

Desperate times. Kimunya rallies the House to back move aimed at raising revenue for the Treasury as to save the struggling economy

Tough start for Kenyans in 2021 as MPs vote for higher taxes

Proposed law ends nine-month tax holiday that helped many Kenyans endure the crippling effects of Covid-19 that has hit all sectors of the economy.

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Members of the National Assembly yesterday voted for the reversal of Covid-19 tax reliefs in an attempt to fill empty government coffers.

But given the dire economic situation, it is not only the government that is desperate to recover from the havoc wrought onto an already strained economy when Covid-19 struck in March.

Business and households have been hit hard by the pandemic, dimming any hope for a meaningful revenue to be realised in the latest reversal.

The country is caught up in the grip of a health crisis with doctors, nurses and clinicians downing their tools over a myriad grievances, including the push for better pay and provision of personal protective equipment (PPE).

A number of businesses have shut down, more than 1.7 million workers lost their jobs in the first half of the year, while many others are on pay-cuts. This situation will be complicated by the new tax measures that come at a time when Kenyans are faced with new burdens to make ends meet.

adverse economic effects of the pandemic, President Uhuru Kenyatta's government introduced some tax reliefs which saw income tax paid slashed from 30 per cent to 25 per cent for those earning over Sh24,000 and above. Those earning Sh24,000 and below benefited from 100 per cent tax waiver.

But yesterday, MPs reversed all these tax gains by passing into law the Tax Law Amendment Bill, 2020, bringing to an end a nine-month tax holiday that helped many Kenyans endure the crippling effects of the pandemic that has hit all sectors of the economy.

National Assembly Majority Leader Amos Kimunya described the unanimous passage of the Bill as a win for both the government and the people.

"What we have passed today is a win-win for the Treasury and people of Kenya," said the Kipipiri MP.

Struggling economy

During the debate, Kimunya and his minority counterpart John Mbadi rallied the House to back the higher taxes so as to save the struggling economy.

Kimunya cited the need for the government to continue financing projects and services, including the Big Four Agenda.

"I would wish to ask for support on this particular matter so that our government can continue operating," said Kimunya.

Mbadi said the disadvantage of los-

How new PAYE tax will affect salaries

	Sh50,000	Sh100,000
Pre-Covid	Sh7,656	Sh22,656
Currently	Sh2,687	Sh14,366
New rates that start Jan 2021	Sh4,367	Sh17,800

Sh24,000

The maximum salary amount that is exempt from income taxes

in the first half of the year.

The economy contracted by 5.7 per cent as sectors such as tourism and hospitality bore the brunt of the containment measures implemented by the government to curb the spread of Coronavirus.

A World Bank report showed that revenues and profits strongly

"Almost one in three household-run businesses are not currently operating," according to the World Bank report.

Corporate income tax, which is paid by large businesses, was also reduced to 25 per cent from 30 per cent, while small businesses paid to the taxman only one per cent of their sales, down

last quarter of 2019 to 21 per cent at the beginning of June 2020.

The Suba South MP said that the most vulnerable have not benefited from the tax cuts in backing the push to revert to the pre-Covid-19 taxes.

"The government has made some progress, there are poor Kenyans who have been helped to go through this pandemic. The amount that is going to be collected out of this change of tax rate should be used to continue with support for the vulnerable," said Mbadi.

"Our VAT rate is the lowest in the region. The problem in this country is not over taxation but misappropriation of revenues raised," he added.

Garissa Township MP Aden Duale described the economy as that which was in the ICU and needed resuscitation.

"The reason for the tax cuts was to create a way for survival for the many who lost their jobs, others handed 50 per cent pay cuts as well as

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unpaid leave," said Duale.

"It is a day when we have to make a very difficult choice. The economy is in ICU. How you bring it to HDU is by passing this Bill," added the former majority leader.

He said there were claims that the

