



May 2022

BREAKING POINT

Big tax rises will
push consumers
outside the law

StoCK
STOP CRIME KENYA

EXECUTIVE SUMMARY



MORE than three out of four Kenyans say that they will end up buying illicit goods as a result of proposed consumer tax increases, according to StoCK's shocking new survey.

Almost two in every three respondents believe that the excise hikes are Government's attempt to compensate for the Sh153 billion annual fiscal hole created by illicit trade, while four in five say the rises will affect how they vote in the forthcoming national elections.

That is the public's damning verdict on the Finance Bill 2022, which is currently before Parliament.

It sends out the disturbing message that legislators are seemingly oblivious to the plight of ordinary citizens, who are struggling to cope with the soaring cost of living.

And it delivers a stark warning that the scourge of illicit trade, which robs the fiscus of vital revenue

needed to fund essential services, will be massively boosted by the big tax increases.

The Finance Bill includes proposals to hike taxes on a range of everyday commodities including fruit juice, bottled water, ice cream, chocolates, cosmetics and beauty products, beer, wine and cigarettes.

These increases are in addition to a pending inflation adjustment, which has been held up by a legal challenge since November.

Manufacturers and trade associations have already warned that the new taxes will drive hard-up consumers towards the illicit sector, thereby jeopardising legitimate businesses and destroying jobs.

Now the public have confirmed those worst fears, saying that they will be left with little option but to seek out cheaper, unregulated and tax-evading goods just to make ends meet.

Our survey of 120 consumers across 25 counties found:

- Over half of respondents (55%) say the tax hikes will drive them to buy illicit goods, with another 20.8% saying they're already buying tax-evading products
- Two in three (60.8%) respondents believe consumers are being made to compensate for the Government's failure to stop criminals in illicit trade stealing Sh419 million tax revenue every day
- Almost half (45%) think Government should spend more money on tackling illicit trade, although over one in five (21.7%) don't believe that will raise any additional revenue
- Increased hardship for families will be the overriding impact of the increases, according to half of respondents (50%), with less than three in 100 thinking the higher taxes will result in better services for citizens
- The vast majority (80%) said the proposed tax hikes will affect how they vote in the forthcoming national elections, which does not bode well for the incumbents.

BACKGROUND

Legislators are currently considering the Finance Bill 2022, which sets out proposals to fund a record Sh3.3 trillion of spending.

Those proposals include increased taxes on a range of everyday commodities including fruit juice, bottled water, ice cream, chocolates, cosmetics and beauty products, beer, wine and cigarettes.

These increases are in addition to a pending inflation adjustment, which has been held up by a legal challenge since November.

If both increases are passed into law, it will effectively mean a double price hike for Kenyans at a time when many are struggling to cope with the soaring cost of living, as well as the manufacturers who supply them, who have been contending with sky-high production costs.

Many hard-up consumers are expected to seek cheaper, substandard and unregulated products on the illicit market, intensifying the pressure on legitimate businesses and depriving the state of revenue.

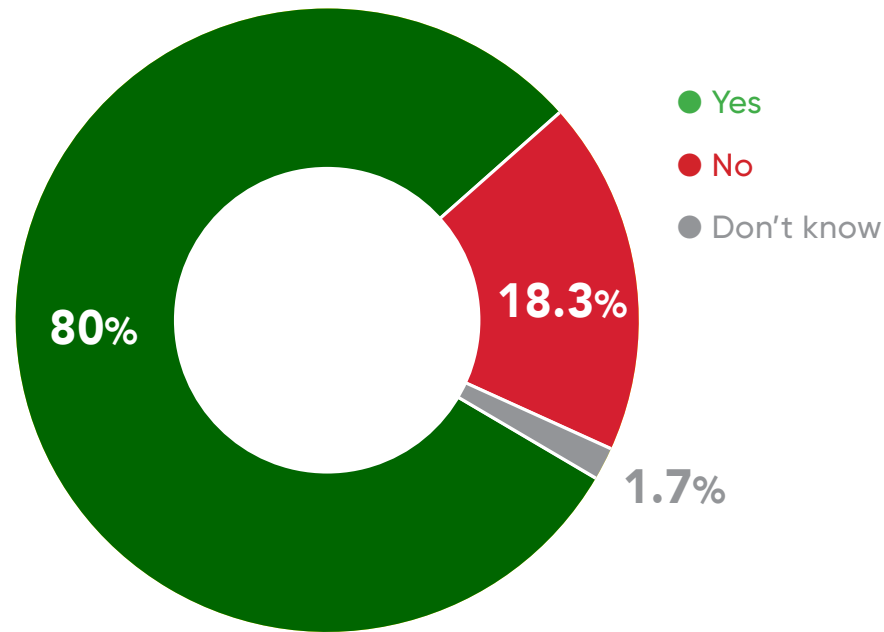
StoCK conducted its fourth survey of consumers between 11 and 17 May to assess their reaction to the Finance Bill and how the proposed tax increases are likely to affect their interaction with illicit trade, which currently costs the Treasury Sh153 billion a year.



RESULTS

Q1

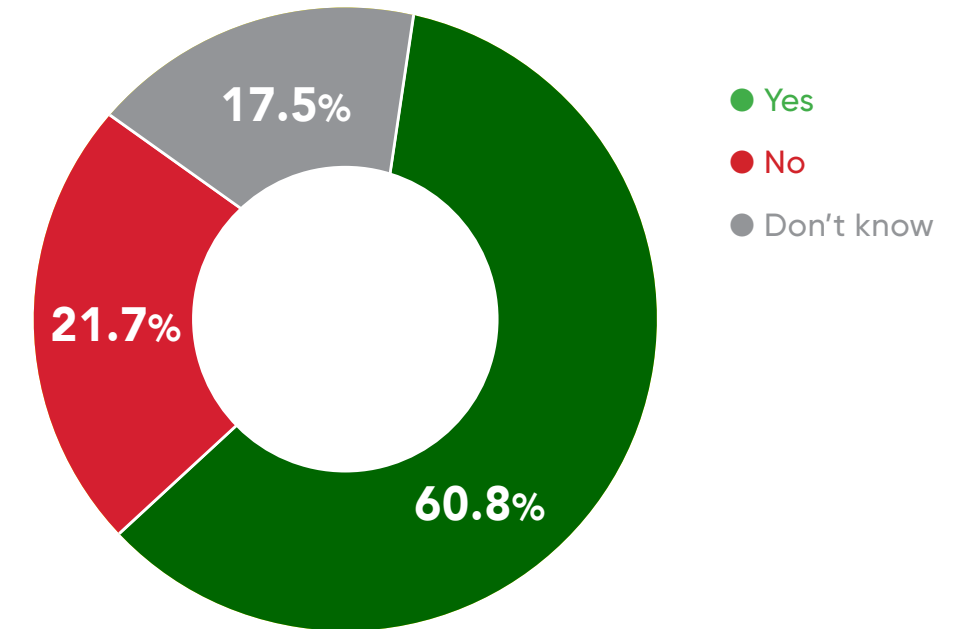
Will the proposed consumer tax increases affect the way you vote in the forthcoming elections?



The vast majority of respondents said the proposed tax hikes will affect how they vote on August 9, with less than one in five claiming they would have no impact. The negative response elsewhere to the proposals does not bode well for the incumbents.

Q2

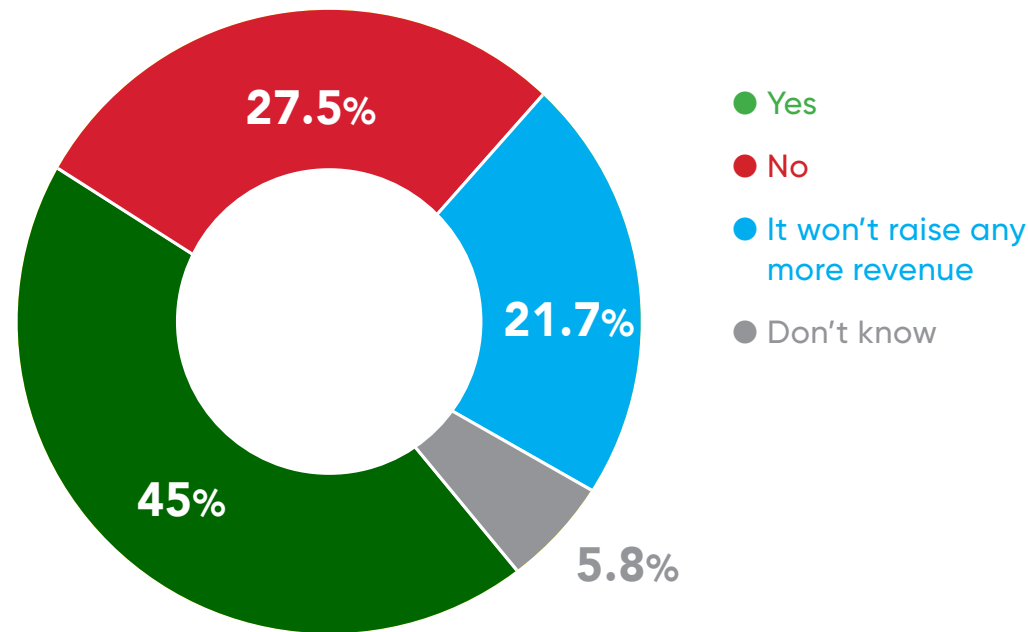
Are the increases the Government's attempt to fill the Sh153 billion fiscal hole created by the trade in counterfeit or smuggled goods?



Two out of three respondents believe honest consumers are being made to compensate for the billions stolen by criminals operating in illicit trade. Only one in five believes there is another motive for the tax proposals.

Q3

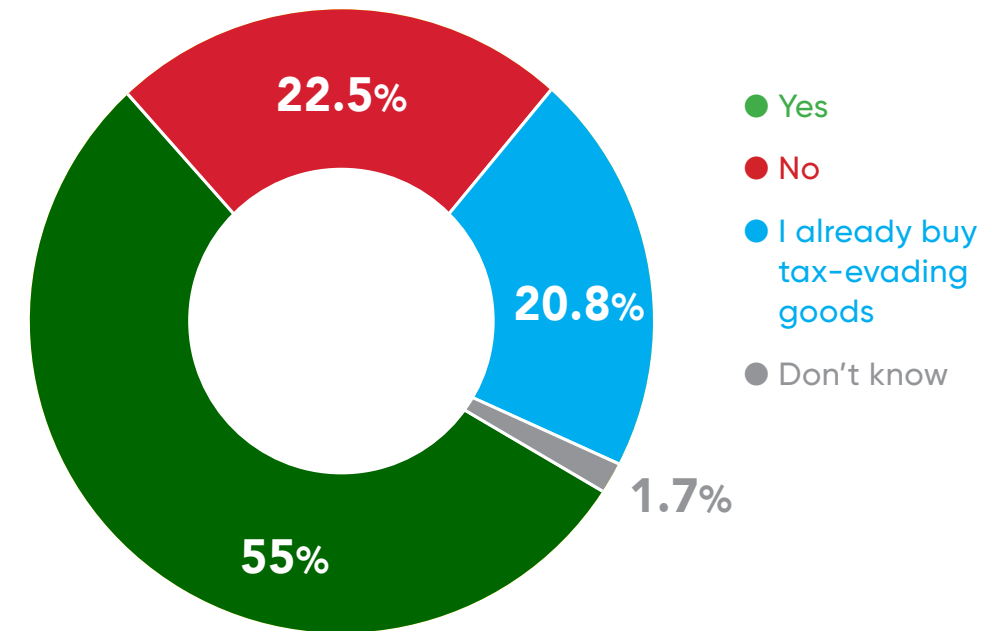
Should Government spend more money on tackling illicit trade so that money stolen by criminals can be collected by the State?



Almost half of respondents believe the Government should spend more money on combating illicit trade. Worryingly, more than one in five believes the extra expenditure would not result in the State collect any additional revenue, suggesting illicit trade has grown out of control.

Q4

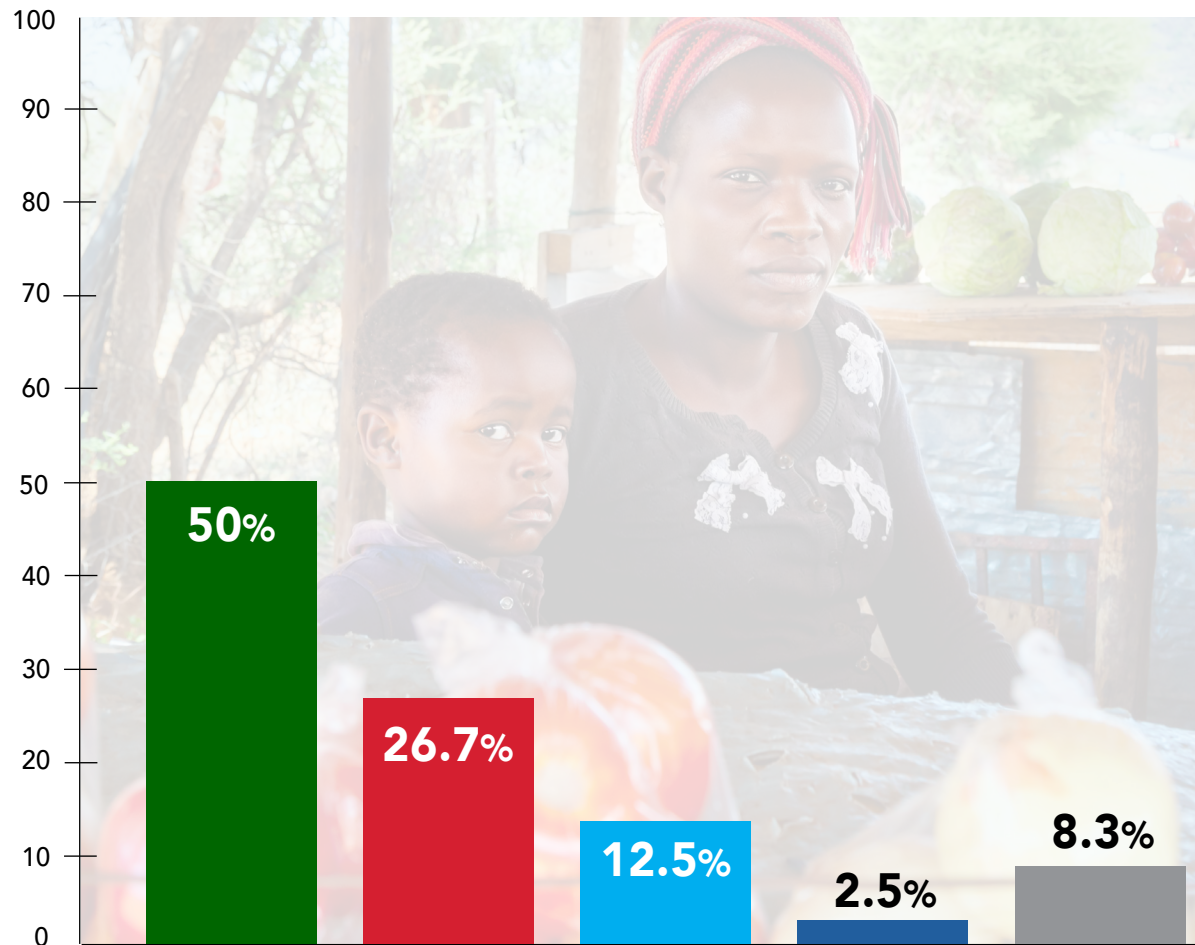
Will tax increases cause you to shop for cheaper goods that might be evading tax?



More than one in two said the proposed tax increases will cause them to seek out cheaper goods which may evade tax. More than one in five said they were already buying illicit goods and only 22.5% said they would not do so.

Q5

What do you think will be the most significant result of the proposed tax increases? Choose any option that applies.



- More hardship for families
- Business closures and job losses
- Increase in the trade of tax-evading goods
- Extra government spending on basic services
- Don't know

The overriding impact of the tax increases will be additional hardship for families, according to half of respondents. They also expressed significant fears about the threat to businesses and jobs. However, less than three in 100 respondents believe the rises will result in improved services for the public.



By StoCK chairman
Stephen Mutoro

CONCLUSION

Our latest survey illustrates yet again a worrying disconnect between policymakers and the grim reality of life on the ground for ordinary consumers, who are struggling to cope with the soaring cost of living.

Tax increases threaten to drive increasing numbers of these honest, hard-working Kenyans to the illegal sector in search of more affordable goods.

In so doing, citizens are put at risk from substandard and unregulated products, while criminals get rich and the Treasury is deprived of much-needed revenue. To exacerbate the problem, legitimate manufacturers and supply businesses are put under further pressure, leading to closures and job losses that perpetuate this vicious cycle.

The overriding message from respondents in our survey is simple: they're no longer prepared to compensate for Government's own failure to collect due taxes from criminals. Before Government raises taxes, it should tackle the illicit trade in smuggled, counterfeit and other tax-evading goods, which is robbing the country of Sh153 billion annually.

ABOUT StoCK

Stop Crime Kenya (StoCK) is an unregistered, non-profit citizens' campaign fighting all forms of organised crime, especially illicit trade, tax evasion, counterfeits and smuggling. We advocate for asset recovery and the need to stop such crime by bringing perpetrators to book.

Follow us at **@stopcrimekenya** and
www.stopcrimekenya.co.ke

Our previous surveys, Missing the Mark, Robbed Blind and Fear Factor, are available online [here](#).