



THE ANGLICAN CHURCH OF KENYA (ACK)

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   The Anglican Church of Kenya

30th May, 2025

Submission to
The Parliament of Kenya,
The National Assembly, Finance Committee
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RE: MEMORANDUM TO PARLIAMENT OF KENYA ON THE PROPOSED FINANCE BILL 2025 PREAMBLES

Greeting in the name of our Lord God.

As Church of Christ, we promote wholesome living, wholesome families, and a wholesome nation. We propagate the Gospel of our Lord Jesus Christ and pray for the People of Kenya especially the sick, hungry, disadvantaged and those who struggle to make ends meet.

It is our bounden duty to participate and constructively engagement with government in all matters of legal and policy formulations in as far as these affect all Kenyans.

We note The Finance Bill 2025, published on 30th April, proposes major amendments to income tax, VAT, excise duty, and tax administration, all aimed at boosting Kenya's tax-to-GDP ratio. Key proposals include a broader definition of royalties, adjustments to corporate tax incentives, a lower tax rate on digital assets, and shorter timelines for VAT refunds. The Bill also introduces Advance Pricing Agreements, tighter Country-by-Country Reporting (CbCR) obligations, and increased powers for the Kenya Revenue Authority (KRA), such as expanded access to taxpayer data and longer agency notice periods for non-residents.

A. POSITIVE DEVELOPMENTS IN THE FINANCE BILL 2025

As church, we believe that taxation is not just fiscal but also deeply spiritual, political, personal, and profoundly gendered. Kenya's 2024 Finance Bill was a textbook case of poor tax policy—aggressive, out of touch, and ultimately unsustainable. It sparked public protests and was met with swift backlash, forcing policy reversals.

In contrast, the 2025 Finance Bill takes a more technical, carefully considered approach. It avoids new consumption taxes and instead focuses on tightening compliance and closing loopholes, particularly targeting businesses and high-value sectors. This rather delicate approach could still have significant impact.

1. Shift in focus from taxing the people to taxing processes

The 2024 Finance Bill took an aggressive approach, directly taxing individuals through VAT on essentials like bread and sanitary products, a motor vehicle tax, and the Housing Levy. In contrast, the 2025 Bill shifts strategy — aiming to raise KES 25–30 billion not through new taxes, but by tightening enforcement. This includes:

- a) **Expanded KRA Powers:** KRA now can access third-party financial data, including banks and digital platforms, without court approval — boosting compliance but raising privacy concerns.
- b) **Advance Pricing Agreements (APAs):** this new tool could curb multinational tax avoidance, but still full assessment of impact is necessary as it could deter investment due to increased vigour.
- c) **Tax Loss Carry forward Cap:** Losses can now only be carried forward for five years — a move that may reduce avoidance but risks hurting capital-heavy sectors like energy, agriculture, manufacturing, renewable energy and infrastructure. This is inconsistent with the government's commitment to economic recovery and job creation.

This marks a shift from visible public taxation to less visible, but still, enforcement-focused reforms may increase avoidance and inadvertently deter new investments.

2. Noticeable changes, and real impact on key sectors

Though the bill avoids new VAT or income tax rates, its changes still hit crucial industries:

- **Sector-Specific Cost Increases:** Removing zero-rated VAT for inputs in electric vehicle manufacturing and pharmaceuticals will raise production costs, undermining local industry and sustainable growth goals.
- **Middle-Class Relief, But Limited:** A higher tax-free per diem (KES 10,000 from KES 2,000) reflects economic realities, offering minor relief after 2024's burdensome policies like the Housing Levy.
- **Start-ups at Risk:** Limiting tax loss carry forwards hurts early-stage businesses in sectors like agriculture, fintech, and health tech — where profitability is slow and long-term investment is vital. Kenya may lose its edge in attracting innovation and investment.

The changes may appear moderate, but they subtly undercut key growth areas.

3. Managed expectation in revenue goal

The 2025 bill sets a relatively modest revenue target of KES 25–30 billion — far less ambitious than the KES 300 billion target of 2024. It banks on better compliance, not a broader tax base.

But key questions remain:

- **Can KRA deliver?** Without formalizing the vast informal economy, improved enforcement may not be enough.
- **Is the deficit target achievable?** Reducing the fiscal deficit to 4.5% of GDP sounds prudent, but assumes a stable economy, flawless implementation, and no major shocks.
- **What if it Fails?** If revenue falls short, the government may resort to borrowing or reinstating unpopular taxes — deepening Kenya's debt crisis.

This approach may seem less confrontational, but it still carries serious risks — especially if anticipated revenue falls short of expected target.

4. Adjustments on Calculation of Pay As You Earn (PAYE) and taxation returns

The Finance Bill 2025 introduces a key change requiring employers to automatically apply tax reliefs when calculating PAYE. This means payslips will now reflect these reliefs clearly, potentially increasing net pay for employees who previously missed out. Employers must update their payroll systems to comply. The reform promotes greater transparency and fairness in payroll, and accountants play a critical role in helping organizations to adapt to new changes.

5. Comparative for Finance Bill 2024 vs 2025: Different Approach, Same Pressure Point

The pressure to raise revenue has not gone away; it has just taken a different form.

Finance Bill 2024	Finance Bill 2025
<ul style="list-style-type: none">• New taxes on essentials, levies, and duties.• KES 300+ billion target.• Public outrage and deadly protests and investor skepticism	<ul style="list-style-type: none">• No new taxes; compliance-focused.• KES 25–30 billion target.• Cautious acceptance, but still risky for long-term investors

B. PROPOSED AREAS DESERVING IMPROVEMENTS, ADJUSTMENTS, REVISION AND DELETION

The proposed legislation seeks to amend a range of tax laws, including:

- The Income Tax Act (Cap. 470)
- Value Added Tax Act, 2013
- Excise Duty Act, 2015
- Tax Procedures Act, 2015
- And more...

We welcome that the government aims to “broaden the tax base” where more people will be taxed, and more goods and services will be brought under the tax net.

1. TAXATION MEASURES AFFECTING WOMEN AND GIRLS

We opposed a Finance Bill that placed greater burden on ordinary Kenyans — especially those already struggling to get by. Now, the 2025 Finance Bill has arrived, and once again, we are being asked to pay more, sacrifice more, and expect less in return. While the bill includes a range of tax measures and policy changes — some technical, some long overdue — it is the human cost that cannot be ignored. And that cost will fall heaviest on women and girls.

a) Period Poverty Will Worsen

Menstrual products remain taxed, despite growing evidence of their unaffordability for many Kenyan girls. The consequences are stark: some miss school during their periods, while others resort to unsafe alternatives — in extreme cases, even transactional sex to afford pads. The 2025 Finance Bill offers no meaningful relief on menstrual health. Why are sanitary pads still treated as luxury items, when they are essential for dignity, education, mental health and safety?

b) Sexual and Reproductive Health Access at Risk

When household budgets are squeezed by rising costs on basics like food, transport, and mobile services, healthcare often takes a backseat — especially for women. It seems essential services that could be delayed or avoided include:

- Prenatal care

- Family planning
- HIV/STI testing
- Safe delivery and emergency care
- Adolescent reproductive health services

Access is not just about clinic availability — it is about affordability, access, and the ability to seek care without shame. Without this, we risk increases in:

- Unintended pregnancies
- Unsafe abortions
- Maternal deaths
- School dropouts among girl

c) Women in the informal economy will be strained further

Millions of women power Kenya's informal economy — running stalls, braiding hair, selling produce. These are survival livelihoods, not high-earning businesses. Yet, they are being pulled deeper into the formal tax net, often without corresponding support like: Affordable childcare; Public healthcare; Legal protections, and Access to credit or financial services

They are being asked to contribute more, while still receiving less — a move that may risk deepening economic insecurity for women and their families.

Our prayer is that - areas of possible risks including personal data protection are carefully considered, measures to encourage investments increased, and services commensurate with 'broad-based taxation' are implemented.

2. PROPOSED BREACH OF PERSONAL PRIVACY AND WEAKENING DATA PROTECTION

The bill seeks to expand the powers of tax authorities to access bank accounts and mobile money platforms like M-Pesa. While enhancing tax compliance is a valid objective, the weakening of data protection safeguards is deeply troubling. For women, digital privacy isn't a minor concern — it's a matter of safety, autonomy, and control over their lives. These proposed changes risk entrenching financial surveillance as the norm, with little transparency and limited avenues for accountability.

3. THE VAT SPECIAL TABLE: A HIDDEN TAX TRAP FOR KENYAN BUSINESSES

The VAT Special Table, an opaque tool used by the Kenya Revenue Authority, denies businesses input VAT claims if their suppliers are flagged—often without notice or recourse. SMEs are hit hardest, facing tax demands, penalties, audits, and reputational damage despite fulfilling legal requirements. The tool operates without clear legal basis, transparency, or accountability, undermining trust in the tax system. Businesses face financial strain, halted operations, and legal exposure. Urgent reforms are needed to ensure transparency, legal clarity, and fairness. Without change, this mechanism risks crippling enterprise and eroding confidence in Kenya's tax administration.

C. OUR CALL TO ACTION

This moment calls for national reflection, not just fiscal reform.

- Are we building a tax system that's fair, inclusive, and protective?
- Are we listening to the lived realities of the vulnerable, marginalised and the poor?
- Are we taxing people into poverty while corruption continues unchecked?

Key action areas

1. **Mandate Gender Impact Assessment**-Require a gender impact analysis for all proposed tax reforms before final approval, ensuring fiscal policies do not disproportionately harm women and girls.
2. **Align with Data Protection Standards**-Amend the bill to clearly align all tax digitization measures with the Data Protection Act, safeguarding citizens' financial privacy and digital rights.

3. **Strengthen Tobacco Taxation for Public Health**-Substantially increase excise duties on tobacco products, with all additional revenue ring-fenced for investment in public health services. Strengthening tobacco taxation aligns with our commitment to promoting wholesome living and safeguarding the health and wellbeing of our communities.
4. **Shifting the essential goods and services from zero rated VAT to tax exempt** must be sensitive to the cost of inputs at manufacturing as this might raise the prices of basic commodities.
5. **Fiscal Estimates Needed**-Each proposed tax change should be accompanied by clear estimates of projected revenue gains, savings, or forfeitures. This would enhance transparency and help both policymakers and the public understand the real fiscal impact of the reforms.
6. **Expand Civic Education**-The government should lead broad-based civic education efforts to explain the contents and rationale of the Finance Bill. Forums at national and county levels can help demystify tax proposals and build public trust through informed engagement.
7. **Broaden Scope of Public Participation**-Public participation should go beyond reacting to existing provisions in the Bill. Citizens and stakeholders must be free to propose entirely new ideas or recommend repealing past provisions. The process should be genuinely open and responsive.
8. **Improve Transparency and Accountability**-There should be public reporting on the outcomes of recent tax reforms. For example, what have the Finance Act 2023, the Tax Laws (Amendment) Act 2024, and the Tax Procedures (Amendment) Act 2024 actually achieved? Measuring performance builds accountability and public confidence.
9. **Promote Certainty and Predictability**-We must assess whether introducing a full Finance Bill in 2025 is necessary, especially given the extensive amendments already implemented in December 2024. Could future adjustments be reserved for 2026 via targeted amendments to ensure policy stability?
10. **Balance Disposable Income and Tax Efficiency**-Consider modelling a shift in the tax mix: reduce the top PAYE rate (e.g., from 35% to 25%) to provide relief to formal-sector employees, while increasing VAT (e.g., to 18%) to broaden the revenue base. This could support consumption, preserve disposable income for a small segment, and still capture revenue through indirect taxation.

Signed



The Most Rev. Dr. Jackson Ole Sapit,

**ARCHBISHOP OF KENYA, BISHOP OF ALL SAINTS' CATHEDRAL DIOCESE &
BISHOP IN ORDINARY TO THE KENYA DEFENCE FORCES.**