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REPUBLIC OF KENYA
THE NATIONAL TREASURY AND ECONOMIC PLANNING

THE MEDIUM-TERM REVENUE STRATEGY
(An Approach for Enhancing Domestic Revenue)

FY 2024/25 - 2026/27

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Foreword

The Medium-Term Revenue Strategy (MTRS) provides a framework for tax system reforms aimed at boosting domestic revenue which has been declining over time. A review of the tax policy and administration landscape is critical to improve efficiency in revenue collection, identify loopholes for tax evasion and enhance taxpayer compliance. The Strategy will facilitate mobilization of additional resources necessary for the implementation of the Fourth Medium Term Plan projects and programmes, that are aligned to the Bottom-up Economic Transformation Agenda

The Strategy covers the period FY 2024/25 to FY 2026/27 and is aligned to Resource Mobilization and Tax Reforms of Fourth Medium-Term Plan (MTP IV)2023-2027 of the Kenya Vision 2030. MTRS further complements the National Tax Policy, 2023 guidelines for governing tax administration and the tax system. The policy is expected to enhance efficiency of the tax system, provide consistency and entrench predictability in tax legislations and management of tax expenditure.

In spite of the past efforts to enhance revenue, Kenya's revenue yield is still below the desired East African Community target of 25 percent of GDP. The Strategy outlines tax reforms and its implementation is aimed at reversing the declining trend of the tax-to-GDP ratio towards achieving the optimal ratio of 25 percent by 2030. The reforms that will be implemented during the Strategy period aims at: financing resource requirements to attain the aspirations of the Kenya Vision 2030 through mobilizing adequate funds, attaining objectives of the National Tax Policy to attain predictability and certainty for stakeholders over the medium-term, and promoting investment across various sectors by removing market distortions.

We also acknowledge that, to achieve the desired revenue growth that will reduce the fiscal deficit to the EAC regional target of 3 percent of the GDP over the medium term, there is need for coherent reforms across all the tax heads to foster greater and equitable revenue mobilization. The fight against corruption and promotion of integrity, ethics and good governance will also be key in the realization of this Strategy.

The MTRS therefore targets to raise the ratio of the tax revenue to GDP collection gradually to 20 percent throughout the strategy period. This will be achieved through: putting in place tax policies and administrative measures that support economic growth; improving efficiency in tax administration; reducing the cost of compliance to tax payers; expanding the tax base; and promoting equity and fairness in the tax regime.

Effective implementation of this Strategy requires the support of all stakeholders in the public and private sector, as well as non-state actors. I therefore call upon all the stakeholders to support this reform strategy which will lead to a better Kenya for all of us.



PROF. NJUGUNA NDUNG'U, CBS

CABINET SECRETARY

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Preface

This is the first Medium-Term Revenue Strategy (Strategy) covering the period FY 2024/25 to FY 2026/27. The Strategy provides a framework for undertaking tax systems reforms to enhance revenue collection over the medium term and improve the fiscal space as the Government focuses on the Bottom-Up Economic Transformation Agenda. The agenda aims at bringing down the cost of living; eradicating hunger; creating jobs; expanding the tax base; improving foreign exchange balances; and fostering inclusive growth

This Strategy will mobilize funds to finance Government programs for the remaining period of the Kenya vision 2030. The Government will develop the Second Medium-Term Revenue Strategy to cover the period FY 2027/28 to FY 2029/30, building on the lessons learnt from implementation this Strategy.

In compliance with the Constitution, the Strategy has been developed through a participatory process with the aim of balancing the need for revenue to finance socio-economic development while supporting businesses and individuals to thrive during these challenging times. The Strategy has been prepared in an uncertain global economic context as the protracted effects of the COVID-19 pandemic and the Russia-Ukraine conflict continue to strain economies globally. These shocks have negative impacts to our macroeconomic environment thus creating a dilemma for tax policy between raising revenues to meet development objectives and avoiding tax increases on adversely affected households and businesses.

The preparation of the Strategy is a collaborative effort of various Government agencies led by the National Treasury and Kenya Revenue Authority (KRA). We also acknowledge and are grateful to the International Monetary Fund for support, particularly in building capacity and providing technical assistance to the team that developed the Strategy. We equally thank all stakeholders for the useful inputs that enriched the Strategy. As we embark on the implementation of the Strategy, we commit to sustain collaboration with all stakeholders which is key to success and realization of the objectives of the strategy.



DR. CHRIS KIPTOO, CBS

PRINCIPAL SECRETARY/THE NATIONAL TREASURY

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List of Abbreviations

A-i-A	Appropriation in Aid
BETA	Bottom-Up Economic Transformation Agenda
BMS	Block Management System
CET	Common External Tariff
CIT	Corporate Income Tax
CRM	Compliance Risk Management
DST	Digital Service Tax
EAC	East African Community
EOI	Exchange Of Information
E-TIMS	Electronic Tax Invoice Management System
GDP	Gross Domestic Product
GIS	Geographic Information System
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IPRS	Integrated Population Registration System
KRA	Kenya Revenue Authority
MDAs	Ministries, Departments and Agencies
MOUs	Memorandum of Understandings
MSME	Micro, Small and Medium Enterprises
MTEF	Medium Term Revenue Strategy
MTP	Medium Term Plan
MTRS	Medium Term Expenditure Framework
NHIF	National Hospital Insurance Fund
NITA	National Industrial Training Authority
NSSF	National Social Security Fund
PAYE	Pay-As-You-Earn
PIT	Personal Income Tax
PWD	Persons with Disability
SDG	Sustainable Development Goal
SOEs	State Owned Enterprises
USD	United States Dollar
VAT	Value Added Tax

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