide new hope. For change to succeed the benefits outweigh the costs. In Nairobi, when the ETR machines were introduced in 2004 the business community rejected them as they feared that it was going to interfere with their primary source of income. The change model that was used at KRA when introducing the ETR machines was the three step model of Kurt Lewins, Bridges and Armanakis behavioral view of 1999. Lewin's 1951 classic three stages model include unfreezing, movement, and refreezing**.** This is a very useful model for change agents who are thinking about getting people to change. Bridges (1991) offers a parallel model he calls the transition model or the internal psychological view. Bridges maintains that alongside every organizational change event is an interval process people undergo called transition. Ironically, the psychological experience of transition starts with some ending. Whether it is a job, a phase of life, a house being given up or a project, the transition starts by letting go of something old and familiar . This is vitally important for change agents to understand because it creates feelings of loss, unlike the grieving process after death. At KRA, with the introduction of ETR machines, the consumers were very hostile to the KRA staff and were afraid that their businesses were going to collapse. This stage is followed by a wilderness phase, which is a time of confusion lack of trust and trying to find a new path through the changed world. During this period, the ending is less salient to people but neither have they committed to the new way. T his stage is roughly parallel to Lewin's movement stage. At this stage the consumers protested and went on the streets protesting against the use of the machines. The last stage is where individuals enter the new beginning phase where they begin to understand the new vision and commit to it. From Lewin's perspectives, this is parallel to his refreezing stage. It is only at this point that the change will be successful. It was only after sometime that the users of the machines realized the benefits of using the machines not only to boost the economy but also for their own records.

Armenakis (1999) looks at change from a behavioral perspective. The management will convince the employees of the need to change through the various communication channels. Once the employees are convinced that they need to change they adopt the change and the organization institutionalize this change through the policies. I t is important to note that this theory is similar to Lewin's despite being formulated almost fifty years later. At KRA the staff and consumers were sensitized on the use of the machines. They had to go through the process of adoption after the resistance and finally accepted it. This process was finally institutionalized and it is now illegal to transact business without issuance of an ETR receipt.

Resistance to Change

Reasons that Cause Resistance to Change

When the ETR machines were introduced by KRA most of the businessmen and service providers rejected them. They were all up in arms as human beings operate in a state of equilibrium and they do not want to learn new things. In Mombasa town, at the Coast of Kenya, the Asian businesses came to a halt as the owners protested on the streets. To date there are many people who continue to reject the ETR machines and even those who have them use fraudulent methods to evade paying taxes by not issuing receipts after sales or offering a service. Some cases are still pending in court. The reasons for resistance to change as described by Swanson (2000) include among others: Lack of conviction of need for change; dislike of imposed change/no involvement in the change; dislike of surprises/no information for readiness, fear of the unknown, and uncertainty; Reluctance to deal with unpopular issues; fear of inadequacy and failures due to need for new skills; disturbed practices, habits, relations and familiarity; and lack of respect and trust in persons promoting change.

Minimizing Resistance to Change

KRA minimized change resistance by doing the following:

1. Advance planning and management of change - Changing structure, behavior and technology requires total systems orientation (i.e. the whole organization and its systems would be required to make adjustments as change in one area inevitably affects many other areas. KRA carried many awareness and sensitization seminars to the staff and consumers before introducing the machines.
2. Explaining and discussing change before it is implemented - Employees should also, where possible, be involved in the planning and implementing the changes. (This participative change approach argues that allowing people to play a part in the process reduces psychological uncertainty and insecurity). The KRA staffs were well equipped with the tools to carry out the exercise.
3. Use of coercive tactics - Coercive tactics which did not increase covert resentment and tension. This was avoided at all costs as the consumers were shown how the ETR machines were not only going to benefit the economy but they were also useful in mainstreaming their records to enable them keep accurate records.
4. Minimizing social changes - Social relationships are important to individuals and should not be disrupted by the change. Informal relations should be maintained as far as possible. This should have been ideal between the Revenue officers and the tax payers.
5. Avoiding preoccupation with technology - The process must be sensitive to human factors. The appropriateness to technology is crucial, but considers people, too. The ETR system was simple and did not require complicated technology to implement.

6. Making change tentative - The process should begin on trial basis. This enables employees to test their own reactions and obtain more facts about a new situation. It also helps unfreeze attitudes and encourages people to think objectively about the proposed change. Change should be introduced gradually and piecemeal for people to adjust well. The ETR system was implemented in stages and KRA tried as much as possible to involve all stakeholders.
7. Using economic incentives - i.e. provide rewards to encourage change acceptance. The traders were given incentives by reimbursing cost of purchasing the ETR machines.
8. Being flexible - Flexibility in organization structure and leadership style may be required to encourage technical innovation and general initiative. KRA however, did not make any radical changes in the management structures. The leadership trends were also not affected.

Research Methodology

The research study used quantitative and qualitative approaches. Quantitative approach was applicable since it involved dealing with statistical data which was verified on the ground and computed in numbers and percentages. Where some responses did not require statistical analysis, qualitative research method was used to give opinions and more details about the respondents. The qualitative approach was applicable during the informant interviews with the KRA managers where they gave opinions and discussed more about the project. According to Cooper and Schindler (2003) the qualitative approach refers to the meaning, the definition or analogy or model or metaphor characterizing something, while quantitative assumes the meaning and refers to a measure of it.

Target Population

Mugenda and Mugenda (1999) define population as an entire group of individuals, events or objects having common observable characteristics. The VAT registered tax payers in Kenya as at the time of the study were approximately 10,000. The target population was 500 VAT holders on Luthuli Avenue, Nairobi who were using the ETR machines and Ninety eight(98) KRA managers in the Department of Domestic Taxes. The target population of the VAT holders in Nairobi was suitable due to the fact that the ETR project was first implemented in Nairobi Province and therefore most of the qualified tax payers had been registered with the machine for at least three years. The population of ninety eight (98) KRA managers in the Domestic Taxes Department was suitable since the managers in this Department were the key implementers of the project.

Sample Design

Gay (1992) states that 10% of a population is considered minimum while Kilemi (1995) states that the minimum sample size in research is 30 randomly selected cases. Ten percent (10 %) of the target population was used as the sample size. That is, fifty traders on Luthuli Avenue and 10 managers from Domestic Tax Department (DTD) at KRA.

The Simple random sampling technique was used to identify the sample of the study. Out of five hundred (500) traders on Luthuli Avenue, Fifty traders (comprising 10%) were randomly picked. Out of 98 KRA managers from the Domestic Taxes Department (DTD), ten (10), comprising approximately 10%, were also randomly picked for the study. The choice of the simple random sampling technique for both types of the population was due to the homogeneity of the subjects. The traders used the same type of ETR machine and majority of the traders on Luthuli Avenue dealt with Electronics. The Managers in Domestic taxes Department performed similar duties on Tax collection.

Research Instruments

Structured and Unstructured Questionnaire

The questionnaires were divided into five sections; the first section covered the respondents' bio data while the other four sections were structured according to the objectives of the project. Each objective of the project had at least five questions both closed and open ended which assisted the researcher to get statistical data and opinions of the respondents.

Key informant interviews

An interview schedule was prepared to be used in getting information from the KRA managers. The relevance of this interview was to enable the researcher to get information on the actual implementation and the status of the project. The interview was also preferred by the managers since it did not take much of the time in responding. Telephone interview was also applicable in case of any clarifications.

Secondary data

Secondary data was essential in getting details on the project. This data included the project document, project manuals and evaluation reports among others.

Pilot Study

The researcher conducted a pilot study before the main collection of data. The piloting was carried out at the businesses on Luthuli Avenue. The Researcher picked five traders through simple random sampling and administered the Questionnaire to them. The Researcher also interviewed three (3) KRA managers randomly picked from the list of the managers. This helped to establish the reliability and validity of the research instruments.

Data Collection Procedures

The researcher visited the subjects on Luthuli Avenue prior the actual research for familiarization with the environment. The questionnaires were distributed one day prior main study. The researcher went back after two days and administered the questionnaires. The researcher also telephoned the KRA Managers and booked appointments for appropriate dates of the interviews. The interviews were carried out at the KRA offices. The researcher also studied the secondary data in the Authority's board room. Further, the authority was sought to make copies of any documentation that was deemed necessary for the research.

Data Analysis

According to Gay (1992), the most common method of reporting a descriptive research is by developing frequency distributions, calculating percentages and tabulating them appropriately. After actual fieldwork, data collected from questionnaires and interview schedules was carefully organized according to the research objectives/ questions. For closed-ended questions a code was assigned to each category whereas for open- ended, the responses were listed. Counting was done manually to determine frequency of each response and percentages was computed.

Research Findings

The Results from the Key Informant Interview with the KRA Managers

Preliminary Information

The researcher interviewed six male managers and four female managers. All the managers were from the KRA headquarters and they all worked in the Domestic Taxes Department (DTD). The ETR program was developed and implemented by the DTD and therefore the information obtained from the selected managers was reliable.

The Inception of the Project

When managers were asked on what triggered the introduction of the ETR, they responded that there was rampant falsification of ETR machines leading to loss of revenue due to tax evasion. The initial project took two years to implement (between 2004 and 2006). The managers interviewed stated that the project was a learning experience and it also enhanced their innovative skills. Some of the achievements mentioned included enhancement of tax collection, efficient and effective system that saves time both for the managers and the taxpayers, low cost in tax administration and motivated staff (Revenue Officers). However the project was not without challenges which hindered its full implementation. Some of the challenges mentioned included lack of political goodwill, inadequate resources, untrained staff, resistance by taxpayers especially the traders who were against the change and inadequate sensitization of the stakeholders. KRA was able to address some of the challenges. The interviewees stated some interventions that included training programs of the revenue officers, rigorous sensitization programs to the stakeholders, incentives to the ETR users (reimbursement on purchase of ETR machines) and reaching out to the public through electronic and print media.

Developing the Process and Procedures on ETR System

The managers informed the researcher that policies and procedures used were developed out of the Finance Bill of 2004 and on the amendment of the V.A.T Act. They further stated that the customers' manual on the use of the ETR machine had also been developed and implemented by 50% of the consumers. The stake holders involved in developing the policies and procedures included the Public, Ministry of Finance, KRA Staff, the Attorney General and Businessmen. The management also did benchmarking from other countries who had successfully implemented the system like Senegal, Tanzania and Britain among others. The majority of the stakeholders were positive as the project assisted them to be transparent and accountable in record keeping and it was faster to remit their monthly taxes.

Requirements on registration of ETR system

The managers informed the researcher that the people who qualified to use the ETR system were all V.A.T registered tax payers with a turn over of Kshs.3.6 million per year. Those tax payers who defaulted in tax remittance by 20th of each month were bonded and were required to pay a fine of not less than Kshs.500, 000 or both. The managers further stated that the revenue officers detect falsification through regular audits, raid of the premises and through mock purchases. Some of the measures put in place by KRA to prevent falsification are ensuring that all the machines are well maintained by the suppliers, the revenue officers were well trained and law breakers were taken through the litigation process in a court of law.

Education in the ETR System

The managers informed the researcher that the stakeholders were sensitized on the use of the ETR machine. The initial scope of coverage was in Nairobi Province which was later cascaded to other provinces. The challenges experienced during the sensitization were resistance to change from the consumers. There was also lack of support from the general public. However, after the sensitization the number of ETR users was increased from 20 to 50%.This sensitization on the ETR systems had an impact as the revenue collection increased by 5% by 2006.

Resistance to Change

The researcher found out that tax payers resisted the use of ETR machines due to insecurity, personal attitudes, lack of trust, financial reasons, misunderstanding, fear of the unknown, disturbance of the routine systems of the businesses, inconvenience and group norms. The groups that were resistant to change included some members of staff who were not directly connected to the implementation of the project, the general public and the business community.
The groups who readily accepted the change were the KRA staff who were directly involved in the programme as they knew the benefit of the system. Some of the suppliers also welcomed the change as it impacted positively on their business. The consequences of this resistance were

reduced tax collection and fraudulent misuse of these machines and street demonstrations. KRA dealt with this resistance by providing the machines free of charge to the users. The tax payers were allowed to continue using their own invoicing but connect them to the electronic signature device that functioned like an ETR machine. There were also rigorous sensitization programmes for the users and training of the management.

The researcher found out that KRA applied the following strategies communication, training and development, coercion and collaboration. All the above strategies were effective to some extent as revenue collection was increased and tax evasion was reduced.

Monitoring and Evaluation

Change Strategies

The managers confirmed that the KRA officials monitored the project through regular audits, raids and mock purchases. However there were no records showing that the project had been evaluated since KRA had not carried out an impact assessment to determine the extent of the success of the project except the analysis of the financial performance. The project was successful as there was 5% improvement on tax compliance per annum and also enhanced revenue collection by an addition of 15 billion by 2007. The managers stated that the project needed to be improved by carrying out more sensitization programmes to fully educate the stakeholders, and that the mandatory Kshs.3.6 million turnovers should be reduced to about Kshs.2.5 million.

Results from the questionnaires administered to the traders

Preliminary information

The study found out that the majority of the traders were male. However only 60% of the traders had an ETR certificate inspite of being 98% VAT compliant. 60% of the traders had a turnover of 3.6 million and above and hence they were eligible to use the ETR system. This showed that the 40% of the users were not required by the law to use the ETR system as they did not have a turnover of 3.6m each year. However, they were only required to remit tax returns at the end of the year. It is concluded that the set turn over of kshs3.6 million was too high and therefore not all taxpayers were eligible to the ETR system.

Enhancing tax collection

Thirty per cent (30%) of the respondent had not started using the ETR machines by January 2006. KRA had to do a lot of rigorous training for the staff and the and by September 2006 the rest of the respondents (70%) started using the machines. The taxpayers slowly appreciated the use of the ETR systems as their customers slowly adapted to the change. It is therefore concluded that there were teething problems when the system was introduced leading to minimal tax enhancement. The system was stated as friendly by 70% of the traders, 20% indicated that they were slightly friendly while 10% stated that the system was not friendly at all. The study therefore concludes that there was a problem attitude change towards the system.

The majority of the respondents (50%) stated that the system was a very effective way of enhancing tax collection. It provided accountability and transparency. However, 10% stated it was just effective while the rest of 40% felt that the system was not effective. This was eluded from the findings where the business community complained that the use of the machines was cumbersome since the machines kept breaking down therefore affecting the flow of information. Therefore the study found out that part of the business community was agitated by the use of the machines as it slowed their business and this was reflected by the high rate of the consumers finding the system ineffective.

The study concluded that despite the high resistance initially, the stakeholders adapted to the change as they eventually changed their attitude and accepted the ETR system. KRA applied several change strategies that included sensitization, education and training, and facilitation on purchase of ETR machines among others.

Streamlining procedures of tax collection by sealing loopholes

Seventeen percent (17%) of respondents indicated that the machines were very effective, 50% stated that the machines were effective while 33% stated they were not effective in sealing loopholes for tax evasion. The study concluded that the ETR machines were not effective for sealing loopholes on corruption. The reason advanced on ineffectiveness was that some tax payers evade taxes by keeping two books one for ETR and the other to provide receipts for customers without charging V.A.T. Most of the customers collaborated with the business men due to the hard economic times and opted to buy items without being issued an ETR receipt. This way the customers were evading paying taxes and therefore engaging in corruption offences. The study concluded this after the findings showed that 85% of the respondents that is, the customers did not insist on issuance of ETR receipt after purchase while only 15% of the respondents/ customers insisted on the issuance of the ETR receipts after purchase. Therefore the study concluded that both traders and customers were yet to accept the ETR system as an effective way of tax collection.

On the issue of whether the businessmen were aware of the loopholes to seal corruption the findings show that 90% said they were fully aware, 4% said they were slightly aware while 6% said they were not aware. It was concluded that the majority of the business community were aware of the loopholes and therefore it was possible to seal the loopholes fully.

Educating stakeholders to enhance compliance

The majority of the respondents 80% said that they were sensitized on the use of ETR machines by the suppliers while 20% said that they had not received any formal training on the use of the ETR machines. The study concluded that after the sensitization training given by KRA through the suppliers and through the print and electronic media the stakeholders' attitude changed and the system was gradually accepted. It was further concluded that a lot of sensitization on the phenomenon of tax evasion for all the stakeholders was key in fighting the vice. KRA organized training for all the stakeholders and it was after the training that the attitudes towards tax collection changed leading to higher revenue collection.

Institutionalization of ETR Systems for Compliance with Tax Laws

The researcher aimed at establishing the extent to which the institutionalization of the ETR system had impacted on the respondents' businesses. On the preposition regarding whether the institutionalization of the ETR systems led to the compliance of tax laws, the findings showed that 25% of the respondents said that ETR system was not assisting them to comply with tax law, 41% said that system slightly assisted them to comply with tax laws and 33% indicated that the system was effective in assisting them to comply with the tax

Analysis of the study shows that the system assisted them to update their records and save time during tax remittance. This was drawn from the fact that the system is very accurate. 25% of the respondents who said that the system was not effective in any way were due to the fact that they were still grappling with the use of the machines since they had not been sensitized. 1% of the respondents said the system was very effective in assisting them to comply with tax laws. The findings show that 54% of the customers had slightly embraced the ETR system, 20% had fully embraced the system while 26% not embraced the system. It can therefore be concluded that KRA had not fully institutionalized the system.

It was clear from the study that falsification of taxation still exists due to lack of effective monitoring of the use of the ETR machines. It is also evident that due to the high turnover of (Kshs.3.6 million) per annum set by KRA as a minimum qualification to use the ETR machine, this has contributed to low revenue collection since the majority of the business are below the Kshs.3.6 million turn over per annum. Finally it is evident from the findings that the project was successful in enhancing tax collection. It was established that ETR was an effective way of enhancing tax collection. This conclusion is attributed from the fact that there was tremendous improvement on revenue collection as a result of efficiency brought about by the ETR machines. It was also found out that the stakeholders were slowly adapting to the change despite the initial high resistance from the taxpayers.

Recommendations

Based on the findings of this study the following recommendations, based on the key objectives, were derived:

1. The KRA needs to embark on sensitization, education and training programs in order to address the challenges still affecting the ETR system. More stake-holders need to be sensitized to reduce the resistance and also to increase the coverage on the use of the system.
2. KRA needs to strengthen the department dealing with tax collection by ensuring that the officers are well trained to monitor and evaluate the ETR system. The KRA needs to be well aware of the areas that are prone to falsification and address them. These areas include falsified breakages of the ETR machines, collusion between KRA revenue officers and traders in tax evasion and substandard ETR machines among others.

3. The Government should consider revising the law on the requirements of ETR registration. The turnover of Kshs.3.6 million should be revised downwards to about Kshs.2 million in order to accommodate more tax payers into the ETR system.
4. KRA needs to further institutionalize the ETR system by making it part of the Revenue system in the authority. Policies and procedures manuals should be well documented in order to ensure efficiency in tax collection.
5. Monthly and quarterly monitoring and evaluation should be carried out and the reports should be analyzed for improvement. KRA needs to carry out an impact assessment on the project to determine the extent of its success.
6. KRA needs to increase mock purchases in order to curb the vice of tax evasion. This can be through connecting all ETR machines to the KRA information system.
7. KRA needs to carry out further research with a view of enhancing the system as well as coming out with more superior systems which can detect any form of falsification and fraud.

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