



Personal Taxes – Emerging Issues

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Economy at Large



Our economy is on “Fuliza” Mode

We cannot borrow ourselves to prosperity

100 Digital lenders most of them unregulated

14 M loans blacklisted by CRB

Our Spending is overstated

Tax to GDP Ratio



Taxing is a component to finance the government

70% of Govt Expenditure is financed through Tax

With a Tax to GDP ratio of 18% = Av Performer

Developing countries ratio is 40 to 50%

India is 16% but???

Reasons for low Tax to GDP Ratio



1. Narrow tax base.
2. There is large scale tax evasion.
3. Weakness is tax administration
4. Corporate have tendency to avoid tax.

Are our tax policies Wrong



We need to address policy engagements

Structure our economy and stop relying on agriculture

Stop comparing Kenya GDP to Japan GDP

We have a skewed income structure where majority are low income earners

Tax Incentives - Misused



Developing countries grant exemptions to attract investments

In Kenya we lack a frame work to monitor the effectiveness of the incentives.

There is poor surveillance and compliance complicated by Govt structures, poverty level and issues with our economy

Pay As You Earn



HEALTHCARE DECEMBER 22, 2020 / 5:20 PM / UPDATED 2 MONTHS AGO

Kenyan parliament halts COVID-19 related tax relief

Kenyan coronavirus tax reprieve ends on Dec. 31

In April, Kenya announced tax relief to offset adverse effects of COVID-19

Uhuru hits salaried workers with hidden tax increase

Thursday December 31 2020

The National Treasury has revised the tax bands for salaried workers.

Was the stimulus package really a stimulus package?

The net effect will see high earners shoulder the biggest burden of keeping government afloat

Pay As You Earn



NAIROBI, Dec 22 (Reuters) - Kenya's parliament on Tuesday voted to end tax cuts put in place in April to cushion the economy from the impact of the COVID-19 pandemic, a move lawmakers said would help to plug revenue shortfalls but investors said would hamper a recovery.

NEWS IMF seeks reversal of Corona tax cuts

TUESDAY MAY 12 2020

National Treasury says economic growth could decline to 2.5 percent in 2020, but may go lower to 1.8 percent compared with 5.4 percent growth earlier this year

Policy makers make political decisions

In early 2020 growth was projected to be 6.4% but grew at 1%

We cannot borrow ourselves to prosperity

Pay As You Earn



GDP in 3 regimes

Moi regime debt per capita 22,355

Kibaki regime debt per capita 50,469

Jubilee regime Debt per capita 133,932

Options to revive the economy

- Request for debt rescheduling and forgiveness
- Seal revenue loopholes
- Expand debt tenure
- Increase in taxes
- Stop over commitment in public spending

Economy at Large



Economy Live within your means, leader tells the government

Higher taxes, job cuts as IMF returns

Tough times ahead:

The International Monetary Fund on Monday announced a **Sh264 billion** loan to Kenya, and with it a raft of new conditions, whose effects will permeate the entire economy **P. 10**



International Monetary Fund Managing Director Kristalina Georgieva during a meeting in Washington, DC, early this month. PHOTO: AFP

Pay As You Earn



2020 (Covid Relief)

Income Per Month	Rate %
On the first 24,000	10
On the next 8,333	25
All income over 32,333	30

2021 (Post Covid relief)

Income Per Month	Rate %
0 to 12,298	10
12,298 to 23,885	15
23,885 to 35,472	20
35,472 to 47,059	25
47,059 and above	30

Pay As You Earn



2020 PAYE Calculator Prior to Covid-19 Measures

Assumed Salary	Pension	Chargeable Pay	PAYE 2020	Less: Relief	Net PAYE	Net Salary Before Other Deductions
100,000	-	100,000	24,064	1,408	22,656	77,344

2020 PAYE Calculator following Covid-19 Measures

Assumed Salary	Pension	Chargeable Pay	PAYE 2020	Less: Relief	Net PAYE	Net Salary Before Other Deductions
100,000	-	100,000	18,900	2,400	16,500	83,500

2021 PAYE Calculator - New rates

Assumed Salary	Pension	Chargeable Pay	PAYE 2021	Less: Relief	Net PAYE	Net Salary Before Other Deductions
100,000	-	100,000	24,783	2,400	22,383	77,617

Total Reduction in Net Salary	5,883
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Thank You