

Tackling tax in Kenya

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It's not just the Tax Justice Network thinking about tax in Kenya right now. The following is part of a thoughtful piece on tax by Hassan Kulundu published in the Kenya Times today and deserving wider coverage (so I hope they'll forgive the extensive quote). It draws attention to real issues that need to be addressed in African taxation, and which the [Tax Justice Network for Africa](#) will want to deal with:

Taxes and taxation are generally regarded as unpleasant subjects, which call to mind Justice John Marshall's often-cited dictum that "the power to tax is the power to destroy." But against this aura of unpleasantness must be set the statement of Justice Oliver Wendell Holmes, Jr that "taxes are the price we pay for civilisation."

Taxes are the most important source of government revenue, which are compulsory payments by persons or corporations. Thus taxes involve a transfer of control over resources from persons or corporations to the state. However, taxes themselves are burdensome since they reduce the economic power that would otherwise be possessed by individuals or organisations. But the activities that are financed by the tax revenue are presumed to bring benefits to individuals or organisations.

Hence an examination of the burden of taxation should extend to an examination of the whole of a government's budget and tax system to ascertain the burdens and benefits for individuals and organisations. This examination is a complex undertaking but rewarding if Kenyans approached it with honesty.

Without prejudice or political mischief aforesight, the tax regime, especially in President Kibaki's regime is annoyingly unfair, and that is why the Narc administration has earned itself the infamous distinction of "a government of the rich." Certain taxation policies have left people wondering whether or not this government really cares for the welfare of the majority of poor Kenyans.

For example, during the last national budget read by Finance minister Amos Kimunya, Kenyans at large were surprised at how different tax brackets were created for different manufactures of different consumer commodities. A point in case was when Mr

Kimunya, in his infinite wisdom, decided to zero-rate the production of the 'Senator Larger' brand of alcohol manufactured by the giant East African Breweries but slap a 65 percent duty on Keroche Industries who produce the same quality of liquor and targeting the same market. Worst still, there are other importers of similar fortified brands, but who only pay 45 percent duty.

The question that even baffled the Parliamentary Finance Committee was that, why did Keroche Industries, an indigenous small scale company trying to meet the consumption ability of poor Kenyans be made to pay 65 percent duty on its sales yet one of its competitors is exempted from tax and others made to pay 20 percent less?