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Political Economy Analysis of Taxation Policy in Kenya

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Table of CONTENTS

Definition of Terms

BMO	Business Membership Organizations
GDP	Gross Domestic Product
IEA	Institute of Economic Affairs
KRA	Kenya Revenue Authority
PBO	Parliamentary Budget Office
PFMA	Public Finance Management Act
VAT	Value Added Tax

1 Introduction

Kenya's tax policy formulation and implementation face challenges and complexities influenced by the country's political ecosystem, structural and institutional factors, access and influence asymmetries, and the dynamic nature of tax laws and administration methods. However, it is unclear how much of the tax code is guided by conventional wisdom rather than solid empirical evidence and relevant economic literature. This lack of clarity raises concerns about the tax system's transparency, effectiveness, and efficiency in supporting development goals. Furthermore, the development of new taxes and frequent changes in tax laws and policies do not always appear to be adequately informed by rising demands for infrastructure spending or the provision of rights, indicating the need to investigate the factors underlying these irregular and frequent changes in taxation.

Furthermore, the formal and informal processes that shape tax policy changes require further investigation to understand the underlying dynamics and power structures at work. To identify the root causes of these policy problems and provide insights for designing more effective and equitable tax policies and administration methods, a comprehensive analysis of Kenya's political economy, encompassing the structural and institutional factors involved and the type of evidence behind tax policy changes, is required.

The Kenyan Tax Code is shaped by several political economy issues, the most important of which is the need to collect enough revenue to meet development goals. The development needs referred to here are always in the form of concrete things, key examples of which include buildings roads, and might not necessarily refer to public services. According to Scott (2022), a tax code is a set of laws and regulations that outline the general public's rights and responsibilities regarding taxation. The Kenyan Constitution, 2010 is the primary law in the Kenyan legal context, outlining principles of taxation, giving the powers to tax, and establishing the institutions that oversee each part of the taxation function. Briefly, the tax code is primarily governed by the legislation shown in the matrix:

[1]Scott, Michelle P. "Tax Code Definition." Investopedia, 2019. https://www.investopedia.com/terms/t/tax-code.asp.

Main Legislation	Main Legislation	Legislation governing the application of the tax code	Subsidiary Legislations
Constitution of Kenya, 2010	• Income Tax Act 1973 (Revised 2022 • Value Added Tax, 2013 (Rev 2022) • Excise Duty Act 2015 (Rev 2022) • Customs duties and other import and export duties	• Tax Procedures Act 2015 • Kenya Revenue Authority Act • Public Finance Management	Most of these regulations were drafted by CS National Treasury to operationalize the main legislation

Kenya's Constitution establishes the principles of taxation powers, granting Members of Parliament the authority to set tax rates and rules for tax administration. Income tax, value-added tax, customs duties and other duties on import and export goods, and excise tax are the only taxes that can be imposed by the national government, according to Article 209(1). According to Article 210(1) on tax imposition, no tax or licensing fee may be levied, waived, or changed unless expressly authorized by legislation.

Article 210 (2) If legislation enables for the waiver of any tax or licensing fee, (a) public information of each waiver must be maintained, along with the justification for the waiver; and (b) each waiver must be revealed to the Auditor-General. This provision in the first part only gives Members of Parliament taxation powers. The second part of this provision restricts waiver powers and introduces accountability. The tax code is divided into four sets of legislations: (i) the set of legislations that specify tax rates, such as the Income Tax Act, the Value Added Tax Act, and the Excise Duty Act; (ii) the category that sets exemptions; and (iii) that defining the institutional framework, processes, and procedures of tax administration, such as the Kenya Revenue Authority Act and the Tax Procedures Act, and (iv) a set of subsidiary legislations, such as the Excise Duty Regulations, 2019.

2 What is an Optimal Taxation Framework?

Optimal taxation refers to the design of a tax system that maximizes social welfare while minimizing economic distortions and inequity concerns. Key principles of ideal taxation involve striking a balance between efficiency, which focuses on minimizing economic distortions like reducing incentives to work or save, while promoting equity and also distributing the tax burden fairly. The optimal structure for taxes may differ based on an economy's particular goals and circumstances but typically seeks to generate required government revenue with minimal repercussions on economic growth and individual welfare. Optimal taxation theory, in technical and economic terms, often revolves around determining the tax rates and taxation systems that lead to efficient resource allocation and fair outcomes without excessively restraining economic activity. This may involve intricate modelling of economic behaviours and preferences, considering aspects such as income distribution, spending habits, and savings rates. (Mankiw et al., 2009).

Diamond and Mirrlees (2016) explain that the overall goal of optimal taxation is to keep taxes low and moderate while still generating sufficient revenue for government expenditures and public goods.

Principles of optimal taxation guide how taxes should be structured to achieve certain economic objectives, typically efficiency and equity, while minimizing the negative effects of taxation on the economy. Here are some key principles of optimal taxation that we have developed using Diamond &Mirrless and Mankiw et al. typology:

1. **Efficiency:** Taxation should minimize disturbance to economic decision-making and reduce inefficiencies.
2. **Equity:** The tax system must be just, with individuals contributing based on their financial capacity.
3. **Simplicity:** The tax system must be easy to comprehend and adhere to reduce administrative and compliance expenses.
4. **Transparency:** Taxpayers need a clear understanding of tax regulations and how taxes are computed.

5. **Administrative Efficiency:** The taxation framework should be straightforward and cost-effective for administration.

6. **Neutrality:** Taxes should strive not to favour one type of economic activity or decision unless non-neutrality is part of the policy objective (e.g., taxing negative externalities).

7. **Flexibility:** The system needs to have the ability to adjust to changes in economic conditions without necessitating major revisions.

3 Policy Concerns and Study Questions

One policy concern is that Kenya's taxation system is not buoyant, i.e., Kenya's taxes and tax base do change in proportion with the growth in the economy. An IEA study revealed that Kenya's taxation system, at the time of the study, lacked buoyancy, which implied that the tax revenue growth was not responsive to changes in GDP, indicating a potential mismatch between the size of economic activity and the volume of tax collection. The study noted that Kenya's tax system did not consider the tax base's growth. Moreover, the tax system did not leverage changes in tax laws to broaden the tax bases. Additionally, the study highlighted the need for better enforcement of existing tax legislation to improve the buoyancy of the taxation system, i.e., to strengthen the system and enable it to collect more revenue as the economy grows. Thus, a lack of buoyancy in the tax system can negatively impact government revenues and undermine development goals[2].

Diamond and Saez (2011) state that a taxation mechanism should be based on an economic mechanism that, in the first instance, is relevant to the problem it addresses, and in the second instance, the mechanism should not have adverse effects on the economy. The taxation mechanism should be reasonably robust to changes in the policy or practice. Finally, tax policy prescription needs to be implementable without significant cost increases. Impliedly, the tax taxation mechanism needs to be socially and technically acceptable and without undue complexity, i.e., not too complex relative to the existing tax administration and to models that can predict how individuals respond to implementing tax laws[3].

Kenya has sectors deemed "hard to tax", i.e., highly informal sectors, so tax enforcement action couldn't be undertaken against them. Another issue is the Kenyan Tax Code's misalignment with the country's economic structure.

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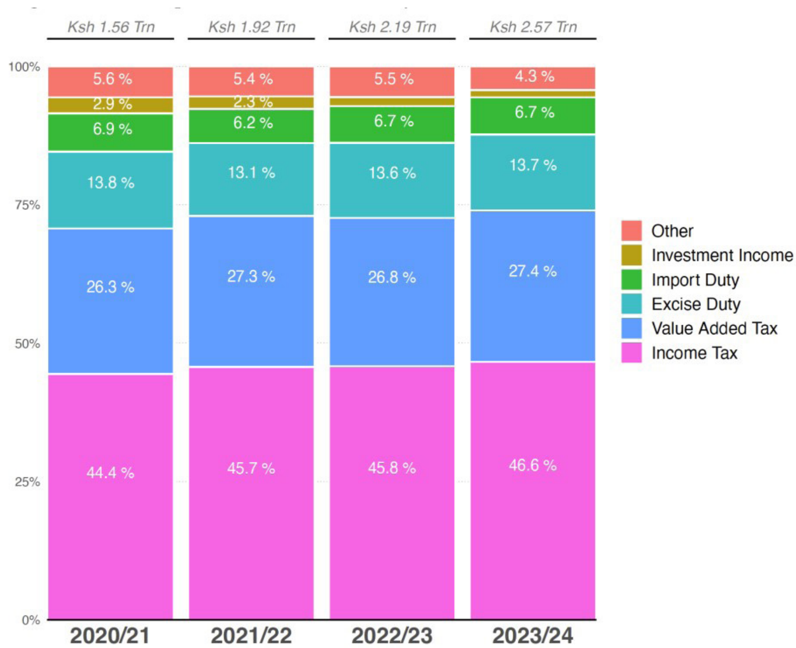
[2]Moyi, E. & Ronge, E., Taxation and Tax Modernization in Kenya: A Diagnosis of Performance and Options for Further Reform, Nairobi: Institute of Economic Affairs. 2006

[3]Diamond, P. &Saez, E., 2011. The Case for a Progressive Tax: From Basic Research to Policy Recommendations†. Journal of Economic Perspectives, 25(4), p. Pages 165–190.

According to preliminary data, although Kenya's formal sector accounts for a small percentage of total employment (17 percent), it makes up a sizable portion of income taxes. Income taxes comprised 44.4 and 46.6 percent of all regular revenue from the 2020–2021 fiscal year through the 2023–2024 fiscal year. In the 2023/2024 financial year, 88% of all taxes are projected to come from income taxes (46.6%), value-added taxes (27.4%), and excise duty (13.7%). This shows that Kenya's tax system relies on a few areas of the economy or a few segments of goods to raise development and recurrent revenues for the government.

Chart 1: Outlay Of Kenya's Tax Heads



Source: IEA Budget Analysis 2023.

The problem-driven political economy analysis addresses the following questions.

a) What is the nature of Kenya's political ecosystem in which taxation policy is developed and implemented?

b) What are the structural and institutional factors influence tax policy formulation and implementation?

c) To what extent does evidence guide Kenya's tax code?

d) What are the specific incentives towards optimal tax rates

e) What are the asymmetries of information in access and influence in these processes?

f) What formal and informal processes shift the direction of policy changes towards optimal taxation?

4 Methodology

The framework comprises three interconnected phases: problem identification, problem diagnosis, and exploration of potential change processes. We rely on different methodologies, which include Fritz, Levy, and Ort (2013)[4], Harris (2013)[5], and Whaites (2017)[6].

Fritz, Levy, and Ort (2013) outline a problem-driven approach to taxation consisting of three steps: problem identification, problem description and analysis of alternative ways to address it.

- The first step is pinpointing a particular policy issue, as seen in this scenario where technical analysis and involvement attempts have not resulted in practical progress an effort to raise substantial tax revenues. The challenge here could be the issue of incoherent taxation policy and the resulting problems associated with mobilizing economic agents (households, firms, and government) to pay taxes.

- According to Fritz, Levy, and Ort, the second phase involves examining the reasons behind dysfunctional taxation patterns or the tax drivers. This stage of taxation should address three dimensions:

    - Existing tax institutional factors, including institutional dysfunctions influencing behavior of tax payers, and the ongoing institutional changes. Institutional factors in political economy refer to the set of rules, norms, and organizations that shape the behavior and interactions of individuals, groups, and organizations within a political and economic system (Acemoglu et al., 2005). [7]These institutions include the National Treasury for policymaking, the Kenya Revenue Administration as tax administrator,

[4]Fritz, Verena, Brian Levy, and Rachel Ort. "Problem-Driven Political Economy Analysis the World Bank's Experience Public Sector Governance," 2014.

[5]Harris, Daniel. "Applied Political Economy Analysis: A Problem-Driven Framework (Methods and Resources)." ODI, March 2013.

[6]Alan Whaites, "The Beginner's Guide to Political Economy Analysis (PEA)," July 2017.

[7]Acemoglu, D., Johnson, S., & Robinson, J A. (2005, November 5). Institutions as a Fundamental Cause of Long-Run Growth. https://www.sciencedirect.com/science/article/pii/S1574068405010063

Parliament, the organ responsible for enacting tax policies, and other informal actors. An analysis of the actions and behaviors of key actors could shine light on the underlying dynamics and power structures that perpetuate the problem of an incoherent taxation system.

- Structural factors influencing stakeholder interests and constellations. These could stem from a fiscal crisis necessitating substantial revenues within a shorter time or rapid fiscal expansion requiring ambitious budgets financed by significant revenue targets. This may result in externalities such as an unpredictable taxation system. These factors may also encompass elements subject to change but beyond the control of stakeholders. Structural factors in political economy refer to the underlying institutional and systemic conditions that shape and influence economic and political behavior (Acemoglu et al., 2005)[8]. These factors include the distribution of power, the organization and functioning of political institutions, the rules and regulations governing economic activity, and the broader social and cultural.

- The third and final step involves identifying ways towards better taxation, including how to initiate change to a new tax code. These are analytical ideas designed to provide a road map for operational engagement with tax payers, highlighting and methods of engagement. As further discussed in the study, these taxation approaches should take into account unintended consequences of a capricious taxation system and political economy drivers of a taxation base. These approaches require identifying areas with the highest potential for overlap between political incentives for taxation and efficiency in the spending of tax revenues to promote development agenda.

This study involves what would be considered a problem-driven, empirical analysis of taxation related issues. In this regard, Harris (2013) outlines three steps: problem identification, structural diagnosis of what gives rise to it, and agency diagnosis (figuring out the intervention required to address the problem), followed by an articulation and prescription of alternative solutions. The problem identification step involves recognizing specific issues and determining whether they are process problems or systemic problems. We provide an in-depth description of the challenges facing Kenya's taxation system. The structural diagnosis includes identifying systemic features relevant to these issues, such as the mandatory annual changes to Kenya's tax code outlined in the finance bill. The agency diagnosis delves into analyzing what needs to be known to solve the taxation problem at hand, such as power dynamics, tax incentives, and behaviors of decision makers and leaders within key institutions, such as the National Treasury, the Kenya Revenue Administration, the Political Parties, the Parliament, and the National Assembly. The analysis ultimately provides a roadmap for potential change processes required to move towards optimal taxation.

[8]Ibid

Whaites (2017) emphasizes the Teskey program model, which involves identifying the problem and understanding incentives, institutions, interests, and ideas. Subsequently, insights drawn from this step are used to design politically feasible and technically desirable policy recommendations. The final stage includes implementation and monitoring with necessary changes until the goal is achieved.

5 The Political Economy of Kenya's Taxation Policy

a) Vagaries of the Finance Bill

According to Kenya's Public Finance Management 2012, all revenue-raising measures must be drafted in a single bill known as the Finance Bill. There are two issues with the Finance Bill. First, the bill is omnibus, and secondly, the bill is mandatorily required to be tabled in Parliament, which is a problematic issue because the legal issues contained in the bill revised the tax code on an annual basis annually without an analysis of what the previous revisions to the tax code have yielded. Ideally, you would expect the National Treasury to only revise the tax code in the medium term (3-5 years) after a robust check of the evidence whether (i) the tax was not significantly distortionary or (ii) evidence showing the need for revision of rates whether upwards or downwards.

An omnibus bill is a legislative proposal that combines several bills or measures into a single document. It is usually presented to a legislature and voted on as a whole rather than on individual components. Omnibus bills have the potential to limit debate and scrutiny. Because of their comprehensive nature and the inclusion of various provisions, legislators may find it challenging to thoroughly examine and discuss each component separately. This reduces the ability to scrutinize and amend specific measures, undermining transparency and democratic processes. The use of omnibus bills is a source of disagreement in many democratic systems, including Kenya, with differing perspectives on their effectiveness and potential impact on democratic principles because they can be used to avoid proper scrutiny and limit public participation in the legislative process.

Ayes and Ayes (2018) use an illustration written by Massicote (2012) to explain why omnibus bills are debauched, stating that "when a bill deals with topics as diverse as fisheries, unemployment insurance, and the environment, it is important to have a thorough understanding of the issues at hand. "This may not be entirely applicable in the Kenyan context because the Statute Law (Miscellaneous Amendments) Bill is submitted to the relevant Departmental Committees to consider proposed amendments to Acts of Parliament that fall within their mandates. However, the risk remains that amendments to various Acts of Parliament will be made, and the Committee may fail to properly examine the amendments because the bill does not deal with a single subject[9]. The Finance Bill also runs the risk that taxation proposals advanced every year might not be properly scrutinized.

The tax code in Kenya has been revised significantly since its formulation, as shown in the table below.

Table 1: Major Tax Laws

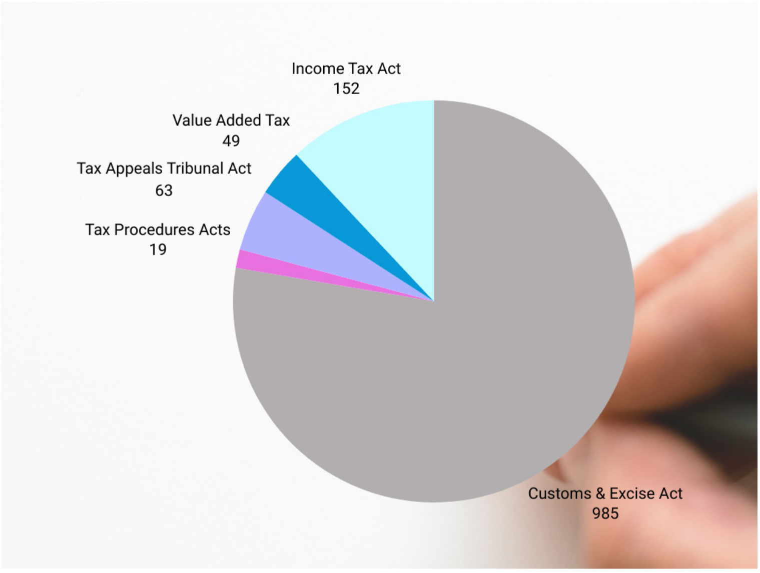
Law	Date of Commencement	Date of Assent	Number of times repealed
Income Tax Act	1st January, 1974.	21st December, 1973.	49
Customs& Excise Act	13th October, 1978.	25th September, 1978.	45
Value Added Tax	2nd September, 2013.	14th August, 2013.	8
Tax Procedures Act	19th January, 2016.	15th December, 2015.	7
Tax Appeals Tribunal Act	1st April, 2015.	27th November, 2013	7

Source: Kenya law

Given the nature of the evolution of Kenya's tax code, the volume of tax code has grown significantly.

[9]Ayes & Nays. "Statute Law (Miscellaneous Amendments) Bills- 'Minor Amendments', You Say?" September 10, 2018. https://ayesandnays.co.ke/statute-law/.

Chart 2: Breakdown of Select Kenya's Tax Code (Pages)



***Size of Kenya's Tax Code (1266 Pages).

b) Old Constitutional PFM Norms Still Exist in the 2010 Constitution Dispensation

In the Constitution of Kenya 2010, all the taxation powers were given to Parliament subjective to efficient public participation. On the other hand, the High Court was given powers under Article 165 of the Constitution to review any matter, including safeguarding Constitutional protections related to tax or reviewing any policy or administrative decisions made by the public servants.

As per the law, the Kenya Revenue Administration's responsibilities include acting as a focal point for the assessment and collection of taxes, the administration and enforcement of tax laws, and the provision of related goals[10]. Those provisions from the Kenya Revenue Authority Act, as read with Constitutional provisions, show that KRA's role was only limited to administration and enforcement, not defining what tax policy should be. The National Treasury, whose function is economic policy, can only advance coherent fiscal policy choices (direct spending, taxes, public debt, waivers, etc) to Parliament for scrutiny and approval. Parliament can approve, revise, ignore, and redraft new proposals at that time. Bodies in the Executive Branch can only make suggestions.

[10]Kenya Revenue Authority Act. 1995. No. 2 of 1995 (Revised 2023). http://kenyalaw.org:8181/exist/rest//db/kenyalex/Kenya/Legislation/English/Acts%20and%20Regulations/K/Kenya%20Revenue%20Authority%20Act%20-%20No.%202%20of%201995/docs/KenyaRevenueAuthorityAct2of1995.pdf.\

However, looking at the actions of these bodies, it is evident that old constitutional norms predate the Constitution of Kenya 2010 because KRA has maintained the policy stance that gives them more leverage on the policy side.

Section 10 of the Excise Duty Act confers powers to KRA to adjust the Excise Duty rates of products with specific rates of Excise Duty annually to account for the inflation rate, subject to the Cabinet Secretary National Treasury and Planning approval. When KRA revises the tax rates in the prescribed manner, it ceases to be a tax administrator. This is an exercise of powers to set taxes contrary to the Constitution. Additionally, the Constitution only provided those powers to set taxes.

c) Mandatory Nature of Consideration of Finance Bill

Section 40 of the PFMA 2012 also outlines the Cabinet Secretary's responsibilities for announcing budget policy highlights and revenue-raising measures for the national government. Section 40 requires the Cabinet Secretary, with Cabinet approval, to publicly disclose the national government's budget policy highlights and revenue-raising measures each fiscal year. The Cabinet Secretary must consider any regional or international agreements ratified by Kenya, including the East African Community Treaty. If such agreements specify a specific date for the measures, the Cabinet Secretary must ensure they are pronounced on that date.

When the budget policy highlights and revenue-raising measures are announced, the Cabinet Secretary must submit the Finance Bill to Parliament. This bill must outline the national government's revenue-raising measures and include a policy statement that explains those measures in greater detail. In this context, "shall "indicates that the Cabinet Secretary must submit the Finance Bill to Parliament. According to Section 41 of the PFMA, the National Assembly must consider and approve the Finance Bill within ninety days of passing the Appropriation Bill, regardless of whether amendments are proposed. These provisions in the PFMA help to establish a clear process for the announcement of budget policy highlights, the submission of the Finance Bill, and the National Assembly's subsequent consideration and approval of the Finance Bill. The word "shall" in these sections indicates that these requirements are legally binding[11].

[11]Kemboi, Leo Kipkogei. "Policy Reforms on Process of Varying National Tax Code: Making the Submission and Consideration of the Finance Bill Conditional." IEA Kenya, May 4, 2022. https://ieakenya.or.ke/blog/policy-reforms-on-process-of-varying-national-tax-code-making-the-submission-and-consideration-of-the-finance-bill-conditional/.

d) Political Processes

The current tax structure in Kenya is also significantly influenced by the country's national and regional politics. Kenya's tax system is largely influenced by understanding the dynamics between political party leaders, political parties as institutions, and the promises made by leaders or the character of the associated political processes.

The Public Finance Management in Kenya has five elements: Direct spending (public budgets), Subsidies, taxes, public debt and waivers. For example, the messaging by the main political actors towards the electorate is on promises or the rewards they would get if they voted for their party.

e) Convergence between Legal, Process, and Economic Problems

The mandatory nature of the finance bill to be considered every fiscal year is problematic given the following reasons. Revenue generated by economic growth is a major factor, especially if private-sector-led growth is dominant, and a significant portion of major tax policy should be devoted to promoting robust economic growth. Furthermore, changes in tax measures will not generate additional revenue if the tax system lacks tax buoyancy and elasticity and if tax rates fall outside the Laffer curve. Tax rates outside the Laffer curve indicate over or under-taxation. The responsiveness of tax revenue growth to changes in GDP is referred to as tax buoyancy. When a tax is buoyant, its revenue rises without raising the tax rate. Tax elasticity quantifies the effect of changes in GDP on tax revenue. According to the Laffer Effect, an optimal tax rate maximizes revenue because excessively high rates discourage economic activity and reduce tax revenue. To summarize, buoyancy captures the relationship between tax revenue and GDP growth, while elasticity focuses solely on GDP, and the Laffer Effect emphasizes the potential for lower tax rates to increase revenue up to a point.

6 Primary Players in the Formation of Tax Code in Kenya

1. Parliament (The National Assembly and The Senate)

The responsibilities specified in Article 94 of the Constitution, which emphasize the authority and responsibility conferred in Parliament, including the capacity to pass tax laws and uphold democratic government, highlight the crucial role that Parliament played in creating a working tax system in Kenya. Parliament's significance in shaping a viable tax system can be further understood in the following aspects:

i. With Parliament serving as the representative body charged with passing tax laws that align with public expectations, the idea of legislative authority drawn from the people emphasizes that tax laws should reflect the needs and wants of Kenyan citizens.

ii. Regarding taxation, Parliament is entrusted with expressing the country's variety and representing the people's wishes while considering regional and economic distinctions to establish an equitable and fair tax system.

iii. By ensuring that tax policies respect individual rights, conform to constitutional precepts, and uphold openness and accountability in the tax collection process, Parliament plays a critical role in preserving the Constitution and advancing democratic governance.

iv. In Kenya, only Parliament has the exclusive power to enact laws, including those about taxes, prohibiting any other body or person from independently drafting tax legislation. This unique authority ensures consistency with the Constitution and the nation's more comprehensive legal system.

v. Any transfer of authority to tax authorities, like the Kenya Revenue Authority, must be made explicit regarding the taxes they can collect, their goals, constraints, and guiding principles, strengthening the tax system's openness and accountability.

a. The National Assembly

The National Assembly in Kenya plays a fundamental role in ensuring an effective tax system. Its responsibilities encompass reviewing and passing the Finance Bill, which contains revenue-raising measures for the National Government. By doing so, the Assembly directly impacts the formulation and modification of tax laws, providing a legislative framework for taxation in the country. It must consider principles of equity, certainty, and ease of tax collection, ensuring that the tax burden is fairly distributed and that tax policies are practical.

The National Assembly must evaluate the potential impact of tax changes on development, investment, employment, and economic growth, aligning tax policies with broader economic goals. The House should also consider international agreements and obligations, emphasizing the importance of harmonizing Kenya's tax policies with global standards. Importantly, the National Assembly's actions are transparent and accountable, with all recommendations and resolutions made available to the public, promoting openness and citizen engagement. The National Assembly's active participation in shaping and reviewing tax laws is crucial for maintaining Kenya's fair and efficient tax system.

b. The Senate

The Senate in Kenya is crucial for the country's taxation system, especially in distributing national revenue among counties. It determines the basis for this distribution by considering factors such as national interests, public debt, and fiscal capacities of county governments. This ensures fair allocation of revenues at the national level to promote balanced development across all counties. The Senate plays a vital role in overseeing the implementation of taxation policies and ensuring they align with national economic policies.

The Senate can also pass bills with a revenue component, enabling the government to collect levies and fees. A good example is the affordable housing legislation where the new bill table before Parliament seeks to create a. The Senate budget committee in Kenya is responsible for reviewing and making recommendations on the Budget Policy Statement, budget estimates, and Division of Revenue Bill[12].

[12]The Kenyan Parliament. 2022. "Roles of the Senate." www.parliament.go.ke. 2022. http://www.parliament.go.ke/the-senate/membership.

2. The National Treasury

The National Treasury in Kenya plays a crucial role in ensuring the efficiency of the taxation system. The responsibilities and powers vested in the National Treasury, as outlined in the provided legal provisions, contribute to its role in promoting an efficient taxation system in the following ways:

i. **Formulating and Implementing Economic Policies**: The National Treasury is responsible for formulating and implementing macroeconomic policies involving expenditure and revenue. This includes tax policies. Doing so can shape taxation to support economic growth and development while ensuring fiscal responsibility.

ii. **Debt Management:** Effective debt management is essential for a stable fiscal environment. The National Treasury is tasked with managing the national debt and guarantees. Sound debt management helps maintain fiscal discipline, reducing the need for excessive taxation and ensuring that resources are used efficiently.

iii. **Budgetary Resource Mobilization:** The National Treasury mobilizes domestic and external resources to finance national and county government budgetary requirements. This involves ensuring that tax revenues are efficiently collected and utilized to meet fiscal needs.

3. Kenya Revenue Authority (KRA)

As a government agency charged with collecting and receiving all money, the Kenya Revenue Authority occupies a crucial role. The authority is empowered to carry out several vital tasks. Its responsibility is to administer and enforce the tax laws. As required by these regulations, this function includes assessing, collecting, and accurately accounting for all revenues. This entails evaluating, gathering, and appropriately recording revenue.

4. Political Parties

Political parties wield significant influence within Parliament, particularly concerning taxation policies. Their role in this domain is nuanced, encompassing diverse contributions to policy formulation, legislative agendas, oversight, representation, political mobilization, and education[13]. In policy formulation, political parties, particularly those in the majority, actively shape tax policies, influencing parliamentary discussions. Advocacy for specific tax cuts, rate changes, or introducing new taxes is a common theme.

Oversight mechanisms, facilitated through parliamentary committees, provide a platform for political parties to scrutinize the government's implementation of tax policies. Opposition parties, in

[13]Singh, Sushil Chandra. "Role of Political Parties." The Indian Journal of Political Science 11, no. 2 (1950): 20–29. https://www.jstor.org/stable/42743830.

particular, utilize parliamentary sessions to question and assess the transparency, accountability, and fiscal prudence of the government's tax decisions. Representation lies at the core of a political party's function, extending to the advocacy for constituents on taxation matters. This involves aligning taxation policies with the preferences and needs of the party's voter base. Moreover, political parties may champion the protection of minority interests, striving for tax relief or exemptions for specific groups, as the Constitution outlines.

Political mobilization is another key facet wherein parties engage in public campaigns and discourse to inform and galvanize public opinion on taxation issues. This outreach ensures that the public knows about proposed tax changes and can participate in the democratic process by expressing support or opposition. Within the realm of political education, parties use parliamentary caucuses and other platforms to enlighten their members on taxation policies, economic principles, and the repercussions of tax decisions on constituents. This ensures that party members are well-informed participants in discussions related to taxation. In the broader context of political democratization, political parties contribute to the inclusivity of the democratic process. By considering diverse voices and perspectives in tax policy decisions, parties align with the constitutional provision that Kenya is a multi-party democratic state. In essence, the role of political parties in Parliament concerning taxation is multifaceted. Their active participation in policy formulation, oversight, representation, mobilization, education, and the democratic process collectively shapes the country's taxation policies trajectory[14].

5. Business Member Organizations (BMO)

Business Member Organizations (BMOs) are voluntary associations that bring together businesses, often from a specific sector, to pursue common objectives. These associations, sometimes called Chambers, aim to give their members a collective voice. They include the Kenya National Chamber of Commerce and Industry, amongst others. While representation on broader policies and practices is a primary goal, BMOs also offer services to incentivize subscription payments. These services, efficiently provided by BMOs, encompass representing the sector, influencing various stakeholders, and providing valuable information, statistics, market insights, seminars, and technical support. BMOs play a crucial role in efficiently delivering services that benefit members collectively.

[14]The National Assembly of Kenya. "Role of Political Parties and Key Parliamentary Offices," 2022. http://www.parliament.go.ke/sites/default/files/2022-08/FS12%20Role%20of%20Political%20Parties%20and%20Key%20Offices%20of%20Parliament.pdf.

6. Office of Director of Public Prosecution

In the context of tax laws, the Director of Public Prosecutions (DPP) has a major role. Enforcing these rules and appropriately handling tax-related infractions are its main duties. The DPP may start criminal procedures against people or organizations suspected of tax violations, including tax evasion or false financial reporting. In addition, the DPP has the authority to order police enforcement to look into claims of illegal activity involving taxes. This implies they have the authority to start looking into any tax offences, and the National Police Service Inspector-General must carry out these orders.

The DPP also has the authority to take over and continue existing criminal cases related to tax offences, ensuring a consistent approach to prosecuting tax law violations. The DPP can discontinue criminal proceedings at any stage before judgment is delivered, although specific rules govern the timing of such discontinuation. If proceedings are discontinued after the close of the prosecution's case, the defendant is acquitted. The DPP can only discontinue a prosecution with the court's permission, emphasizing the need for a balanced and fair legal process. In exercising its powers and functions, the DPP operates independently and must consider the public interest, the administration of justice, and the prevention of the abuse of legal processes. This independence ensures that tax-related offences are prosecuted fairly and impartially. It's also important to note that the DPP's role is subject to the legal framework established by the government, and Parliament may enact legislation that further defines their role and responsibilities in matters related to tax laws. Overall, the DPP plays a crucial role in upholding the rule of law and ensuring the proper enforcement of tax laws in the public's interest and the administration of justice[15].

7. National Police Service

In enforcing tax law, the role of police officers is to assist the Commissioner and authorized officers. Their presence maintains order, ensures security, and enforces compliance during tax-related inspections or seizures. Police officers are also expected to protect the rights of property owners and occupants during these actions, ensuring that Revenue officers act within their legal authority and respect the rights of those subject to tax investigations. Police officers are expected to provide essential support to ensure that tax authorities exercise their powers lawfully and fairly in a manner that doesn't offend the Constitutional provisions.

[15]ODPP. "The Mandate," 2023. https://www.odpp.go.ke/mandate/.

8. Parliamentary Budget Office (PBO)

Kenya's Parliamentary Budget Office (PBO) has a role in building an efficient taxation system. It provides expert services and insights to parliamentary committees on budget, finance, and economic matters, aiding lawmakers in informed decisions about taxation, budget allocation, and economic policies. The PBO evaluates budget projections and economic forecasts, pinpointing areas for potential improvement within the budget, including tax-related aspects, and suggesting reforms to enhance taxation system efficiency. It conducts risk assessments to recommend mitigation strategies, including financial vulnerabilities tied to taxation[16].

The PBO analyses budget ideas and economic developments and suggests improving the taxation system. It develops connections with financial institutions like the National Treasury and county treasuries to guarantee access to crucial information and facilitate collaboration on fiscal and socioeconomic issues related to taxation. As the PBO pledges to swiftly publish reports and records and make them available to the public, transparency is a significant concern. This openness encourages fiscal responsibility and accountability for public spending.

The PBO assesses measures submitted to Parliament with economic and financial ramifications to determine their potential economic impact, including any tax-related elements. The PBO might provide alternative budgetary approaches for a given financial year in cases where alternative fiscal frameworks are required. These approaches may include alternative tax policies to maintain fiscal responsibility and efficiency. It actively incorporates the general public and those affected by taxes in decision-making, emphasizing transparency and considering the needs and viewpoints of individuals in tax policies.

9. The County Assemblies

The County Assembly is pivotal in the passage of the Finance Bill, a critical component of the county's budget. It reviews and considers the revenue-raising measures proposed in the Finance Bill and a policy statement explaining the rationale behind the efforts. The Assembly can make recommendations and amendments to ensure compliance with legal and fiscal requirements, economic considerations, and international agreements.

It must pass the Finance Bill within a specific timeframe, typically ninety days after passing the Appropriation Bill, as it contains crucial revenue measures to fund the county's operations and services. In summary, the County Assembly plays a central role in shaping and approving revenue-related measures in the county's financial plan, fostering fiscal responsibility and effective financial management.

[16]Parliament of Kenya. "Functions and Mandate of the PBO," 2023. http://www.parliament.go.ke/node/20666.

10. Judiciary

In Kenya, the Judiciary plays a crucial role in resolving tax-related disputes because of its outstanding dedication to enforcing the rule of law and delivering justice. It ensures the uniform and fair execution of tax rules by interpreting those included in other legal statutes and those found in the Constitution. The Judiciary settles disputes between taxpayers and tax authorities by acting as an unbiased arbitrator, reviewing the facts, and making decisions based on the law and established legal precedents. It also protects taxpayers' rights and freedoms by guaranteeing they would be treated per constitutional protections in all tax-related circumstances. This commitment includes monitoring tax authorities' actions to make sure they adhere to the law to protect the rule of law. In Kenya, the Judiciary plays a crucial role in enabling the fair and legal settlement of tax cases, which advances the larger goal of upholding the rule of law in taxation and delivering justice[17].

11. Universities

Universities in Kenya play a crucial role in shaping the country's taxation system to advance public welfare, economic growth, and macroeconomic stability. Through research and analysis, universities provide evidence-based recommendations to policymakers on effective tax policies. They also advocate for tax policies that promote these goals and engage with stakeholders to raise awareness. Universities contribute to capacity building by offering training programs for tax officials' and policymakers. Collaboration between universities and the government ensures that tax policies are aligned with national development objectives. Universities promote innovation in tax policy and administration, leading to a more effective and efficient tax system.

12. Public Policy Think Tanks

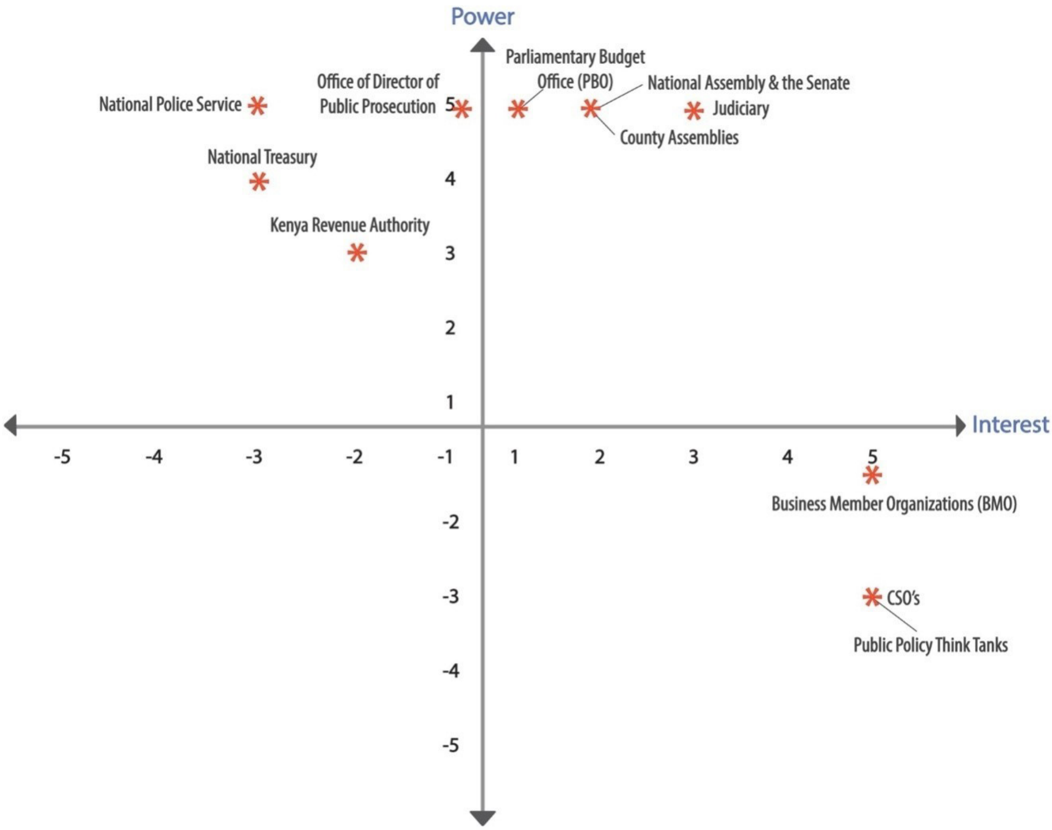
Think tanks on public policy are essential because they serve as sparks for innovation and change to streamline the tax system. They break down the complexities of taxation using rigorous economic research and analysis, identifying areas where improvements in quality and efficiency can be achieved. These groups hold expert-led symposiums and open forums to discuss tax-related topics and provide creative policy alternatives, acting as catalysts for educated discourse. They intensely support ideas for scientifically sound tax policy and work to influence government agencies and legislators when tax laws are being drafted and amended. Think tanks also closely monitor how enacted tax laws affect society to ensure they align with their intended economic goals. They also contribute to public education by helping the general public understand complex tax issues. In the end, public policy think tanks actively participate in the ongoing improvement of tax laws by using their multidisciplinary knowledge and evidence-based methodology to make them more just, effective, and flexible in response to the constantly changing economic environment.

[17]The Judiciary (2022). Overview – the Judiciary. [online] Available at: https://judiciary.go.ke/overview

7 Power Map of Players involved in the formulation & Administration of Kenya's Tax Code

The stakeholder mapping illuminates the nuanced dynamics of power and interest among key institutions. Parliament (Members of the National Assembly and Senators), including the National Assembly and the Senate, emerges as a formidable force with significant power and a balanced interest. The National Treasury holds considerable power but shows potential misalignment or differing interests with other stakeholders, as indicated by its negative interest score. The Kenya Revenue Authority (KRA) wields notable power in tax-related matters but faces potential interest divergences. Business Member Organizations (BMOs) lack significant power but express a strong interest, indicating a desire for active involvement. The Office of the Director of Public Prosecution commands substantial power in legal matters, with potential interest divergences. The National Police Service, with significant power in law enforcement, encounters similar potential divergences. The Parliamentary Budget Office (PBO) holds limited power but is highly interested in economic policy matters. County Assemblies wield substantial power at the local level with balanced interest. The Judiciary is a potent force with significant power and a strong interest in legal matters. With limited power, Civil Society Organizations (CSOs) and Public Policy Think Tanks express robust interest, emphasizing their desire for active involvement. This concise analysis provides insights into power dynamics, guiding collaboration among key stakeholders.

Chart 3: Power map



Source: IEA Kenya

Table 2: Defining Interest and Reform Focus of Key Players

Institution	Defining Interest	Reform Focus
Parliament (National Assembly and the Senate)	Parliament, with powers of the purse, should have the defining interest in a buoyant taxation system that can support sustainable public finances that meet the Constitutional fairness requirements. The characteristics of the tax code should be simplified to make the administration easier. Having a sustainable public finances goal means having fiscal deficits lower than economic growth rates, which ensures that the taxation system will never be under any pressure from a debt crisis.	• A primary focus should be on simplifying the tax code, eliminating unnecessary complexities, and establishing transparency to facilitate taxpayer understanding and administrative efficiency. The reform agenda must prioritize adherence to constitutional fairness requirements, instituting clear guidelines for evaluating the equitable impact of tax policies across diverse population segments. • Maintaining fiscal discipline by setting goals to keep fiscal deficits lower than economic growth rates is imperative, coupled with effective debt management strategies to shield the taxation system from potential crises. A long-term perspective, incorporating sustainable public finances, should guide reform efforts, considering economic and social implications and adjusting policies accordingly. • Parliament should play a crucial role in ensuring equity and gender analysis of taxes, addressing poverty gaps, and eliminating discriminatory practices within the taxation system. This involves incorporating measures to assess the impact of tax policies on different demographic segments, actively engaging in poverty reduction strategies, and promoting a fair and inclusive fiscal environment. Parliament's oversight should extend to monitoring the equitable distribution of the tax burden, fostering transparency in gender-responsive budgeting, and advocating for reforms that contribute to social justice and economic equality.

Institution	Defining Interest	Reform Focus
National Treasury	The national Treasury is the principal economic policy-making arm and one of the agencies tasked with ensuring that Parliament is tasked with sustainable public finances, which means lower deficits in the long run. This desire can only be achieved with a buoyant taxation system.	Reform should focus on strengthening the national Treasury's role as the primary economic policymaker and fostering collaboration with Parliament to achieve sustainable public finances. Priorities include developing a buoyant taxation system, streamlining economic policy coordination, improving fiscal discipline, ensuring effective communication, and incorporating robust equity and gender provisions. This entails integrating measures to address disparities and ensure fairness in the tax system, promoting economic inclusivity, and aligning policies with gender-responsive budgeting for a more equitable and socially conscious fiscal framework.
Kenya Revenue Authority (KRA)	The Kenya Revenue Authority is the tax administrator as designated by law. The defining interest for a tax administrator is to have a simple tax code and taxation that is buoyant and whose targets can be easily met with at least voluntary compliance. The main issue should be building a tax enforcement and compliance system based on behavioural and economic nudges rather than a system that depends on the aggressiveness of the tax administrator to collect those taxes because of economies of scale that it's very difficult to take enforcement action against the millions of taxpayers.	The reform focus for the Kenya Revenue Authority (KRA) should concentrate on simplifying the tax code to enhance clarity for taxpayers and administrators alike. The defining interest of KRA lies in cultivating a buoyant taxation system with easily achievable revenue targets, prioritizing voluntary compliance. To achieve this, the authority should transition towards a tax enforcement and compliance system based on behavioural and economic nudges rather than relying solely on aggressive tactics. Recognizing the challenge posed by the vast number of taxpayers, strategies should be developed that leverage economies of scale, incorporating technology integration for more efficient administration. A proactive approach to taxpayer education and communication is essential, fostering a culture of compliance. Additionally, employing data analytics and risk management tools, collaborating with stakeholders, and maintaining a continuous evaluation process will ensure that tax policies and enforcement strategies remain effective and adaptive in the dynamic economic landscape.

Institution	Defining Interest	Reform Focus
Business Member Organizations (BMO)	Business member organizations are organized groups representing the interests of their members who essentially want predictable, low, and moderate tax rates for their firms. The downside risk is that firms could organize to "buy" tax policies that protect their firms against competition.	In response to the defining interest of Business Member organizations, which seek predictable, low, and moderate tax rates for their members, the reform focus should have legislation that favours low and moderate taxes coupled with concentrating on safeguarding against the risk of undue influence on tax policies. This entails advocating for heightened transparency and accountability in policymaking, ensuring that tax policies serve broader economic interests rather than being tailored to benefit specific firms. Promoting public input and consultation in policy formulation is vital to prevent exclusive influence by particular business interests. Educational initiatives should be launched to enlighten businesses about the advantages of fair and competitive tax environments. Firms must pay the right share of taxes.
Office of Director of Public Prosecution	In tax cases, the Director of Public Prosecutions (DPP) in Kenya ensures constitutional compliance to prevent unconstitutional actions governed by the National Prosecution Policy[18]. The DPP should have an interest in having a simpler tax system that requires more voluntary compliance rather than a tax system that favours a rigorous enforcement system, and this should be in favour of a reasonable taxation system by helping to ensure that prosecutions are fair and consistent. Additionally, a legal and economic foundation for reasoned decision-making prevents arbitrary actions, and the DPP's emphasis on public responsibility fosters public trust and promotes collaboration and compliance with the tax system.	The Director of Public Prosecutions (DPP) in Kenya prioritizes a simpler tax system relying on voluntary compliance. Reform efforts should focus on encouraging voluntary compliance through streamlined processes and enhanced taxpayer education. Establishing clear guidelines for fair and consistent tax prosecutions based on reasoned decision-making is essential, strengthening legal and economic foundations. Emphasis on the DPP's role in upholding public responsibility fosters trust. Ongoing training, efficient case management, and periodic policy reviews contribute to an effective, just tax system aligning with evolving legal and economic considerations. The reform focuses on maintaining public trust, promoting collaboration, and ensuring a fair and reasonable approach to tax-related prosecutions.

[17]Office of the Director of Public Prosecutions. "National Prosecution Policy," 2016.

Institution	Defining Interest	Reform Focus
National Police Service	Even though the National Police Service is a constitutional office with authority to enforce the law in Kenya regarding all issues, including taxes, its efficacy depends on having a tax system that is straightforward, equitable, and easy to administer without necessarily requiring the NPS to get involved in tax enforcement.	The National Police Service's efficacy in Kenya relies on a straightforward, equitable tax system that minimizes direct police involvement in enforcement. Reforms should simplify the tax system, promote fairness, and enhance administrative efficiency. Clear guidelines, public education, and technology integration encourage voluntary compliance, reducing the need for police intervention. Effective dispute resolution, collaboration with tax authorities, legal safeguards, and ongoing training for tax personnel further diminish the necessity for direct police involvement, fostering an efficient and compliant taxation environment.
Political Parties	Political parties should prioritize sustainable public finances with controllable fiscal balances. They cannot establish unrealistic fiscal policy aggregates, creating a capricious taxation system. Political parties must make realistic expectations on spending and, subsequently, on taxes. They should be aware that fiscal policy instruments have limits, and a budget expansion cannot be a permanent policy.	The defining interest for political parties lies in prioritizing sustainable public finances with controllable fiscal balances, steering clear of unrealistic fiscal policy aggregates that may result in an erratic taxation system. To address this, the reform focus should centre on encouraging parties to engage in realistic fiscal policy planning, emphasizing long-term sustainability, and establishing clear guidelines to cap fiscal expenditure. Transparency in the budgeting process, public awareness campaigns on responsible spending, and the potential implementation of fiscal responsibility legislation can further ensure adherence to sustainable financial practices. Independent fiscal oversight bodies and periodic fiscal audits contribute to accountability and assess policy impacts while fostering cross-party collaboration and encouraging a bipartisan approach to responsible fiscal governance. Recognizing the need for flexibility, reforms should underscore that such flexibility operates within reasonable limits to prevent capricious taxation and maintain fiscal stability.

Institution	Defining Interest	Reform Focus
Parliamentary Budget Office (PBO)	As the technical arm of Parliament, PBO is responsible for confirming the tax buoyancy elasticity of different taxes, whether specific tax rates are outside the Laffer curve, or even the technical analysis of whether tax rates should be reviewed in the first place. The PBO could be interested in defining whether taxes should be reviewed yearly or in the medium (after 3 to five years). The PBO could solve that by providing an advisory grounded in law and economics that could inform the necessary changes in the Public Finance Management law.	The defining interest of the Parliamentary Budget Office (PBO) lies in determining the optimal frequency for tax reviews, whether annually or in the medium term, and providing advisory grounded in law and economics to inform necessary changes in the Public Finance Management law. The reform focus should prioritize enhancing the legal framework to accommodate annual and medium-term tax assessments, bolstering the PBO's economic analysis capabilities for evidence-based recommendations, and establishing transparent consultation mechanisms with stakeholders. . Continuous monitoring and evaluation of economic conditions, capacity building for PBO staff in law and economics, and periodic Public Finance Management law reviews contribute to an adaptive and relevant regulatory framework. Collaboration with academic institutions, public engagement initiatives, and advocating for flexibility in the law further fortify the PBO's role in ensuring informed decisions on the timing and necessity of tax reviews. These reforms aim to enhance fiscal responsibility, transparency, and adaptability in the tax review process.
County Assemblies	The county assembly has the power to impose tax at the County level. The defining interest should ensure no double taxation between taxes, fewer fees, and levies that are easier to administer and grounded with the Constitution and legal boundaries. The county assemblies have an additional issue: designing a county tax code that doesn't discourage the mobility of labour and capital across different counties.	The defining interest for County Assemblies is to avoid double taxation, reduce fees and levies for easier administration within constitutional and legal boundaries, and design county tax codes that facilitate the mobility of labour and capital across counties. The reform focus should prioritize harmonizing taxes across counties to prevent duplicity and ensure consistent fee and levy application. Simplifying county tax codes, considering the mobility of labour and capital, and conducting regular economic impact assessments will contribute to fair, transparent, and economically supportive tax policies.

[19] Article 209 (5) on imposition of taxes requires that the taxation and other revenue-raising powers of a county shall not be exercised in a way that prejudices national economic policies, economic activities across county boundaries or the national mobility of goods, services, capital or labour

Institution	Defining Interest	Reform Focus
	The county assemblies, like Parliament, face the same problem: finance bills review the national and county tax codes annually, making the entire system erratic and unpredictable and creating problems for macroeconomic stability.	To address the issue of erratic changes, reforms should involve transitioning from an annual to a more predictable and less frequent schedule for finance bill reviews at the national and county levels. Capacity building for County Assemblies, public education initiatives, and integrating technology for efficient tax administration are essential to fostering a taxation environment that aligns with constitutional principles and promotes macroeconomic stability.
Judiciary	The Judiciary must act as an independent arbitrator in tax disputes between the Legislature/ Tax Administrator, Firms, and Kenyan Citizens. However, two key political issues have emerged. One is the level of training on economic theory and tax issues that judges get. Second is the power that the court defers to state officers and agencies more in application in making orders at earlier stages, even though that is always revised at later stages. The court should be aware of pervasive incentives that drive the formulation of tax codes, which include the largesse of government, which is built into targets of revenue collections and aggressive sought-after, which could result in frivolous claims.	The reform focus for the Judiciary should prioritize enhanced training for judges in economic theory and tax matters to handle complex disputes effectively. Safeguards for judicial independence need strengthening to ensure autonomy in decision-making, free from undue influence. Clear guidelines on the extent of deference to state officers and agencies, transparent setting of revenue targets, and efficient case management procedures are crucial for a balanced and just decision-making process. Establishing expert consultation mechanisms, promoting public awareness of tax policies, fostering collaboration with tax experts, and conducting regular capacity assessments will contribute to an informed and independent adjudication of tax disputes, addressing key political issues and training gaps.

Institution	Defining Interest	Reform Focus
Civil Society Organizations	The defining interest of Civil Society Organizations (CSOs) lies in contributing to equitable tax administration through multifaceted roles. CSOs seek to foster transparency and increase taxpayer awareness by conducting research and disseminating information, emphasizing the link between tax compliance and the provision of public services. Mobilizing taxpayers for improved administration through coalitions with civic actors, facilitating direct taxpayer participation in bargaining, and advocating for transparency are pivotal goals. CSOs also engage with state actors to address taxpayer concerns, employing confrontational and collaborative approaches. Ultimately, the defining interest for CSOs is to champion fair, transparent, and accountable tax systems, ensuring that the voices of citizens and businesses are heard in the tax administration process.	The reform focus for Civil Society Organizations (CSOs) should centre on building a comprehensive and impactful approach to contribute to equitable tax administration. CSOs need to strengthen their advocacy and awareness campaigns, emphasizing transparency and educating taxpayers on the implications of tax compliance for public services. Mobilization efforts through coalition-building with civic actors and effective engagement with media should be prioritized to amplify the collective impact. Advocating for mechanisms that promote citizen participation in tax processes and initiatives to enhance transparency is essential. Capacity building for effective engagement with state actors, both collaboratively and through legal means, is crucial. Strategic alliances with donors and international institutions can be leveraged to garner support for equitable taxation policies. Investing in research capabilities, public engagement, and educational programs will enable CSOs to influence tax reforms based on data-driven insights. Legal and policy advocacy should target systemic issues, while monitoring and evaluation mechanisms ensure the continuous adaptation of strategies to evolving needs in the tax administration ecosystem. This holistic reform agenda positions CSOs to effectively champion fair, transparent, and responsive tax systems that address the concerns of citizens and businesses alike.
Public Policy Think Tanks	The defining interest of public policy think tanks lies in advancing evidence-based, innovative, and just tax policies that contribute to the continuous improvement of the tax system. Think tanks are driven to streamline taxation by breaking down complexities through rigorous economic research and analysis. Their primary goal is to identify areas for improvement in the quality and efficiency of the tax system.	Public policy think tanks promote evidence-based, innovative, and equitable tax policies to enhance the tax system continually. The focus on reform includes strengthening research capabilities for thorough economic analysis and offering creative policy options that prioritize fairness and flexibility. Participating in expert discussions encourages collaboration among professionals, policymakers, and stakeholders. Essential engagement with government agencies and legislators ensures advocacy for well-founded policies based on scientific principles.

Institution	Defining Interest	Reform Focus
Public Policy Think Tanks	Think tanks actively engage in expert-led symposiums and open forums, fostering educated discourse on tax-related topics and offering creative policy alternatives. They aim to influence government agencies and legislators during the drafting and amendment of tax laws, supporting scientifically sound tax policies. Monitoring the societal impact of enacted tax laws is integral to ensuring alignment with intended economic goals. Public policy think tanks play a crucial role in public education, simplifying complex tax issues for broader understanding. Ultimately, their defining interest is to use multidisciplinary knowledge and evidence-based methodologies to contribute to the formulation of more just, effective, and adaptable tax laws that respond to the dynamic economic environment.	Continuous monitoring and evaluation processes ensure that enacted tax laws are aligned with economic objectives, while public education initiatives aim to simplify complex tax matters for wider comprehension. Prioritizing adaptability, promoting collaboration, and investing in interdisciplinary approaches constitute crucial elements of the reform agenda. The ultimate goal of public policy think tanks is shaping fair, efficient, and responsive tax legislation.

A well-defined taxation pathway for sustainable development is indispensable from an institutional perspective due to its multifaceted impact. It is a linchpin for economic stability by fostering investor confidence, encouraging growth, and maintaining fiscal discipline. The pathway is a cornerstone for government revenue optimization, ensuring the availability of funds for public services and infrastructure. It underpins fairness and equity in tax policies, preventing undue influence and disparities among different population segments.

The pathway facilitates effective compliance and enforcement mechanisms, promoting voluntary adherence and minimizing the need for aggressive measures. It encourages collaborative efforts among institutions like Parliament, the Treasury, and tax authorities, ensuring a cohesive and coordinated approach. The structured pathway enables adaptability to evolving economic and social landscapes, fostering flexibility and responsiveness to change. Transparent and well-communicated tax policies, integral to the pathway, enhance public trust and confidence in government institutions. The pathway aids in developing a robust legal and regulatory framework, reducing ambiguity and facilitating effective enforcement. Finally, it provides the basis for long-term planning, aligning tax policies with national goals and ensuring sustainable public finances. Essentially, the taxation pathway for change is a linchpin for institutional efficacy, economic resilience, and public trust.

Text Box: Pathway for Initiating a Change Towards Sustainable and Efficient Tax Code

- Parliament: Simplify the tax code, prioritize constitutional fairness, and establish monitoring mechanisms for fiscal discipline and sustainable public finances.
- National Treasury: Strengthen the role as the primary economic policymaker, collaborate with Parliament for sustainable finances, and focus on a buoyant taxation system.
- Kenya Revenue Authority (KRA): cultivate voluntary compliance, use behavioural nudges, leverage technology, and enhance education for adaptive policies.
- Business Member Organizations (BMO): Advocate for low and moderate taxes, transparency, fairness, public input, and educate businesses on responsible tax contributions.
- Director of Public Prosecutions (DPP): Encourage voluntary compliance, establish clear prosecution guidelines, strengthen legal foundations, and ensure ongoing training.
- National Police Service: Simplify the tax system, promote fairness, integrate technology, educate the public, and reduce direct police involvement.
- Political Parties: Emphasize realistic fiscal planning, transparency, public awareness, independent oversight, and periodic audits for responsible fiscal governance.
- Parliamentary Budget Office (PBO): Enhance the legal framework, economic analysis, and consultation mechanisms for an adaptive regulatory framework.
- County Assemblies: Harmonize taxes, simplify codes, conduct economic assessments, and transition to a predictable finance bill review schedule.
- Judiciary: Enhance judge training, safeguard independence, provide clear guidelines, and foster collaboration for informed adjudication.
- Civil Society Organizations (CSOs): Strengthen advocacy, awareness, and mobilization, promote citizen participation, build capacity, and form strategic alliances for impactful engagement.
- Public Policy Think Tanks: Strengthen research, provide creative policy alternatives, engage stakeholders, monitor, educate, and adopt interdisciplinary approaches for evidence-based tax laws.

Conclusions

Kenya faces intricate challenges in tax policy, influenced by political, structural, and institutional factors, raising concerns about transparency and effectiveness. The tax code's complexity and frequent changes require a deeper understanding. The methodology provides a comprehensive view, emphasizing problem identification and potential change processes.

Policy concerns include the use of omnibus bills impacting transparency, the alignment of old constitutional norms, and the size of the tax code. Mandatory consideration of the Finance Bill annually raises questions about the responsiveness of tax measures to economic growth.

The power map of Kenya's tax code stakeholders reveals diverse interests and influences. Key recommendations include simplifying the tax code for Parliament, fostering collaboration between the National Treasury and Parliament, emphasizing voluntary compliance for the Kenya Revenue Authority, and championing fair tax systems for Civil Society Organizations. Transparency, fairness, and collaboration are common themes, with a shared call for a shift to predictable finance bill reviews. If implemented collaboratively, the proposed reforms can create an efficient, transparent, and development-aligned tax system for Kenya's economic growth.

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