PRESS STATEMENT FOR IMMEDIATE RELEASE
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3 out of 4 Kenyans say their income is insufficient to meet their needs

And over 90% of self-selected online poll respondents oppose the 2023 Finance Bill

Nairobi, Kenya: A December 2022 study by Twaweza titled 'State of the Nation' indicates that three out of four households (75%) said that their daily income is insufficient to meet their daily needs. At the household level, inflation and cost of living were named as a top concern by 60% of citizens.

Business owners in the country are also experiencing tough economic times. Half of the business owners (49%) who were polled in a study titled, 'Open for Business?' reported that their businesses were declining due to low demand for products (19%), high cost of inputs (14%), a lack of sufficient working capital (8%) and low-profit margins (8%).

In September 2021, a report titled Taxing Matters published by Twaweza and the National Taxpayers Association (NTA) revealed that the majority of citizens (85%) agreed that tax is important for the country's success and economy. About two out of three (66%) Kenyans said they pay tax to ensure the delivery of public services while about 39% did so because it is compulsory. While tax is seen as necessary by a majority of the citizens, almost half of the citizens (48%) believed that the level of tax evasion by individuals, businesses and organizations in the country is high. The three top cited reasons for evading tax in the country were high tax rates on income (41%), underpaid/not enough income (40%) and taxes not spent efficiently by the government (22%).

Similarly, the Kenyan government faces a challenging financial situation. The growing debt stock, currently standing at KES 9.1T or 67% of GDP, continues to eat into government revenue, affecting its ability to deliver quality public services. According to budget estimates for 2023/24, out of every KES 100 collected in tax revenue, KES 63 will go to debt repayment. The government targets to collect KES 2.89T in revenue against a budget of 3.6T, implying a deficit of KES 76B. The high debt burden, the unmet revenue collection and a large budget deficit necessitate high levels of domestic revenue mobilization.

In part, to address the need for more tax revenue, the government has introduced the Finance Bill 2023. The bill proposes several tax changes, including a higher income tax rate for high earners, a contribution to affordable housing projects, a withholding tax on digital content creators, and an increase in the VAT rate on petroleum products.

The Finance Bill, 2023 is aimed at raising revenue through increased taxation in several areas. Unfortunately, this comes at a time when Kenyans are grappling with high cost of living and stagnant and limited income. Furthermore, the amendments proposed in the bills touch on several items which directly affected the disposable income of many Kenyans.

In this context, the Centre for Fiscal Affairs (CFA) and Twaweza joined efforts to formulate a quick online survey between May 19 and June 6 to understand the level of awareness of the proposed bill, the level of support and proposed alternatives to raise revenue for the government.

At the time of analysis, 25,966 people had decided to take the survey online, with a daily average of 1,367 respondents. Of them, 61% were male and 37% female. 2% preferred not to say.
Highlights:

1. The majority of the respondents are aware of the Finance Bill, 2023 (91%). However, when it comes to levels of support, a significant majority of those who are aware of it do not support it (93%), with 75% of them expressing strong opposition to it.
2. In terms of the specific proposed amendments, the majority oppose all new or additional taxes, and support all reductions or removals of taxes. Some amendments which were favoured by Kenyans were: exempting the LPG gas from VAT (67% support); reducing excise on bank money transfers and agencies, financial services from 20% to 15% (68% support); lowering the excise duty on internet/telephone data services (bundles)15% from 20% of the excisable value 68% support)
3. In terms of public participation in the bill, the majority of the respondents assert that the process was unsatisfactory (84%) and mainly designed to rubber-stamp rather than influence the bill. Overall, 44% said that the process was to inform the public on what had already been decided; 42% said they had never seen or heard any consultations about the proposed bill. Only 13% say the process was to allow citizens to be heard and influence items on the bill.

We, therefore, urge the members of the National Assembly to make an informed vote on the Bill taking into consideration the views of the citizens cited above. We urge the members to reject the proposed amendments that have the potential negative impact on Kenyans who are already suffering, and on the economy in which deficits are continuing to grow and national revenue is declining and reject those. We ask the president not to assent to the Bill if it is passed with provisions that will continue to hurt the already hurting Mwananchi. Instead, we implore the government to consider the following alternatives as offered by citizens:

Curb corruption. Corruption is a source of concern among citizens. Addressing corruption should be a top priority and can lead to more efficient use of public resources, increased trust in government institutions, and improved overall governance.

Reduce waste. There is a lot of waste in the government. Citizens are worried about the inefficient use of public funds and resources. Addressing wastage would involve improving financial management practices, streamlining processes to reduce bureaucracy, and ensuring that public funds are used effectively and efficiently.

Broaden the tax base. Expanding the tax base could involve simplifying tax laws and regulations to improve compliance, targeting untapped sources of revenue and strengthening tax administration.

Promote transparency. Enhancing transparency can help build trust between citizens and government institutions by providing clear information about how public funds are being spent. This can be achieved through publishing detailed budgetary information online in accessible formats or encouraging citizen participation in budget planning and monitoring processes.

In conclusion, the government needs to intentionally engage citizens to give their input to the Finance Bill in the future. The government should be considerate of citizens' and business owners' economic situation. The government needs to recognize that overtaxing could lead to increased tax avoidance and evasion and consequently, less tax collection. Business owners might close due to the heavy taxation, hence leading to more lost revenue by the government. Imposing more taxes on an already suffering citizenry is punitive for a government that promised to uplift citizens at the bottom of the economic pyramid.

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About:

Twaweza East Africa *is a regional non-governmental organization (NGO) that works to directly promote open government. Twaweza works to enable citizens' voices, interests and experiences to be heard and taken seriously in decision-making. Across the three countries, Twaweza runs Sauti za Wananchi (Citizens' Voices), a citizen-centered research program. Sauti za Wananchi is Africa's first nationally representative mobile phone panel survey through which Twaweza conduct surveys both at national and sub-national levels*

The Centre for Fiscal Affairs (CFA) *is an independent research and policy advocacy think tank working to promote and advocate for greater fiscal transparency, accountability, and participatory governance for the realization of a just, fair, and strong society. Since its establishment, CFA has continued to position itself as a think tank working in collaboration with other like-minded non-state actors, state actors and development partners to promote and strengthen fiscal transparency, accountability, and prudent utilization of public resources at the national and sub-national levels of government. CFA seeks to empower citizens to ensure that fiscal systems and processes are more progressive and ensure that government policies on tax and spending benefit the largest proportion of the population, especially the marginalized, and not the few.*

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