Corporate earnings tax misses target by Sh9bn

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Taxes on corporate earnings for the first quarter ended September 2021 missed the Treasury's target by Sh9.06 billion partly on the back of global supply chain constraints which have squeezed profits, bucking the trend in revenue collections.

Fresh data released by the Treasury showed the Kenya Revenue Authority (KRA) received Sh89.78 billion in quarterly corporate tax installments in the review period against a Sh98.84 billion goal.

The tax receipts from corporations and enterprises bucked an over-performance trend this current fiscal year ending June 2022.

Ordinary revenue beat target by 3.93 percent to Sh441.79 billion, the Treasury data shows, signalling improved efficiency in tax administration.

For example, payroll taxes surpassed Treasury targets by Sh6.01 billion to nearly Sh105.7 billion in July-September 2021 period, pointing to resumption in hiring, removal of salary cuts and recalling of workers who were on unpaid leave at the height of the pandemic.

Resultant increase in disposable income has also boosted collection in value added tax (VAT) which beat goal by Sh7.78 billion to hit Sh120.38 billion and excise duty receipts which exceeded target by Sh1.99 billion to reach Sh58.43 billion.

Philip Muema, a partner at Andersen Kenya, a tax and business advisory firm, said most firms were battling unending global supply chain constraints which have slowed recovery from pandemic shocks on earnings.

"We are not seeing such huge increments in corporate taxes compared to PAYE, VAT and excise duty because companies–be it SMEs, multinationals and other entities–have not picked up fully. As a result, installment taxes have dipped," said Mr Muema.