YOUTH FOR TAX JUSTICE NETWORK

Plot 193, Mbogo road, Najjera 1 P. O Box 1558 Kampala – Uganda.
Email:info@ytjn.org. Website: www.ytjn.org

SUBMISSION TO THE NATIONAL ASSEMBLY OF KENYA ON THE FINANCE BILL, 2026

EXECUTIVE SUMMARY
This memorandum presents the position of the Youth for Tax Justice Network (YTJN) on the Finance Bill 2026, highlighting its impact on young people. While acknowledging the need for increased domestic resource mobilization, YTJN raises concern that several provisions risk deepening inequality, undermining youth livelihoods, and weakening regional integration.

1. INTRODUCTION
The Youth for Tax Justice Network (YTJN) is a regional network operating across Eastern and Southern Africa, advancing equitable taxation and youth-centered fiscal policy. In Kenya, YTJN has contributed to policy development such as the Youth Manifesto and supported the enactment of the TaitaTaveta Youth Service Act, which established a structured county youth service to address unemployment.

2. CONTEXT
Kenya has experienced rising cost of living pressures linked to increases in consumption taxes. These developments have triggered youth-led protests against recent Finance Bills, reflecting frustrations over economic exclusion, unemployment, and perceived unfair taxation. Globally, institutions such as the IMF emphasize balancing revenue mobilization with equity, while OECD processes highlight coordinated and fair taxation of the digital economy.

1. SHORTENED TAX FILING TIMELINES
The Finance Bill proposes reducing filing deadlines from six months to four months and requiring nil returns within one month. While intended to improve compliance, these changes risk pushing youth out of business. Many young entrepreneurs operate with limited administrative capacity and rely on flexible timelines. Compressing deadlines increases penalties and reduces their ability to comply.
The proposed reduction in filing timelines may improve administrative efficiency for tax authorities; however, available evidence shows that it will impose disproportionate compliance burdens on SMEs and youth-led enterprises, increasing the risk of penalties, non-compliance, and business exits.

Conversely, International Monetary Funds: Leveraging Digital Technologies in boosting Tax Collection demonstrates that digital tax systems such as e-filing, digital reporting, and integrated tax platforms enhance compliance outcomes by reducing administrative barriers and improving accessibility, particularly for small and informal taxpayers.
Recommendation: Maintain current timelines and instead strengthen digital tax systems to facilitate easier and more accessible compliance.

4. TAX ENFORCEMENT AND ANTI-AVOIDANCE

While enhanced anti-avoidance provisions are necessary to address tax leakages, evidence demonstrates that expanding audit authority and enforcement mechanisms without safeguards may disproportionately affect small, informal, and youth-led enterprises, increasing compliance costs, discouraging formalization, and undermining voluntary compliance.

Enhanced anti-avoidance provisions are important to reduce leakages.However, these powers should not prejudice youth businesses. Expanding audit authority and enforcement mechanisms may disproportionately affect young entrepreneurs in the informal and digital economy.

Recommendation: Global best practicetherefore suggests that enforcement should be accompanied by:

- simplified compliance frameworks
- targeted safeguards for SMEs and informal actors
- proportionate and risk-based enforcement approaches

Such measures ensure that tax systems remain effective, equitable, and supportive of youth entrepreneurship and economic inclusion.

5. VAT AND DIGITAL ECONOMY

The proposal to tax digital financial services risks increasing costs for mobile money and online businesses, reducing youth participation in the digital economy.

According to a 2023 UN Development Program (UNDP) study in Kenya, data access costs for mobile and fixed broadband are expensive compared to other East African countries. The average price for a 2GB data mobile package is US$4.64, and a 5GB fixed broadband package costs US$26.92, higher than similar developing countries such as

Ghana, Sri Lanka, Vietnam and Bangladesh (UNDP 2023). In the context of the global digital economy, digitalization is crucial for realizing all the 17 UN Sustainable Development Goals (SDGs),2 offering a practical means to positively transform an inclusive global society (Wahi 2021)

Recommendation: Retain exemptions on essential digital services to support digital inclusion, innovation and youth livelihoods.

6. EAC REGIONAL INTEGRATION

The Finance Bill introduces increased taxation on imported goods, including those from East African Community (EAC) partner states. The imposition of taxes by Kenya on countries in the EAC can deter regional integration by creating a complex and inconsistent tax environment that discourages trade and investment. The region's integration efforts are hampered by the need to harmonize tax policies, which includes aligning tariff schedules and implementing a common external tariff for goods imported from outside the EAC. This harmonization is crucial for promoting trade and investment, as it eliminates tax barriers and reduces the cost of doing business across borders within the EAC.1

Recommendation: Align national tax measures with EAC frameworks by harmonizing policies with partner states rather than imposing unilateral tax increases.

7. INDUSTRIAL POLICY AND COST OF LIVING

While supporting local manufacturing is important, increased import taxes may raise consumer costs, disproportionately affecting young people. Policy must strike balance between industrial growth and affordability.

8. CONCLUSION

YTJN urges the National Assemblyto revise the Finance Bill 2026 to ensure it promotes fairness, protects youth livelihoods, and aligns with regional and global best practices.