PRESS RELEASE

LAUNCH OF THE FAIR TAX MONITOR KENYA

TJNA, Oxfam Kenya and CSOs under the Okoa Uchumi Campaign coalition launch Kenya's first ever Fair Tax Monitoring report

November 8th 2022 - The Tax Justice Network Africa and Oxfam Kenya in collaboration with civil society organizations under the umbrella of **Okoa Uchumi Campaign** coalition, launch a study that assesses the fairness of Kenya's tax system. The launch which was attended by various civil society organisations, professional bodies and private sector representatives at the Tamarind Tree Hotel in Nairobi, Kenya, discussed Kenya's overall tax system in the past ten years.

The Fair Tax Monitor Report proposes recommendations on how **Kenya's tax system** can be improved to meet the financing gaps for its development. On a scale of zero to 10 (zero representing an unfair component of a tax system and 10 representing a fair component of a tax system), Kenya scores:

1. 7.60 in distribution of the tax burden and progressivity,
2. 6.88 in effectiveness of the tax administration,
3. 6.83 in sufficient revenues and Illicit Financial Flows (IFFs),
4. 4.98 in transparency and accountability,
5. 4.60 in government spending,
6. 1.50 in tax competition and corporate incentives

While areas **like fighting illicit financial flows** have shown positive trends towards achieving progressive taxation, others like government spending in critical social sectors are performing poorly. Health, agriculture and social protection continue to receive less than 10%-15% of the national budget. Meanwhile, debt servicing is taking up 50% of Kenya's revenue as of June 2021.

Compounded with the economic shocks of the COVID-19 pandemic, Kenya's ability to raise revenue has been under immense pressure.

Riva Jalipa, the Tax Justice Strategist at Oxfam in Kenya observed that: 'In the past five years, the government has resorted to introducing taxes such as **digital service tax, minimum tax and deepening the excise tax base**. While previously viewed primarily as a sin tax, excise duty is being used as a means of increasing tax revenue. For instance, excise duty is now imposed on fees charged by digital lenders, mobile money transfers amongst others. Charging taxes on such goods and transactions imposes a harsher burden on those with lower incomes than those with higher incomes, which is unfair.'

Some of these measures are a result of the **fiscal consolidation measures** that have been imposed in Kenya through Kenya's arrangement under the IMF's Extended Credit Facility and Extended Fund Facility.

Despite all these, Kenya continues to maintain a plethora of unevaluated tax incentives and exemptions which reportedly cost 2.96% of the GDP as of 2020. Instead of addressing this, so far, Kenya has mostly used unequitable means of raising tax revenue such as imposing excise taxes on new items. These, if addressed, can help the government raise tax revenue without putting undue pressure on lower-income households and small and medium enterprises (SMEs). Tax revenue can be raised in a fair and equitable manner that ensures that the tax burden is being shared equally.

The report recommends that existing tax reforms should be reoriented from simply expanding revenue collection towards greater emphasis on how revenue is collected, and how this can contribute to broader state-building goals.

This will involve improving **equity in tax enforcement and administration, improving public awareness**, **transparency, taxpayer services, broadening and improving direct taxation**.

The full report will be made available on: www.maketaxfair.net

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