

# Citizens' on the Finance Bill, 2023



Tuesday, June 13, 2023

#FinanceBill2023 | #SautiZaWananchi

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# Where are we? | The Context



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# The Context – Where are we? Perceptions on tax

Twaweza and National Taxpayer association NTA (Sep,2021) - Sauti za Wananchi survey

- 85% say tax is **important for the country's success and economy.**
- 66% of Kenyans pay tax to ensure **delivery of public services**
- 39% pay tax because it **compulsory.**
- 48% of citizens believe the level of the **tax evasion** is high.
- The three top cited reasons for evading tax in country were:
  - high **tax rates on income (41%)**
  - **underpaid/no enough income (40%)**
  - **taxes are not spent efficiently** by the government **(22%).**

# The Context – Where are we? Cost of Living, State of Business

Twaweza (Nov –Dec, 2022) - Sauti za Wananchi survey

- **75%** said that their daily income was **insufficient** to meet their daily needs.
- At household level, **inflation** and **cost of living** was named as a **top concern by 60% of citizens**.
- Half of of the **business owners (49%)** who were polled said that their **businesses were declining** due to
  - low demand for products (19%)
  - high cost of inputs (14%)
  - a lack of sufficient working capital (8%)
  - low profit margins (8%)

# The Context – Where are we? Current country finances

- Challenging financial situation.
- Growing debt stock: KES 9.1T, 67% of GDP
- Continues to eat into govt revenue, affecting its ability to deliver quality public services.
- Budget estimates for 2023/24, KES 63 out of KES 100 collected in tax will go towards debt repayment.



# The Context – Where are we? Current country finances

- KES 2.89T targeted revenue collection, budget KES 3.6T, deficit KES 76B
- High debt burden, unmet revenue collection, large budget deficit necessitate robust domestic revenue mobilization.
- Finance Bill 2023 aims to address the need for tax revenue
- Several tax changes including:
  - higher income tax rate for high earners
  - contribution to affordable housing projects
  - withholding tax on digital content creators
  - increase in the VAT rate on petroleum products

# The Context – Where are we? Finance Bill, 2023

- The Finance Bill, 2023 aims to raise revenue through tax
- But, Kenyans are being crushed by high cost of living, stagnant and limited income
- Finance Bill amendments affects Kenyans' disposable income
- So, Centre for Fiscal Affairs (CFA) and Twaweza conducted a quick online survey on:
  - awareness of the proposed bill
  - support for the amendments
  - proposed alternatives means for raising revenue

# Finance Bill, 2023 | The Survey



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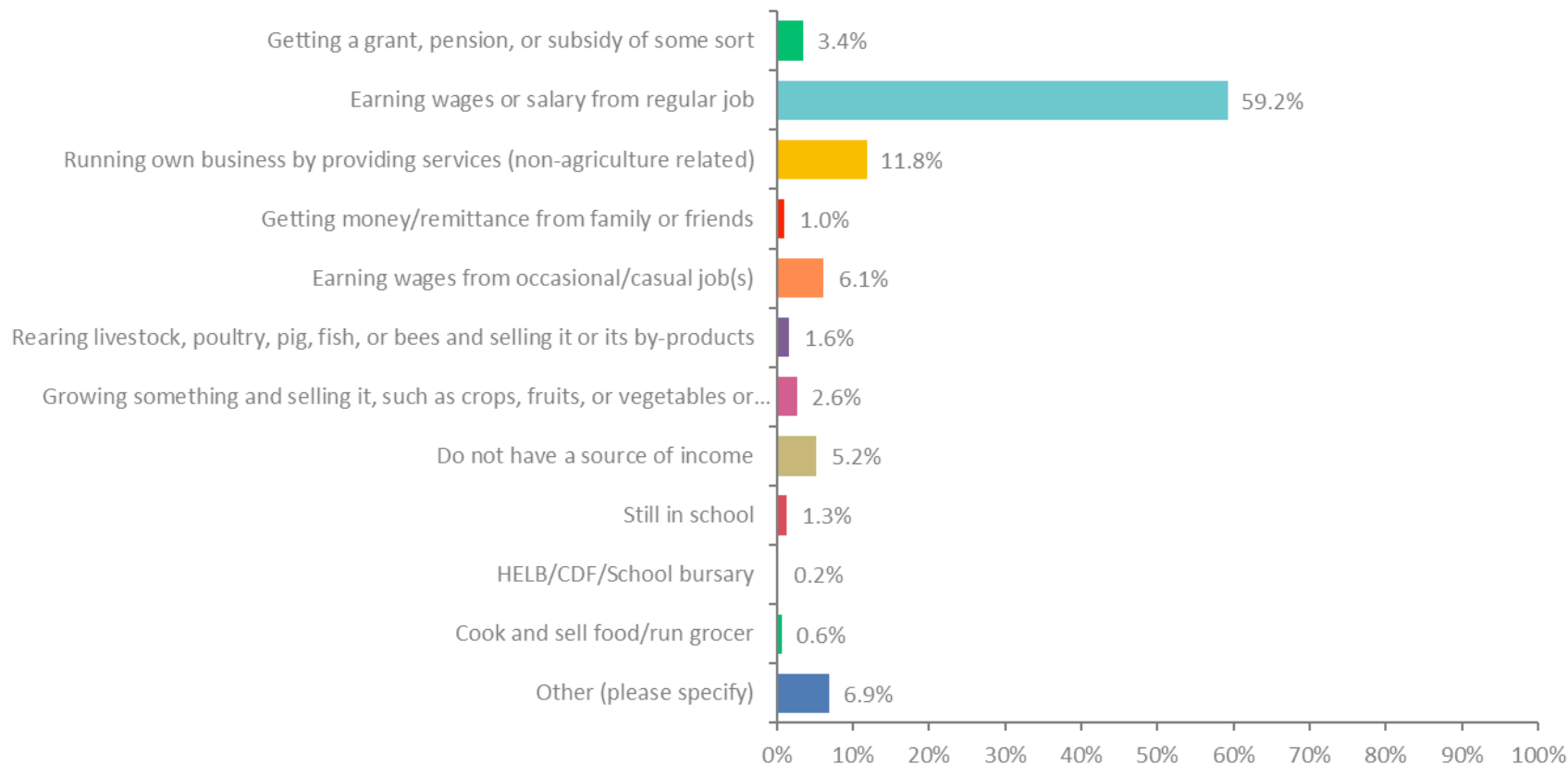


# Research Design + Profile of the respondents

- Self-administered online survey
- Data Collection dates: Friday, May 19 -June 6, 2023
- Number of respondents: 25,966
- Daily average respondents: 1367
- Gender: Male:60.9%, Female:37%, prefer not to say: 2.1%
- Age group: 18-24(2.2%), 25-34 (22.1%), 35-44 (32.1%), 45 -54 (27.2%), 55 -64 (13.4%), 65+ (3%).
- Level of education: Tertiary level (23.5%), Graduate (43.2%), Master (22.7%), Doctorate (4.2%)
- Occupation: majorly those who earn a regular salary (59.2%).

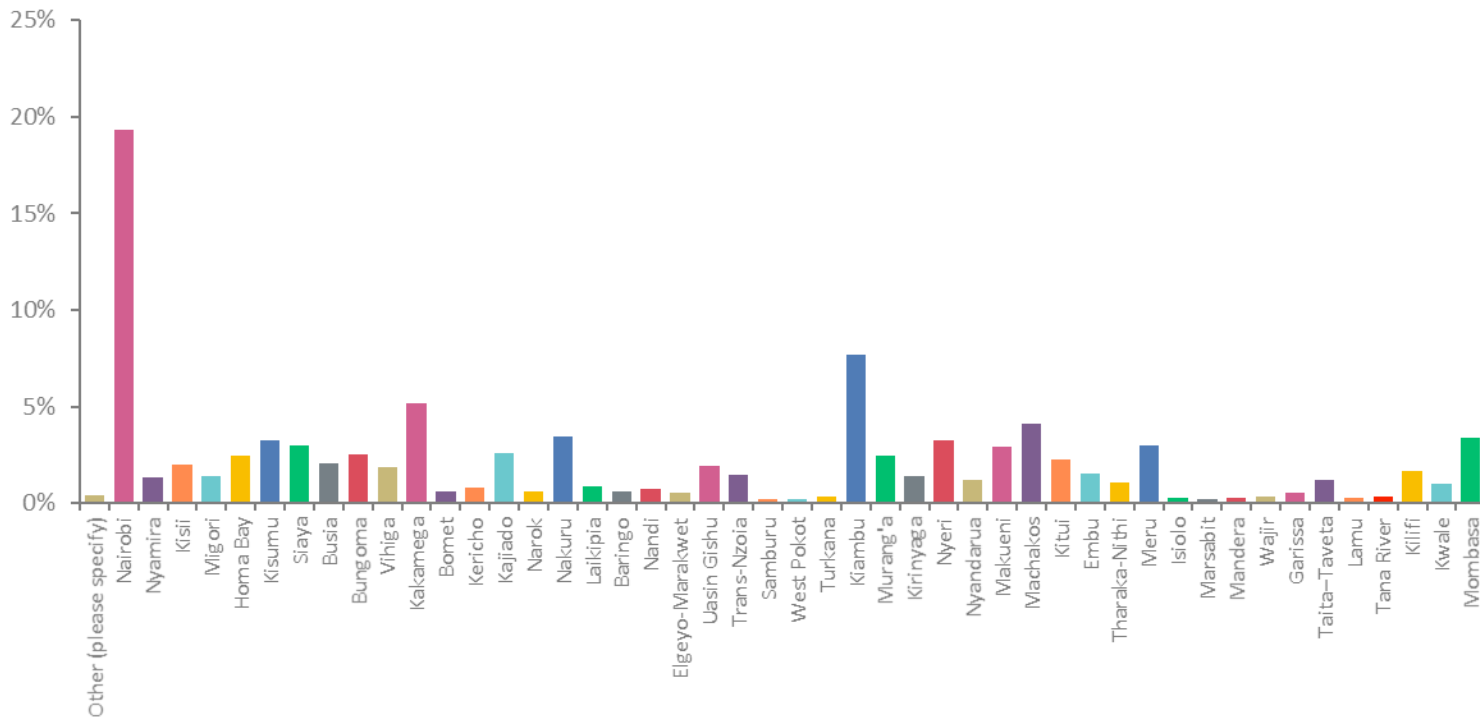
# What is your occupation?

N = 25,966



# Which County do you come from?

N = 25,872



# Finance Bill, 2023 | Awareness and support

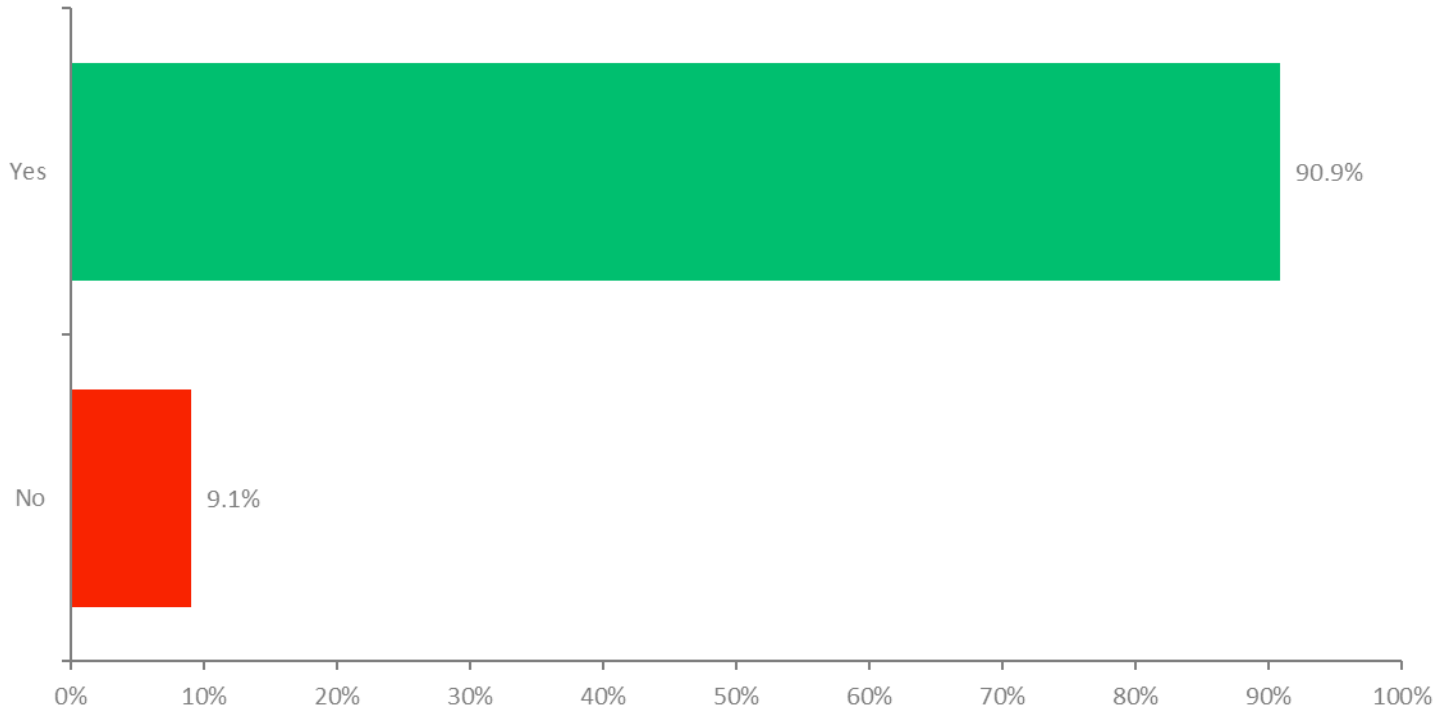


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# Are you aware of the Finance Bill 2023?

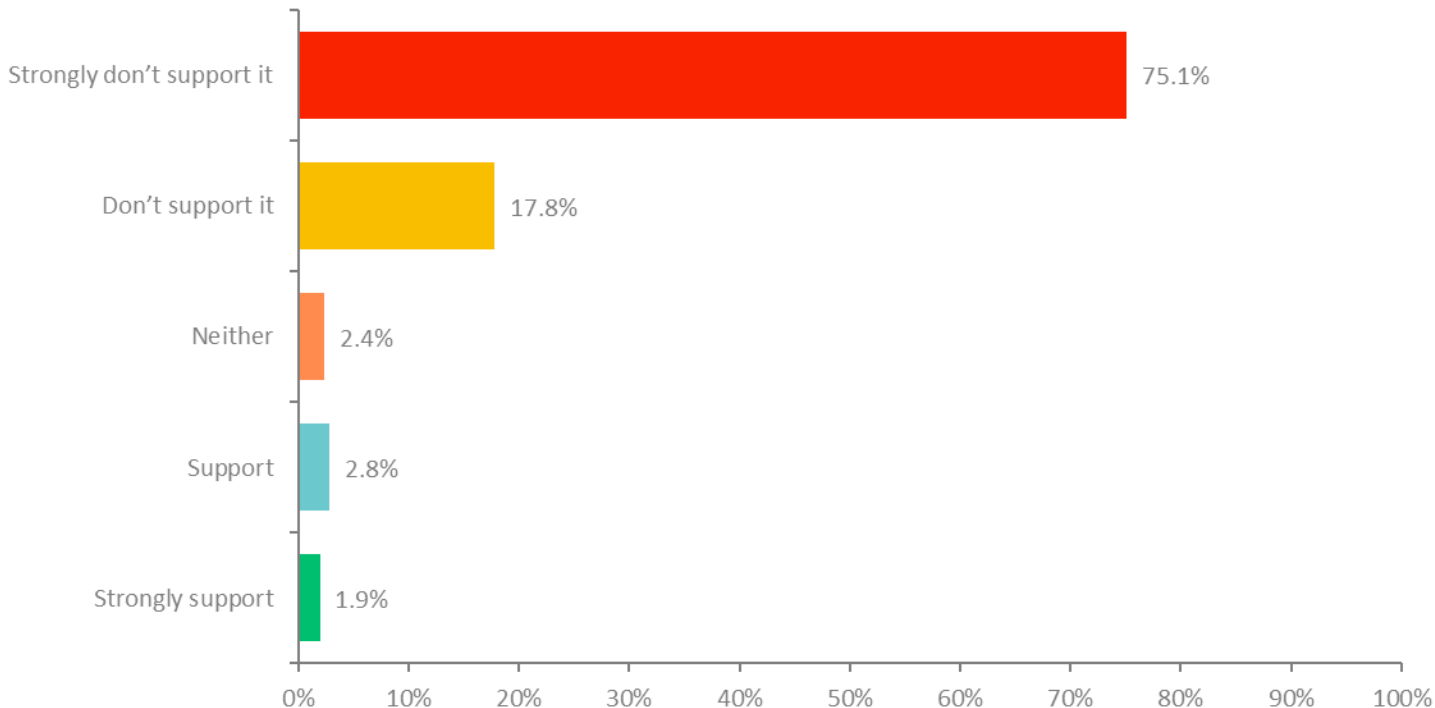
N = 25,966





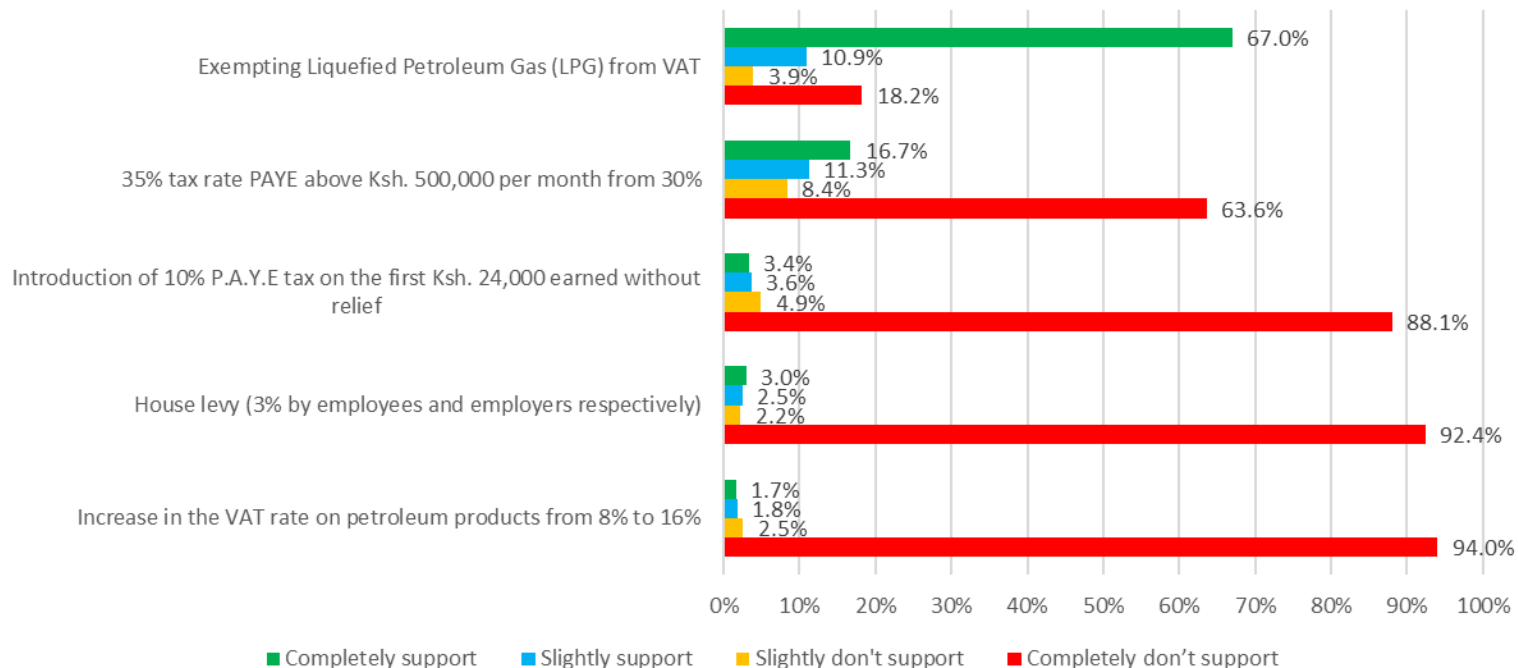
# If yes, do you support the Finance Bill 2023?

N = 19,188



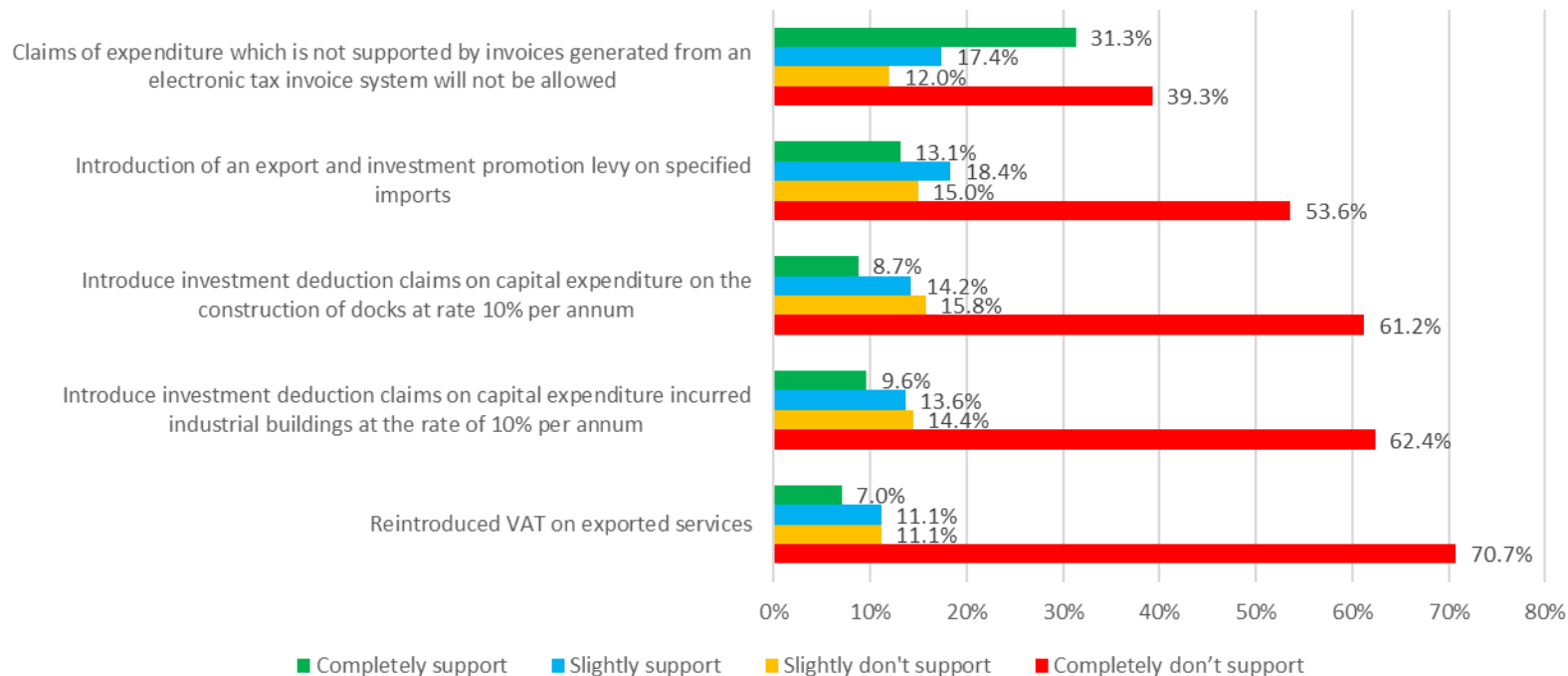
# Do you support the Finance Bill, 2023 proposals? 1

N = 19,336



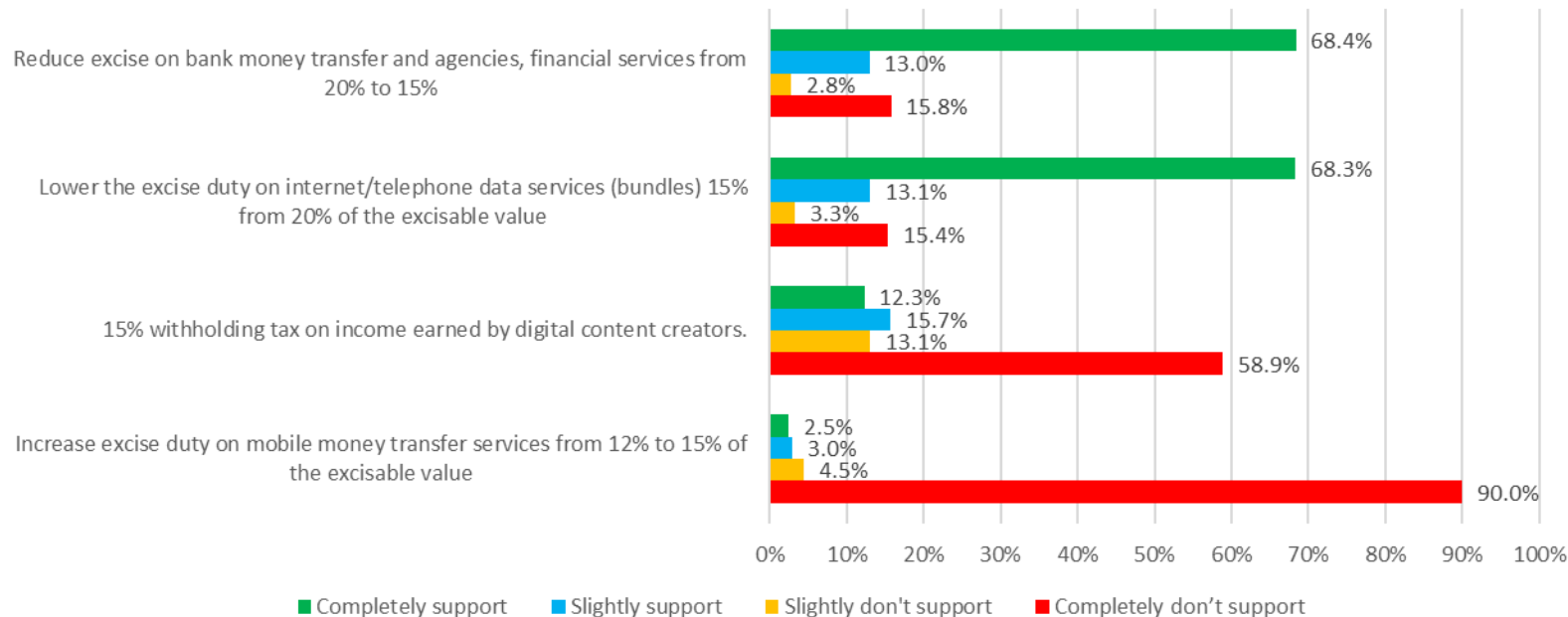
# Do you support the Finance Bill, 2023 proposals? 2

N = 19,336



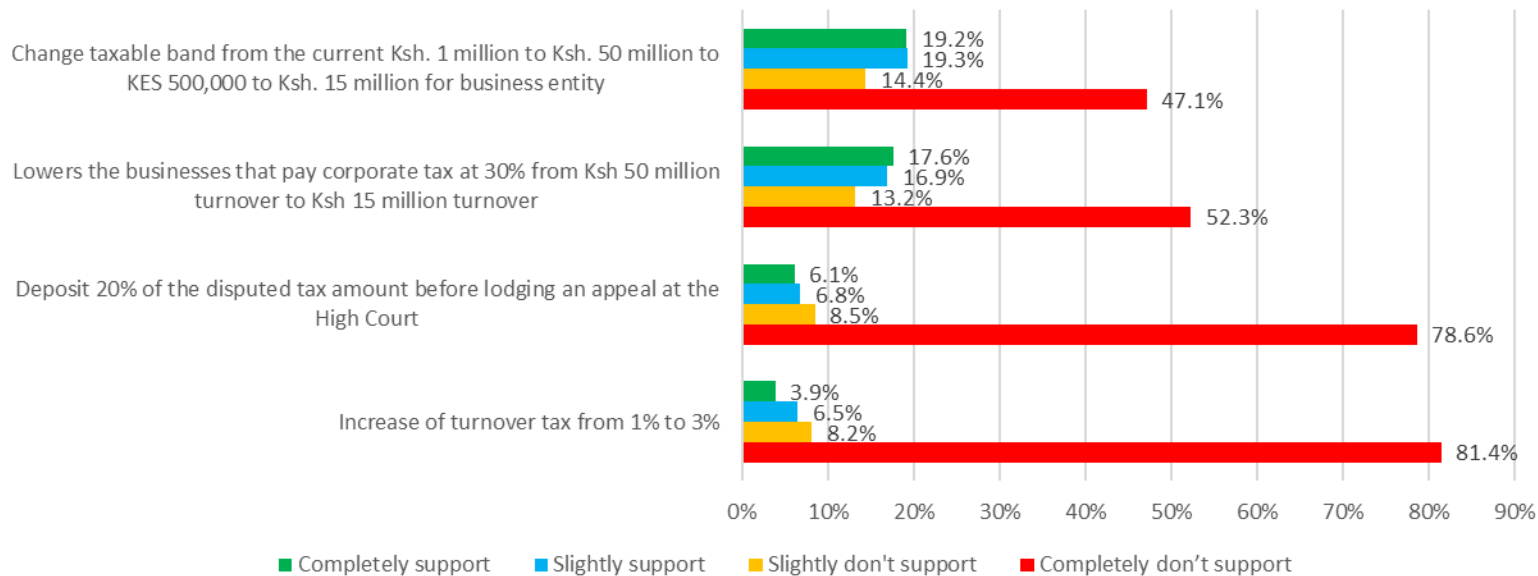
# Do you support the Finance Bill, 2023 proposals? 3

N = 19,336



# Do you support the Finance Bill, 2023 proposals? 4

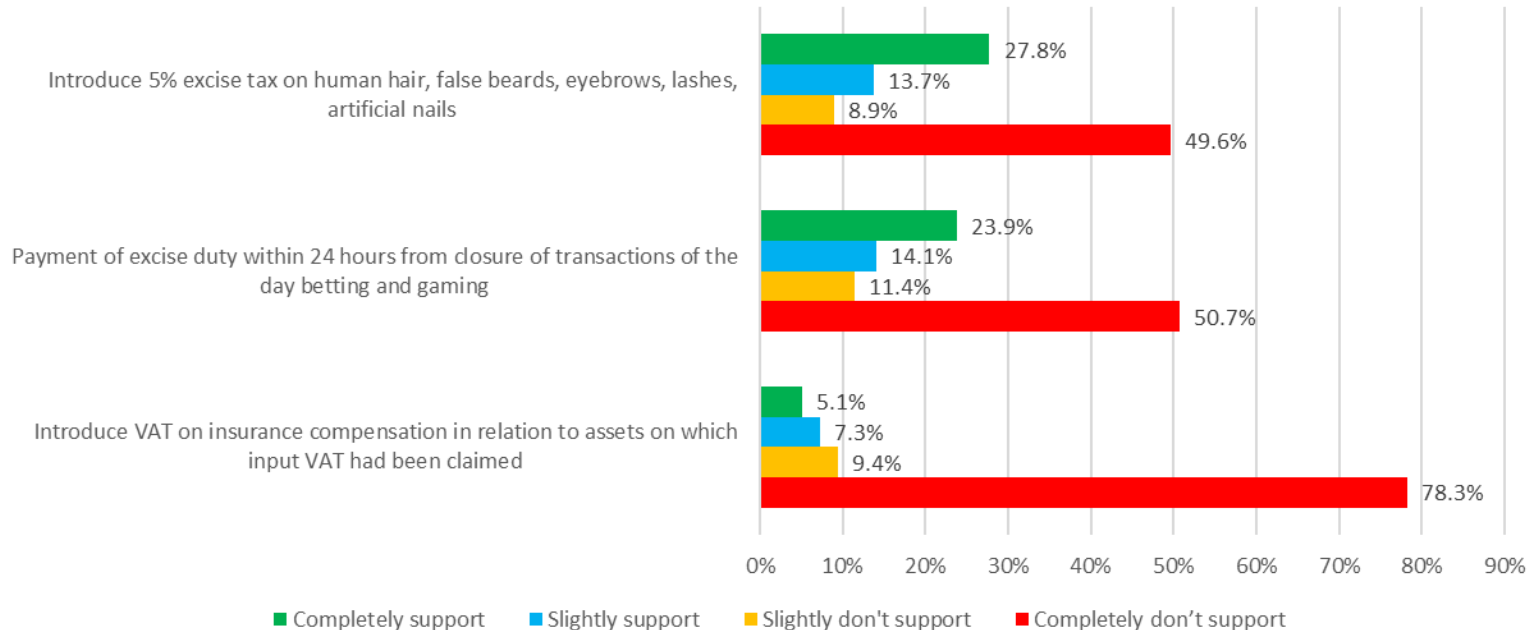
N = 19,336





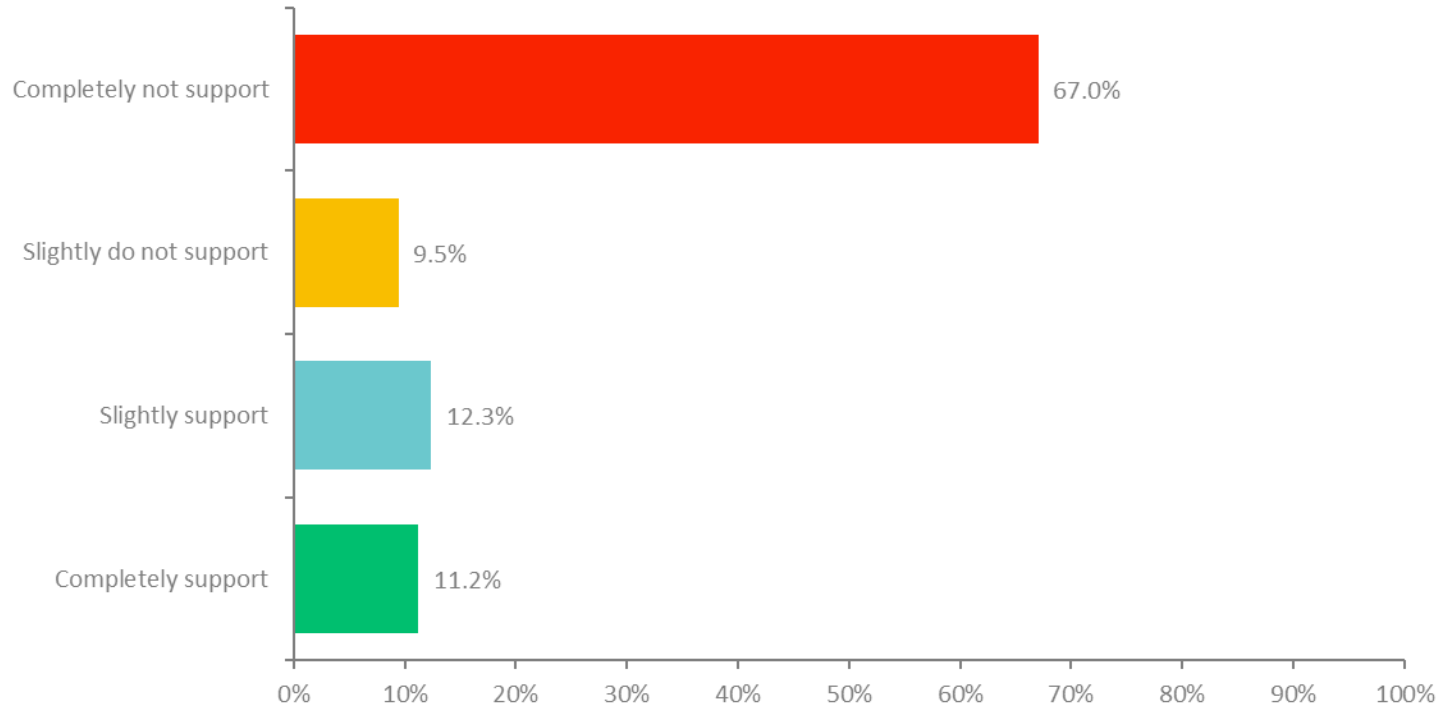
# Do you support the Finance Bill, 2023 proposals? 5

N = 19,336



# Do you support the mandatory NHIF contribution of a standard rate of 2.75% of the gross monthly salary?

N = 21,347



# Finance Bill, 2023 | The Process

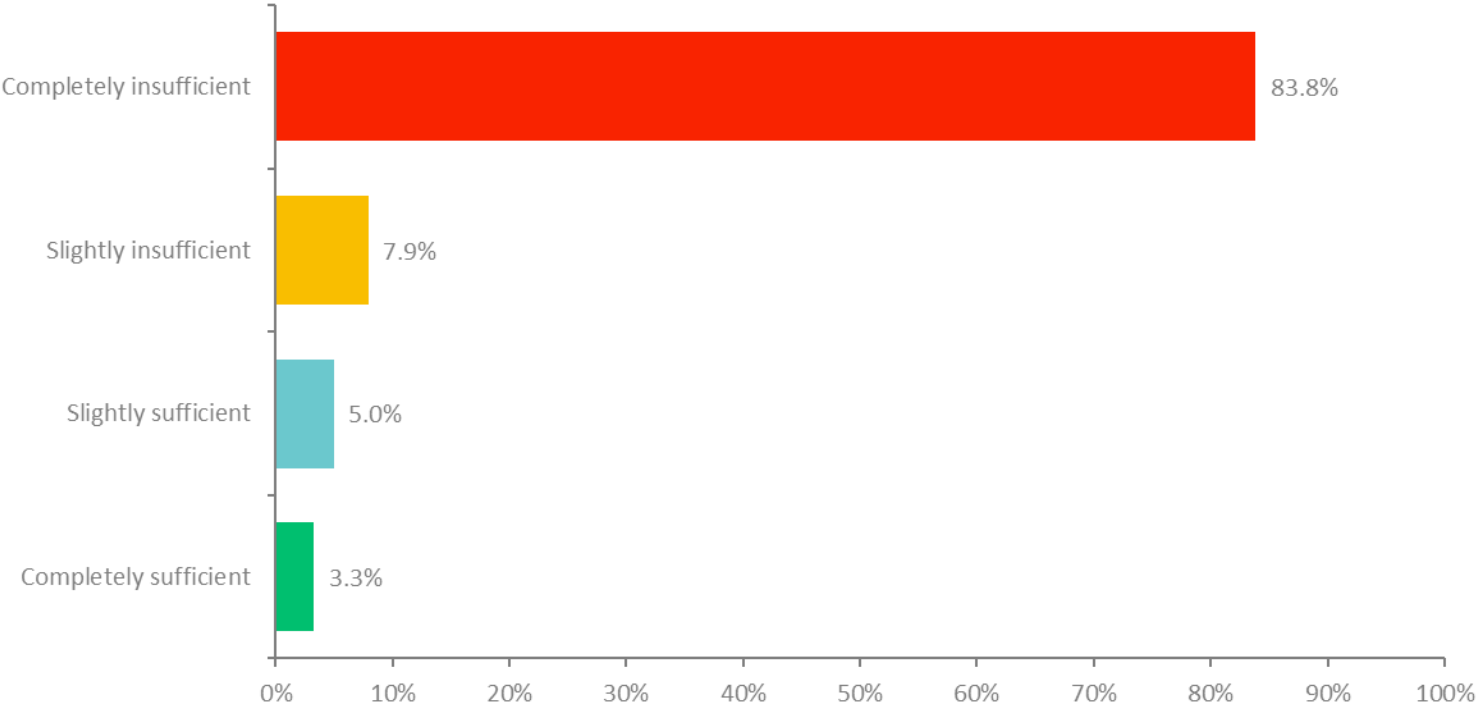


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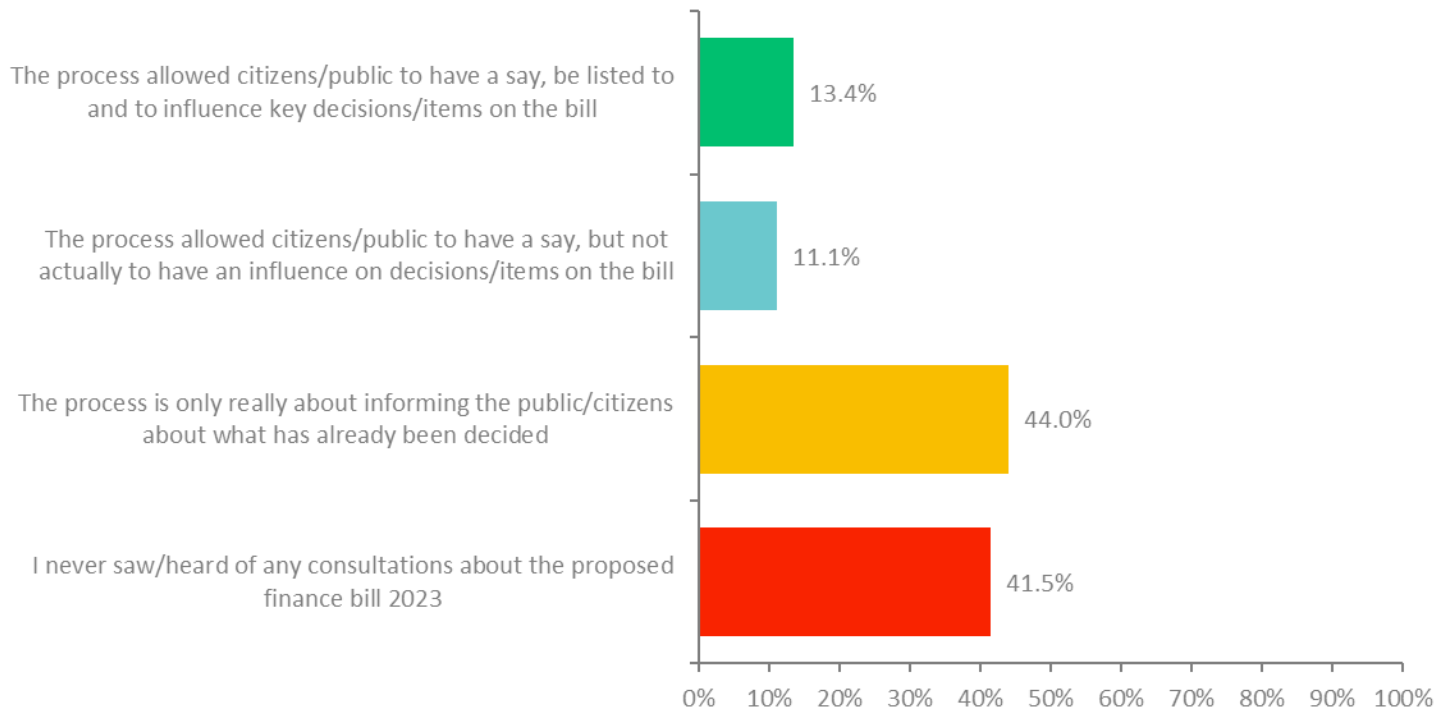
# Finance Bill, 2023: rate public participation in its development?

N = 19,122



# Finance Bill, 2023: describe public/citizen inputs on the development of the bill

N = 18,987





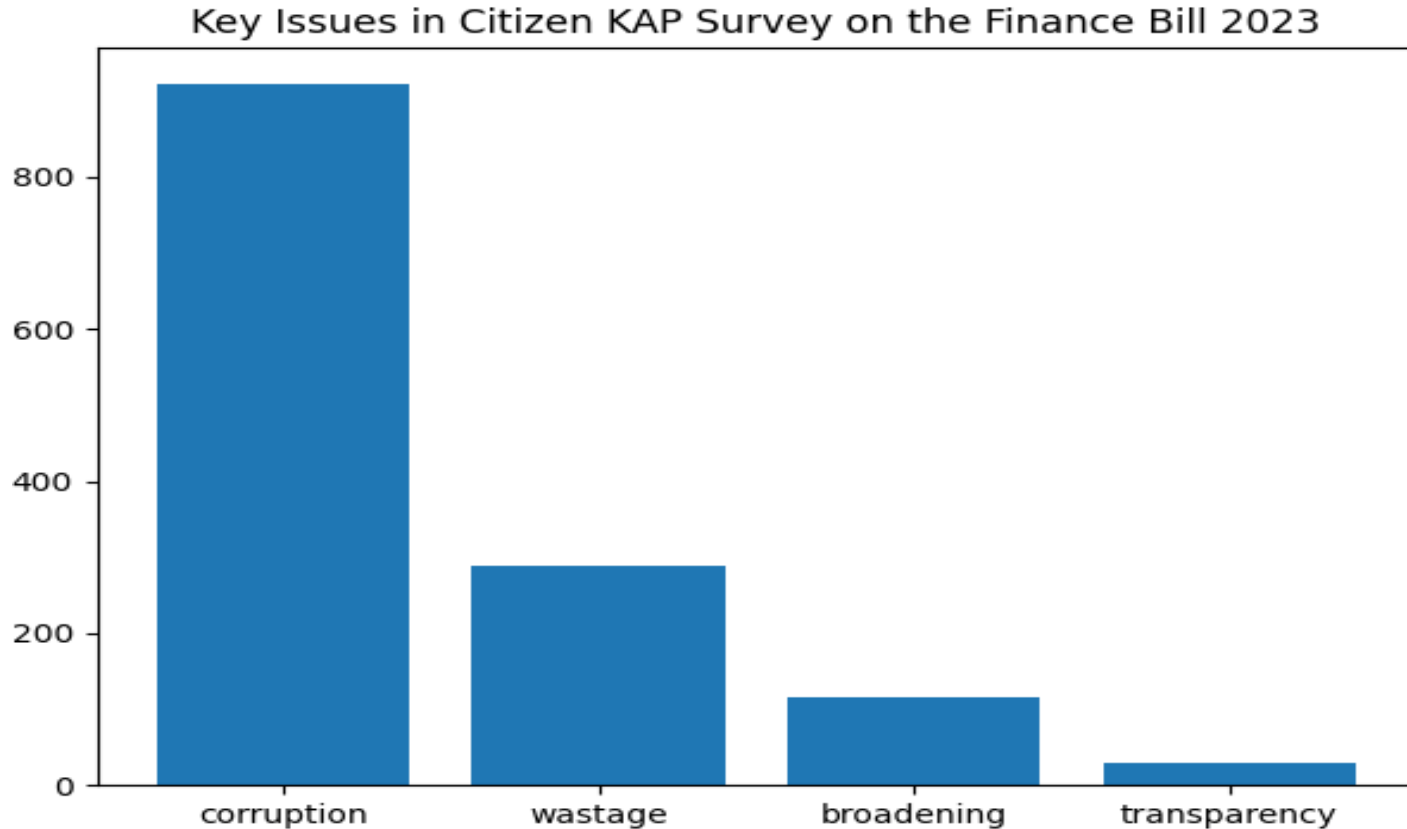


# Finance Bill, 2023 | Alternatives for Revenue

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## New ideas for raising revenue



# **Alternatives to raising taxes**

**Curb corruption**

**Reduce waste**

**Broaden the tax base**

**Promote transparency**

# Finance Bill, 2023 | Summary of Public Views



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# Summary 1/2

- 91% are aware of the Finance Bill 2023
- 93% of those who are aware of the bill do not support it, 75% express strong opposition
- Majority oppose tax increases and support reductions and removals
- Supported proposals:
  - Exempting the LPG gas from VAT - 67%
  - Reducing excise on bank money transfers and agencies, financial services from 20% to 15% - 68%
  - Lowering the excise duty on internet/telephone data services (bundles) 15% from 20% of the excisable value - 68%
- Majority of respondents say consultation around the bill was insufficient – 84%
  - 44% said that the process was to inform citizens
  - 42% say they had never seen or heard any consultations about the proposed bill
  - 13% say the process was to allow citizens to be heard and influence items on the bill



## Summary 2/2

Proposals for raising revenue from respondents:

- Seal loopholes in the system to prevent corruption and tax evasion
- Broaden the tax base - simplify tax laws and regulations to improve compliance, target untapped sources of revenue
- Strengthen anti-corruption agencies and improve their capacity to detect and prosecute corrupt individuals
- Implement strict measures to reduce wastage in government spending, cuts and streamlining processes
- Increase transparency in government expenditure for efficiency and effectiveness
- Encourage public participation in monitoring government projects to enhance accountability

# Conclusions...

- More citizen engagement in the future
- Greater sensitivity to citizens and business owners' situations
- Overtaxing can lead to avoidance and evasion, business closures thus resulting in less tax revenue
- Citizens are suffering, the taxes are punitive, in contradiction with the new government's promises to the wananchi at the bottom of the economic pyramid.

# Let's discuss...



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