

# 8 Lessons from Tax Law (PAYE) Changes in January 2021

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**Table 1: 2019 Tax Bands (monthly income)**

Between Ksh. 0 - 12,298	10%
On the next Ksh. 11,586	15%
On the next Ksh. 11,586	20%
On the next Ksh. 11,586	25%
On all income above Ksh. 47,059	30%

Personal relief = Ksh. 1,408

Source: KRA



**Table 2: Covid-19 Effect & Changes on Tax Bands (April 2020)**

Between Ksh. 0 - 24,000	10%
On the next Ksh. 16,666	15%
On the next Ksh. 16,666	20%
On all income above Ksh. 57,333	25%

Personal relief = Ksh. 2,400

Source: KRA



### Table 3: 2021 Tax Bands Changes (January)

Between Ksh. 0 - 24,000	10%
On the next Ksh. 8,333	25%
On all income above Ksh. 32,333	30%

Personal relief = Ksh. 2,400

Source: KRA



## ✓ Lesson 1

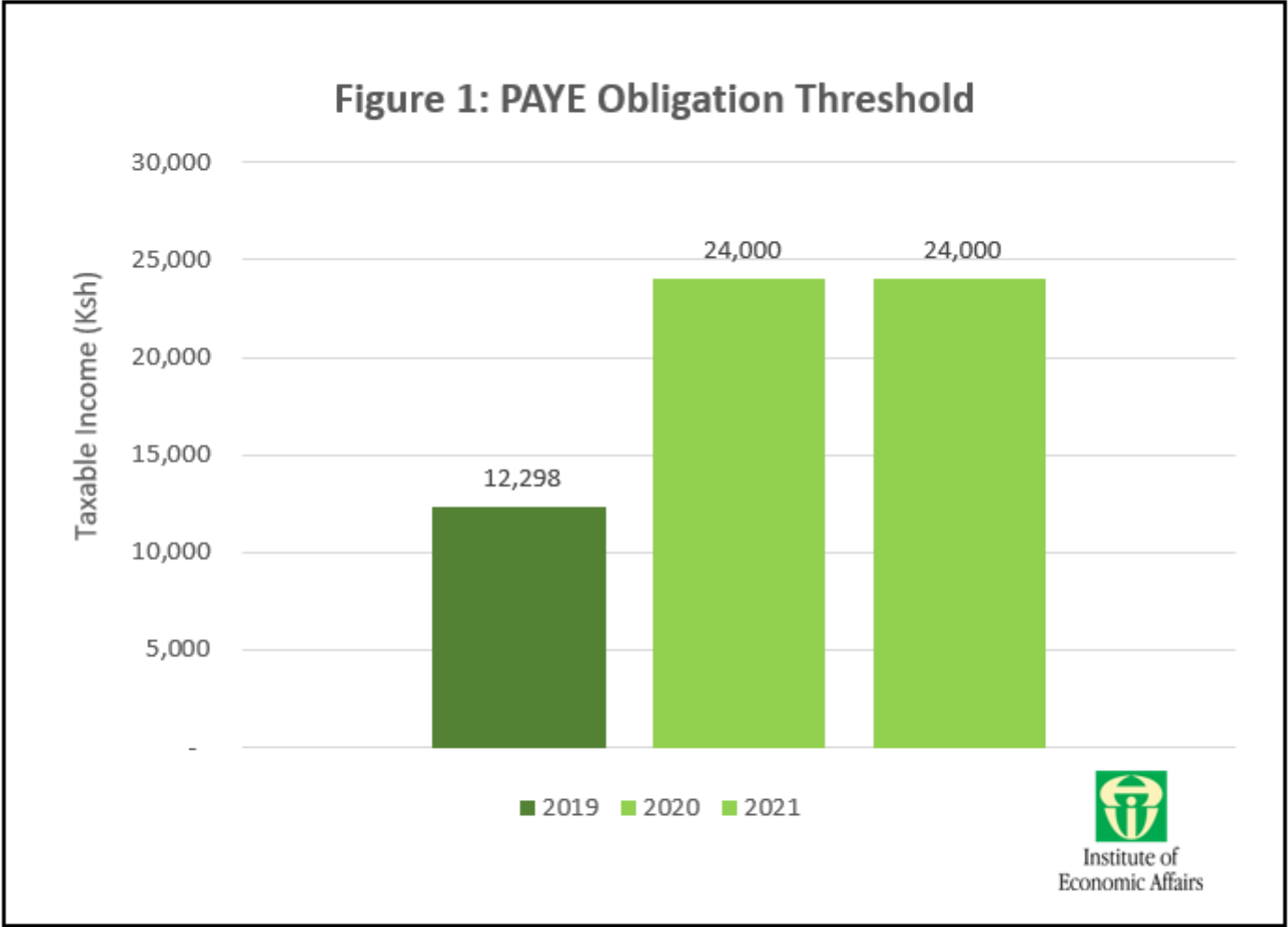
There has been a consistent reduction in the number of tax bands and effective tax rates between 2019 and 2021

<u>Year</u>	<u>Tax Bands</u>	<u>Effective Tax Rates</u>
2019	5	6
2020	4	5
2021	3	4

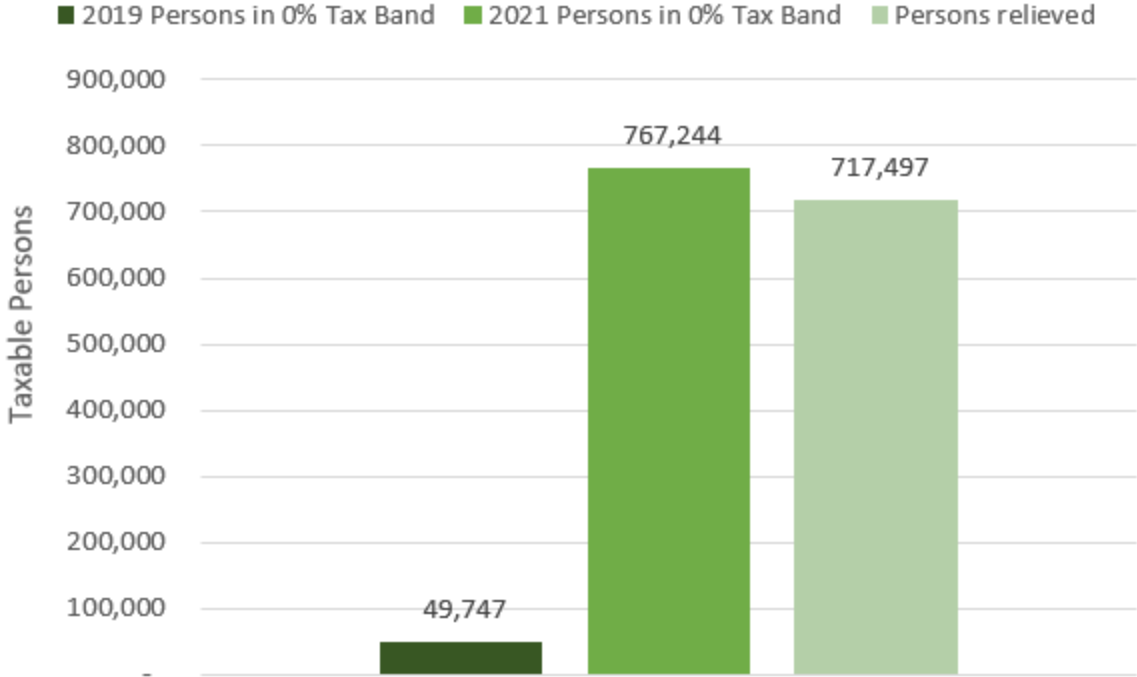
## ✓ Lesson 2

Personal relief has increased from Ksh.1,408 in 2019 to Ksh. 2,400 in 2020 & 2021





**Figure 2: Persons Relieved from New Tax Rates**



Note: 49,747 = 1.7% FSW (2019)  
767,244 = 26.2% FSW (2021)  
717,497 = 24.5% FSW (+ beneficiaries)



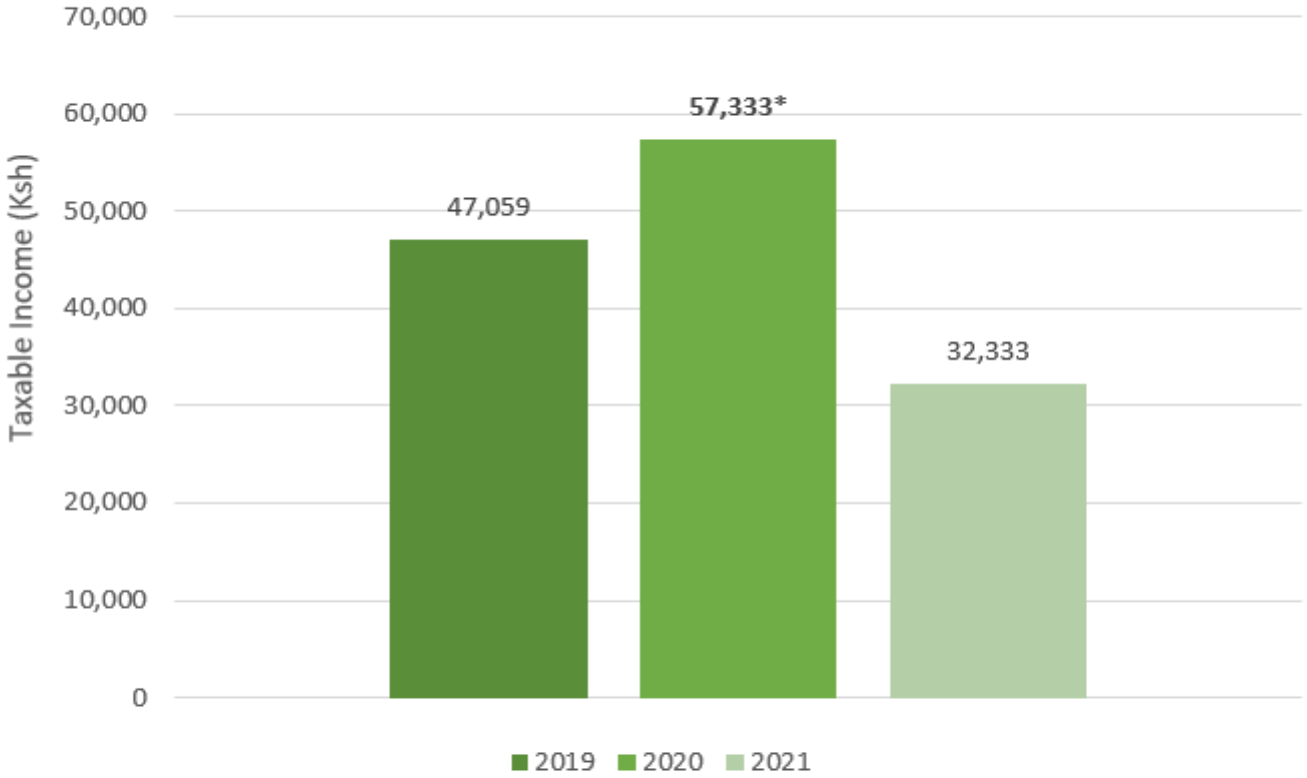
### ✓ Lesson 3

The income above which a formal sector worker's tax liability becomes < zero has changed from Ksh. 12,298 in 2019 to Ksh. 24,000 in 2021





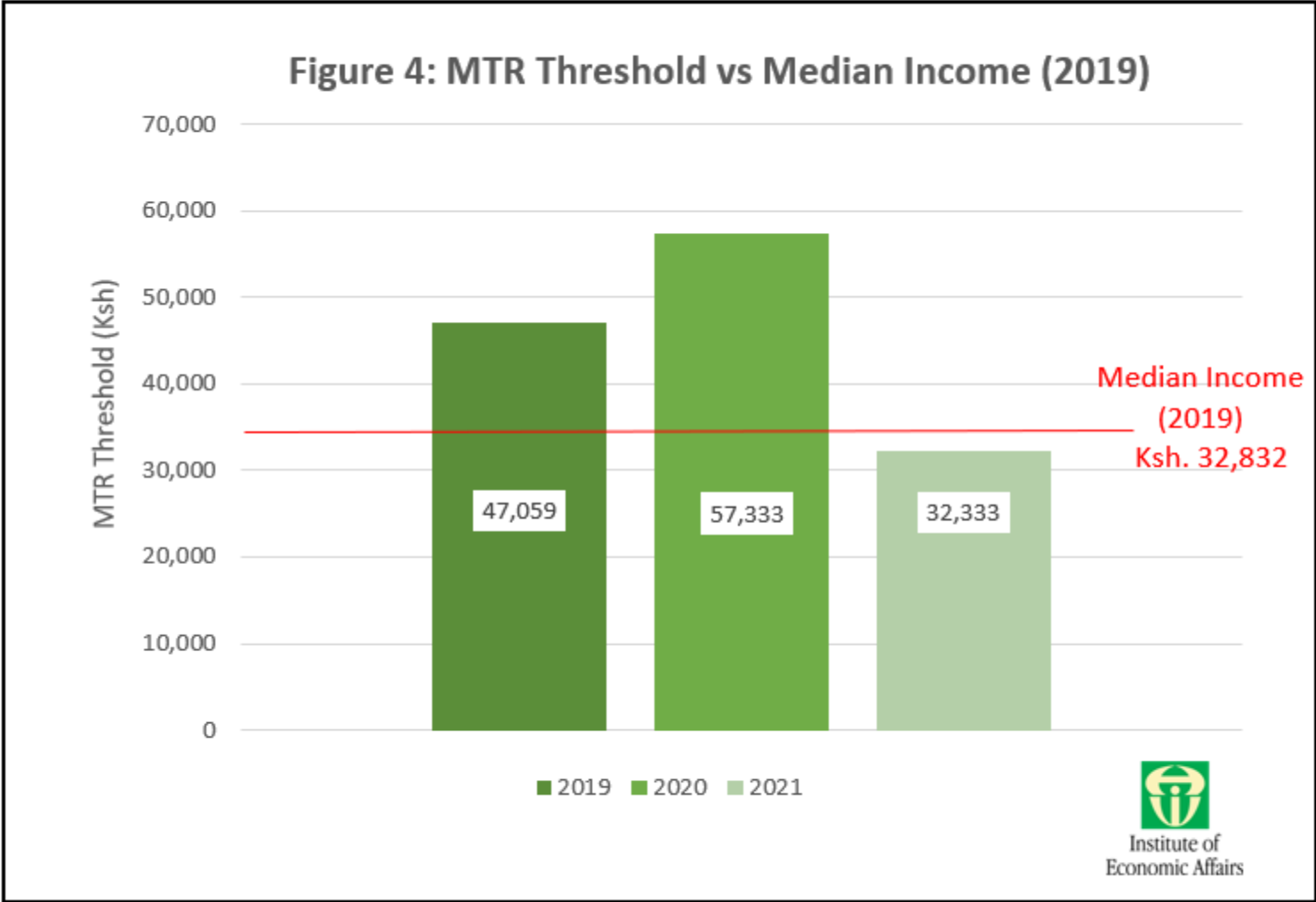
**Figure 3: Marginal Tax Rate Threshold Changes**



Note: Ksh. 57,333\* was applied between April and December 2020



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## ✓ Lesson 4

The income level at which a taxpayer reaches the MTR changed from Ksh. 47,059 (2019) to Ksh. 57,333 (2020) to Ksh. 32,333 (2021)




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**Figure 5(a): Distribution of Formal Sector Workers by Income Classes**

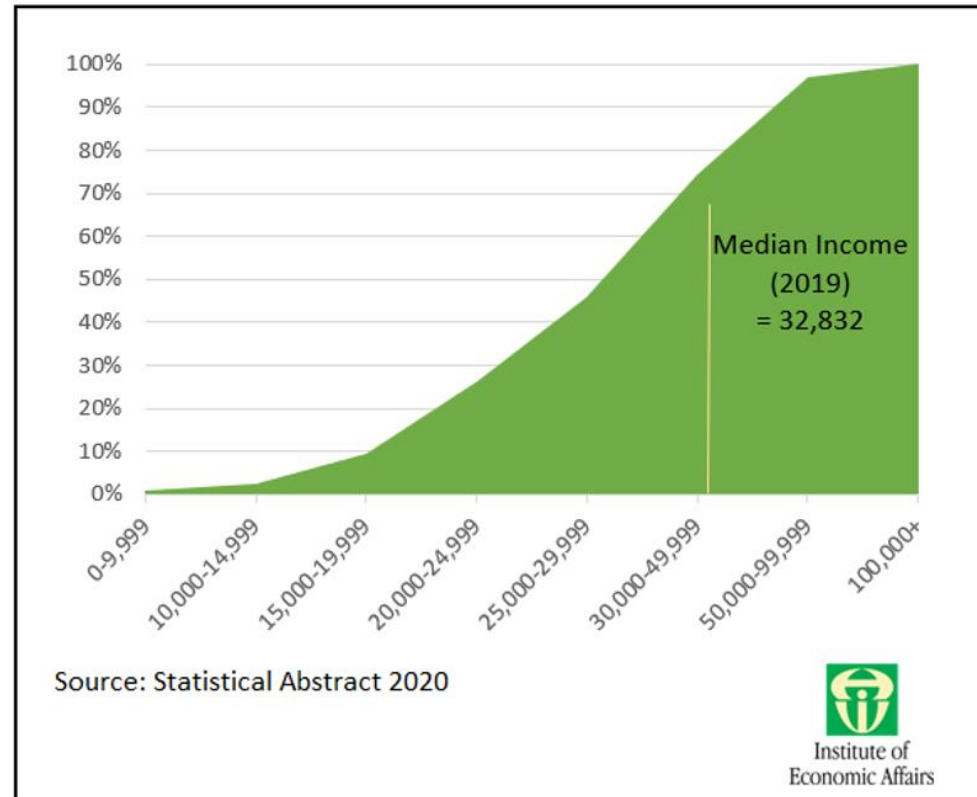
Income Classes (Ksh)	Proportion of Total Formal Sector Workers
0-9,999	1%
10,000-14,999	2%
15,000-19,999	7%
20,000-24,999	16%
25,000-29,999	20%
30,000-49,999	28%
50,000-99,999	23%
100,000+	3%
	100%

Source: Statistical Abstract 2020

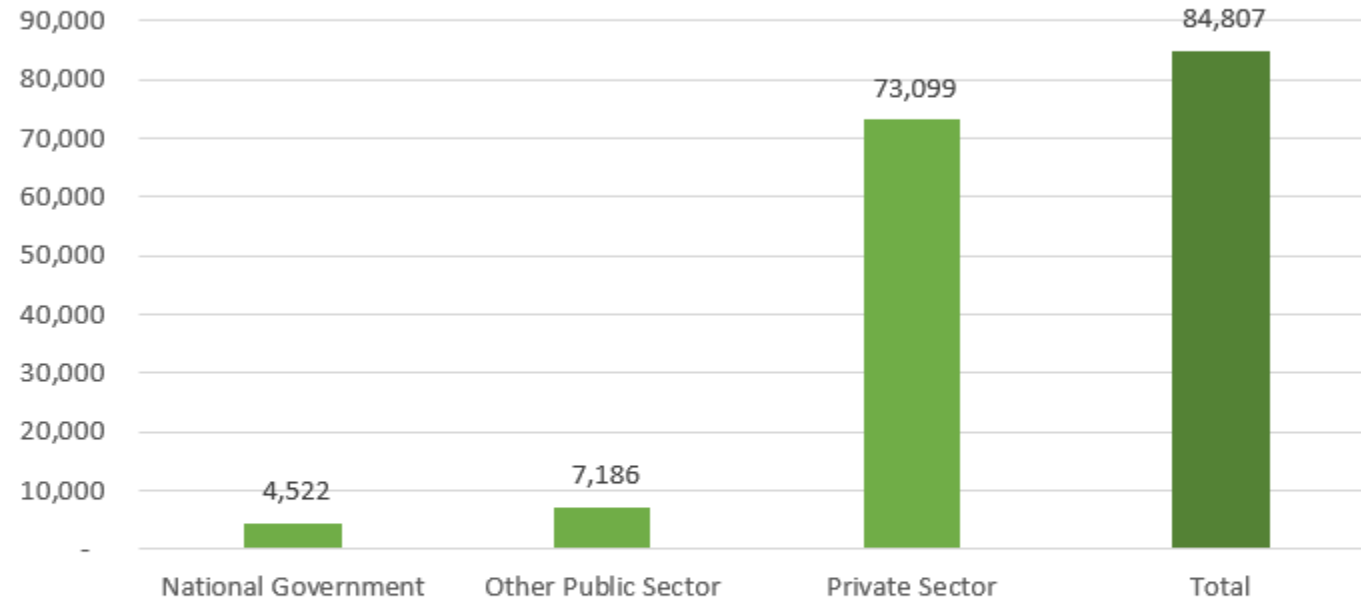


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**Figure 5(b): Distribution of Formal Sector Workers by Income Classes**



**Figure 6: Persons Earning Above Ksh. 100,000 by Sector**



Note:

National Government	5.3%
Other Public Sector	8.5%
Private Sector	86.2%



## ✓ Lesson 5

- In 2019 approximately 97% of FSW had a PAYE tax liability while in 2020 (post-covid) this proportion shrunk to 76% of FSW
- Government has pushed the tax burden away from lower income earners

## ✓ Lesson 6

- More than half of formal sector workers are already paying the highest tax rate

✓ Lesson 7


- About 26% of FSW were charged at the MTR in 2020

✓ Lesson 8

- About 54% of FSW are charged at the MTR in 2021

**Figure 7: PAYE per FSW**

PAYE 2019	Ksh. 399,202 M
Formal Sector Workers	2.9 M
PAYE per FSW (p.a)	Ksh. 137,489
PAYE per FSW (p.m)	Ksh. 11,457



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# Thank You

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