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‘TAX THE RICH!’: CAN KENYA GET WEALTH TAXATION RIGHT?

Authorship

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Executive Summary

Kenya's tax system presents a striking paradox: although it features progressive instruments such as Pay as You Earn (PAYE) and corporate income tax, the government remains disproportionately reliant on regressive consumption taxes, particularly Value Added Tax (VAT), that place a heavier burden on low-income households. According to the World Bank, consumption-based taxes accounted for 56.2% of Kenya's total tax revenue in FY 2022/2023, marking a significant departure from the pre-pandemic structure where income taxes contributed more substantially to the national purse. Although Kenya's VAT system includes zero-rated and exempt goods intended to cushion consumers, this does not necessarily make the tax equitable.[1] Evidence from the OECD shows that even a roughly proportional VAT that has exemptions and zero-rated goods can still pose serious equity challenges, particularly for low-income households.[2] In Kenya, the 2024 Tax Expenditure Report records a rise in domestic VAT expenditure to Ksh 306.23 billion, consisting of Ksh 172.08 billion in exemptions and Ksh 134.16 billion in zero-rated supplies.[3] Yet, the schedules of exempt and zero-rated goods reveal that these benefits are concentrated within a very limited range of basic items, leaving out many essentials that make up the everyday consumption basket of poorer households.[4] As a result, the intended relief from these measures remains minimal, while the erosion of real incomes among low-income earners continues further entrenching the regressive character of Kenya's VAT regime.

Moreover, despite Kenya having various tax measures that target the wealthy such as capital gains tax and rental income tax, these often are ineffective as they are charged at lower rates compared to income tax and often fail to yield significant revenue.[5] This continues to occur against the backdrop of rising wealth inequality: the top 10% of the population controls 62.8% of net personal wealth, while the bottom 50% collectively holds only 4%. Despite this stark concentration of wealth, Kenya lacks an effective and enforceable framework for taxing the wealthy.

Estimates by Oxfam indicate that the introduction of a properly structured wealth tax could raise over USD 1 billion annually in Kenya, resources that could be pivotal in enhancing public service delivery, reducing inequality, and achieving social justice goals. The global resurgence of interest in wealth taxation underscores its potential role in reversing deepening inequality and securing sustainable public financing. International institutions such as the OECD, the World Bank, the International Centre for Tax and Development (ICTD), civil society organisations, and Kenya's own political leadership[6] have all endorsed wealth taxation as a key mechanism to achieve fiscal equity and ensure that the wealthy pay their share of taxes.

However, global experiences with wealth taxation paint a mixed picture. Eight OECD countries have repealed their wealth taxes due to legal or administrative hurdles; others, like Argentina and Colombia, continue to face enforcement challenges. In contrast, countries like Switzerland have demonstrated that wealth taxes can succeed when embedded within a clear and elaborate design with low rates supported by efficient compliance mechanisms.[7] On the other hand, countries such as Uganda and Rwanda have opted to strengthen enforcement within existing tax structures, rather than introduce new wealth taxes, focusing on closing loopholes and improving accountability among the wealthy.[8]

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1 The Value Added Tax Act 2013, First and Second Schedule.
2 Alastair Thomas, "Reassessing the Regressivity of the VAT"(2020) OECD Taxation Working Papers No. 49 link p 38.
3 The National Treasury and Economic Planning, "2024 Tax Expenditure Report" (September 2024) link p 10.
4 The National Treasury and Economic Planning, "2024 Tax Expenditure Report" (September 2024) link p 35- 42.
5 For example, capital gains are taxed at 15% of the net gain, rental income is subject to a 7.5% tax on the gross rent received (which serves as a final tax), corporate income is taxed at a rate of 30%, while PAYE is applied on a progressive scale, with the highest rate being 32%. This demonstrates that wealth-related taxes generally attract lower rates compared to income taxes.
6 Otiato Guguyu, "Ruto Pledges Wealth Tax on Tycoons to Fix Kenya's Budget" (2022) The East African. Can be accessed at link; Britah Omondi, "Wealth Tax: A Solution to Inequality in Africa" Kenya Revenue Authority. Can be accessed at link.
7 OECD, "The Role and Design of Net Wealth Taxes in the OECD," (2018) OECD Tax Policy Studies, No. 26, OECD Publishing, Paris; J Blaise Eckert, Lukas Aebi, "Wealth Taxation in Switzerland" Wealth Tax Commission Background Paper no.133.
8 G Occhiali, G Mascagni and others, "Taxing the Wealthy in Lower-Income Countries: Why it's Important, and How to Do it" (January 2025) ICTD Policy Brief No 14. J Kangave, "Tax Compliance of Wealthy Individuals in Rwanda" (2020) Joint Paper Between RRA and ICTD. R Waiswa, J Kangave and Others, "What Can we Learn from the Uganda Revenue Authority's Approach to Taxing High Net Worth Individuals?" (2018) ICTD Working Paper 72.

Despite this global discourse, there remains a significant gap in Kenya-specific research that interrogates the practicalities of introducing a wealth tax within its unique socio-political and institutional context. Most literature tends to focus on normative justifications for wealth taxation, while few studies engage with the operational, legal, and political constraints that could determine its success or failure. Particularly, there has been little discussion about the practical steps Kenya could take, or the underlying problems it must first resolve within its tax and governance systems before a wealth tax can be introduced successfully. This gap is critical given Kenya's recent experience with tax policy volatility, including court challenges that have nullified poorly designed taxes and widespread public backlash against tax measures seen as unfair or opaque, as exemplified by the rejection of the Finance Bill 2024.

This paper adopts a desktop research methodology and centres its analysis on four interlinked challenges that must be addressed for a wealth tax to be viable and sustainable in Kenya. Each challenge is explored through a tripartite lens: first, assessing Kenya's domestic realities; second, drawing lessons from international experiences; and third, outlining actionable policy considerations. In summary, the paper does not call for the immediate introduction of a wealth tax. Instead, it recommends a sequenced reform approach, beginning with foundational measures that strengthen Kenya's administrative, legal and institutional capacity and culminating in the eventual design of an equitable and enforceable wealth tax once those conditions are met. Therefore, the paper recommends:

A. Foundational Reforms (Preconditions Before Establishing a Wealth Tax)

To start with, Kenya cannot tax what it cannot see. Before implementing a wealth tax, the country must first invest in the following foundational measures which are low hanging fruits essential to establishing the systems and structures necessary for the effective taxation of wealth:

1. **Kenya should prioritize the establishment of a centralised and comprehensive wealth database that captures granular information on various asset classes and ownership structures.** This should include data on owners of real property, rental income and mortgage obligations, cryptocurrency and digital assets, securities such as stocks, bonds, and mutual funds, as well as domestic and foreign bank account balances. It should also encompass beneficial ownership information, including trusts and nominee arrangements. To ensure effectiveness, this database must be seamlessly integrated across key institutional registries, such as the Lands Registry, Companies Registry, KRA, and financial reporting institutions, to enable data harmonization, verification, and real-time cross-referencing. Such integration would form the evidentiary foundation for wealth assessment and facilitate efficient enforcement and administration of wealth taxation.
2. **Kenya should also invest in the development of protocols and mechanisms for cross-border data exchange, aligning with the OECD's CRS.** This would enhance transparency by enabling the automatic exchange of financial account information with other jurisdictions, thereby reducing opportunities for offshore tax evasion and undisclosed asset holdings abroad.
3. **Introducing a voluntary disclosure programme could play a crucial role in encouraging taxpayers to self-declare their assets before the commencement of wealth taxation.** Such programmes enhance administrative legitimacy, improve compliance levels, and build trust between taxpayers and the revenue authority by offering limited amnesty or reduced penalties for early disclosure. To reinforce voluntary compliance, Kenya may draw lessons from Uganda and Rwanda, where soft enforcement strategies, such as compliance education, moral persuasion, and recognition programmes for compliant wealthy individuals, have proven effective. These approaches can complement traditional enforcement mechanisms by fostering a culture of transparency and responsible wealth declaration.
4. **KRA must ensure that all data collected under the wealth taxation framework adheres to constitutional guarantees of privacy and complies with the Data Protection Act, 2019.** This requires implementing data privacy policies that adhere to the principles of data minimization, secure data storage, encryption protocols, and clearly defined access and usage parameters. Transparent oversight mechanisms should also be established to maintain public confidence in the administration of wealth-related data.

5. **As Kenya gradually builds its administrative and data infrastructure, it should concurrently undertake incremental reforms to existing wealth-related taxes.** A practical starting point would be the harmonization of CGT rates with the prevailing corporate income tax rate of 30%. This would represent an immediately implementable step towards laying the groundwork for the eventual introduction of a comprehensive wealth tax.
6. **Civic actors must also be at the forefront in terms of shaping the national tax agenda on the adoption of a wealth tax through proactive advocacy on the significance of a wealth tax in the redistribution of wealth inequality.** Moreover, effective engagement by the civic actors can be harnessed through strong and coordinated coalitions that bring together the civic actors with regional networks. Such collaboration would unite think tanks, academics, professional bodies and pro-reform business leaders to counter elite lobbying that often dilutes progressive tax proposal and ensure technical level engagement using evidence-based advocacy.

B. Future Design Considerations (Once the Preconditions are met)

1. **Any future wealth tax must be grounded in a clear and enforceable legal framework that defines the tax base with precision.** This includes a comprehensive delineation of taxable assets as well as the liabilities to be deducted in computing net wealth. Given the existence of other forms of wealth-related taxation, such as capital gains tax, stamp duty, and land rates, any taxes already paid on such assets should be factored into the net liability to avoid duplication and ensure fairness. The tax should be designed to exclusively target the wealthy by establishing a sufficiently high exemption threshold, beginning at approximately KES 129 million (equivalent to USD 1 million), to exclude the middle class and small asset holders. To enhance compliance and minimise capital flight, the rate structure should remain modest, ranging between 0.01% and 3.5%, and be progressively applied. Furthermore, exemptions must be narrowly tailored to shield essential and productive assets. The wealth tax should also be implemented not as a one-off tax measure but rather with long-term sunset clauses and performance indicators, until national inequality levels decline.
2. **A successful wealth tax must be designed to prevent large-scale capital flight.** This includes requiring declarations of offshore assets and aligning domestic tax rules with international transparency standards. Without such safeguards, Kenya risks undermining its own investment climate and incentivizing avoidance. Moreover, the opacity surrounding cross-border financial transfers and asset holdings compounds the difficulty of identifying and valuing offshore wealth, raising serious questions about the practical enforceability of a wealth tax.[9] In this context, any proposal to implement a wealth tax must be accompanied by substantial investment in transparency frameworks including wealth declaration for public servants, international cooperation on information exchange, and the political will to challenge elite interests. Without addressing these gaps, a wealth tax may not only prove ineffective but may also accelerate capital flight, undermine investor confidence and further lead to slower growth in the economy.
3. **For a wealth tax to gain public legitimacy, it must be seen to work for the people.** Revenue from such a tax should be transparently earmarked for redistributive priorities that matter, like universal health coverage, quality public education, and social protection. Additionally, meaningful dialogue and accountability mechanisms must be established to resist elite capture of the tax system.

The implementation of a fair and effective wealth tax in Kenya is not beyond reach, and neither is it a utopian idea. However, realising this vision will demand more as it will require deliberate policy design, institutional reform, and the political courage to prioritise the common good. Only then can Kenya begin to close its wealth gap and build a truly inclusive and just society. In the meantime, Kenya should strengthen existing forms of wealth taxes as it works towards building the right systems for wealth tax.

[9] Odd-Helge Fjeldstad and Others, "Lifting the Veil of Secrecy: Perspectives of International Taxation and Capital Flight from Africa" (2017) Norway.

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1. INTRODUCTION

Taxation plays an instrumental role in promoting equality by taxing the rich more and supporting pro-poor programmes, yet Kenya's tax system reveals a paradox. While the country has progressive taxes such as PAYE and corporate income tax, alongside other taxes targeting wealth like capital gains tax, rental income tax and excise duty, it remains heavily reliant on regressive indirect consumption taxes like Value Added tax (VAT), which strain the poor.[10] Recent research from the World Bank shows that consumption taxes, including VAT, excise duty, and customs duties, accounted for 56.2% of the total revenue in FY 2022/2023.[11] Evidence from the OECD shows that even a roughly proportional VAT that has exemptions and zero-rated goods can still pose serious equity challenges, particularly for low-income households.[12] In Kenya, the 2024 Tax Expenditure Report records a rise in domestic VAT expenditure to Ksh 306.23 billion, consisting of Ksh 172.08 billion in exemptions and Ksh 134.16 billion in zero-rated supplies.[13] Yet, the schedules of exempt and zero-rated goods reveal that these benefits are concentrated within a very limited range of basic items, leaving out many essentials that make up the everyday consumption basket of poorer households.[14] As a result, the intended relief from these measures remains minimal, while the erosion of real incomes among low-income earners continues further entrenching the regressive character of Kenya's VAT regime.

Notably, World Bank data also shows that prior to the COVID-19 pandemic, Kenya's tax base leaned more heavily on income taxes, meaning that the current reliance on indirect consumption taxes marks a shift toward more regressive revenue measures.[15] This paradox persists despite Kenya's rising wealth inequality, where the top 10% of the population controls 63% of net personal wealth, with the top 1% alone holding 29%, while the bottom 50% own just 4%.[16] The Africa Wealth Report further identifies this disparity, identifying 7200 dollar-millionaires and 16 centi-dollar-millionaires against the country's total population of 52 million people.[17]

In light of these stark disparities, estimates from Oxfam Kenya suggests that taxing the super-rich could yield $ 1 billion in tax revenues, funds that could significantly bolster public service delivery and poverty reduction efforts.[18] However, the path to wealth taxation is neither simple nor straightforward. This is because most of the high-net-worth individuals' wealth is held in often opaque assets, such as offshore tax havens, shell companies, trusts, foundations, and recently cryptocurrencies, yet Kenya has inadequate policy and faces administrative challenges in assessing and taxing the wealthy appropriately. For instance, despite the Kenya Revenue Authority (KRA) establishing a division for identifying high net worth individuals, it still faces challenges in enhancing voluntary declaration of wealth, harmonization of the collection of data across government agencies to cross-reference wealth declared and establishing information sharing agreements with financial institutions.[19] Furthermore, the wealthy often wield significant political influence, enabling them to lobby against efforts to introduce a wealth tax.[20] Illicit financial flows to tax havens have also undermined efforts to ensure the rich bear a tax burden commensurate with their wealth.

The global resurgence of interest in wealth taxation reflects a broader search for solutions to rising inequality and the need for sustainable public financing. Scholars, international financial organisations such as the Organisation for Economic Co-operation and Development (OECD), International Monetary Fund (IMF), and International Centre for Tax and Development (ICTD), as well as civil society organisations and Kenya's

[10] The Republic of Kenya, National Treasury, "The National Tax Policy 2024" p. 20 where regressivity in VAT is considered as a challenge in indirect taxes. Also see, Oxfam Kenya, "Taxing for a More Equal Kenya: A Five Point Action Plan to Tackle Inequality" (2017) p 16-17;44.
[11] World Bank Group, "Kenya Economic Update: Special Focus on Poverty and Distributional Impacts of Fiscal Policy in Kenya" (May 2025) ed 31, p 19.
[12] Alastair Thomas, "Reassessing the Regressivity of the VAT"(2020) OECD Taxation Working Papers No. 49 link p 38.
[13] The National Treasury and Economic Planning, "2024 Tax Expenditure Report" (September 2024) link p 10.
[14] The National Treasury and Economic Planning, "2024 Tax Expenditure Report" (September 2024) link p 35- 42.
[15] World Bank Group, "Beyond the Budget: Fiscal Policy for Growth and Jobs: A public Finance Review for Kenya" (2025) pg 33.
[16] World Inequality Database, (2023) https://wid.world/country/kenya/.
[17] Henley and Partners, "The Africa Wealth Report 2024" (2024). Can be accessed at: https://www.henleyglobal.com/publications/africa-wealth-report-2024/africas-wealthiest-countries.
[18] Oxfam International, "Survival for the Richest: How we Must Tax the Super-Rich Now to Fight Inequality (2022).
[19] Dr. Layla Latiff, "The Potential for Taxing Wealth in Kenya" (2024). Can be accessed at, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4920275.
[20] Oxfam Kenya, "Taxing for a More Equal Kenya: A Five Point Action Plan to Tackle Inequality" (2017) p 11-12. Also see, Partnership for African Social and Governance Research, "Illicit Financial Flows in Kenya: Mapping of the Literature and Synthesis of the Evidence" p 2,8 &11. Also see, Odd-Helge Fjeldstad and Others, "Lifting the Veil of Secrecy: Perspectives of International Taxation and Capital Flight from Africa" (2017) Norway p 73.

fourth president, have called for the need to tax wealth as a measure for promoting wealth equality and harnessing revenue contributions.[21] Nonetheless, despite the ideological support it garners, the global experiences with wealth taxation have been mixed. While eight OECD countries have abandoned their wealth taxes due to administrative challenges, countries like Argentina and Colombia struggle with enforcement, yet others such as Switzerland have successfully implemented a wealth tax by integrating strong compliance measures.[22] Additionally, some countries such as Nigeria and Rwanda, rather than introducing a new wealth tax, have opted to strengthen enforcement and compliance mechanisms within existing tax structures to ensure the wealthy contribute their fair share of taxes.[23]

Table 1: OECD Countries that have Repealed vs Retained Wealth Taxes

Countries that have abandoned their wealth taxes and the year of repeal	Countries that still have their wealth taxes
Austria (1994), Denmark (1997), Germany (1997), Netherlands (2001) Finland, Iceland Luxembourg (all three in 2006) and Sweden (2007)	Norway, Spain, Switzerland and France

Despite this rich global discourse, there remains a noticeable gap in the literature specific to Kenya. While numerous studies advocate for wealth taxes in principle, few delve into the more difficult, practical question: What factors must be considered for a wealth tax to be both feasible and sustainable in Kenya's unique tax context? This is particularly crucial given the country's historical challenges in tax policy, where several newly introduced taxes have been overturned by courts due to poor design and weak constitutional grounding. Other persistent hurdles include inadequate enforcement and compliance mechanisms, political resistance, especially when tax measures target the wealthy, high capital mobility in the absence of effective controls, and growing public opposition to new tax measures, as evidenced by the rejection of the Finance Bill 2024.

In answering this question, the paper adopts a desktop research methodology whereby it assesses four key factors tailored to Kenya's context that shape approaches to taxation, particularly concerning the introduction of a wealth tax. The paper begins by defining the term "wealth tax." Thereafter, the paper's analysis is structured in a three-pronged approach: first, by discussing Kenya's unique domestic context for each factor; second, a comparative reflection on how global experiences have responded to similar challenges; and third, key lessons Kenya should consider in the introduction of its wealth tax. In totality, these four key factors include:

1. Persistent design flaws in Kenya's taxes, which have led to legal contestation and implementation failures, thus begging the question on what should be the appropriate design for a wealth tax in Kenya;
2. Existing weaknesses in enforcement and compliance mechanisms in Kenya's taxation framework, which, if unaddressed, risk undermining the effective implementation of any wealth tax;
3. The ever-present risk of wealth flight, particularly in a tax environment that lacks sufficient safeguards or coordination with global financial oversight frameworks and;
4. Politicisation of tax reform, especially those measures perceived to target the elite, which often invites resistance from powerful interest groups.

[21] Saez, E. & Zucman, G. (2019). Progressive Wealth Taxation. Brookings Papers on Economic Activity. Available from https://www.brookings.edu/wp-content/uploads/2020/10/Saez-Zuchman-final-draft.pdf; OECD, "The Role and Design of Net Wealth Taxes in the OECD," (2018) OECD Tax Policy Studies, No. 26, OECD Publishing, Paris; S Rudnick and R Gordon, "Tax Law Design and Drafting: Taxation of Wealth" (1996) International Monetary Fund; Hebous et al, "How to Tax Wealth" (2024) IMF. Also see, Britah Omondi, "Wealth Tax: A Solution to Inequality in Africa" for Kenya Revenue Authority, can be accessed at https://kra.go.ke/news-center/blog/1892-wealth-tax-a-solution-to-inequality-in-africa.

[22] OECD, "The Role and Design of Net Wealth Taxes in the OECD," (2018) OECD Tax Policy Studies, No. 26, OECD Publishing, Paris; Maloney, William, Jorge Andres Zombrano and others, "Taxing Wealth for Equity and Growth: Latin America and the Caribbean Economic Review" (2024) World Bank; J Londono-Velez and J Avila-Mahecha, "Behavioural Responses to Wealth Taxation: Evidence from Colombia" (2024) National Bureau of Economic Research, Cambridge.

[23] G Occhiali, G Mascagni and others, "Taxing the Wealthy in Lower-Income Countries: Why it's Important, and How to Do it" (January 2025) ICTD Policy Brief No 14.

In summary, the paper does not call for the immediate introduction of a wealth tax. Instead, it recommends a sequenced reform approach, beginning with foundational measures that strengthen Kenya's administrative, legal and institutional capacity and culminating in the eventual design of an equitable and enforceable wealth tax once those conditions are met. It first calls for foundational reforms to ensure Kenya can effectively identify and value wealth by developing a comprehensive wealth register, integrating financial and property data, and securing systems for cross-border information exchange while safeguarding privacy. In the interim, Kenya should reform existing wealth-related taxes, such as aligning capital gains tax rates with corporate income tax. Once these preconditions are met, the design of any future wealth tax must rest on a clear legal framework that precisely defines taxable assets and liabilities, avoids double taxation, and targets only the truly wealthy through high exemption thresholds and modest, progressive rates. Safeguards against capital flight, including mandatory offshore asset declarations and alignment with international transparency standards, are also critical. Finally, for the wealth tax to gain public legitimacy, its revenues must be transparently channelled toward redistributive priorities, like universal healthcare, quality education, and social protection, supported by strong accountability systems, public dialogue, and civic advocacy to prevent elite capture and ensure the tax serves the people.

2. WHAT IS A WEALTH TAX?

Before embarking on an analysis of the various issues discussed in this paper, it is important to first establish the context of what a wealth tax is.

A wealth tax is a tax that is imposed on the ownership or transfer of net assets, but its conceptual foundation lies in the recognition that wealth is distinct from income since it constitutes an independent and underutilized measure of tax capacity.[24] Unlike income taxation, which targets annual earnings, wealth taxes, whether periodic net wealth taxes or transfer taxes, assess the stock of accumulated assets, typically after deducting related liabilities.[25] Critically, the base of a wealth tax is not merely the market value of tangible property, but a composite of net assets, movable and immovable, financial and real, domestic and foreign, linked by jurisdictional nexus or residence.

The rationale for wealth taxation is rooted in both fiscal equity and socio-political imperatives, especially in countries grappling with deep wealth disparities. The economic argument posits that wealth confers a form of latent power, security, influence, and intergenerational advantage that income fails to capture. In this light, a periodic net wealth tax can enhance the progressivity of the overall tax system, especially where income is underreported or evaded. Politically, wealth taxes serve as instruments to temper the corrosive influence of oligarchic concentrations and to restore democratic legitimacy by curbing economic power that translates into disproportionate political influence. Socially, they respond to moral intuitions about fairness, particularly the unearned nature of inherited wealth, and they can, when properly designed, fund redistributive programs that promote equality of opportunity. Concerns on limited revenue yield relative to the cost of collecting have been highlighted as critiques in the global justification of wealth taxes. Moreover, concerns are raised about the risk of double taxation, as wealth taxes often target assets that have already been subjected to income or capital gains taxes. Furthermore, opponents argue that wealth taxes may discourage savings and capital accumulation as taxpayers anticipate some repeated taxation on the same base. Beyond these, wealth taxes are further criticized on grounds of their significant administrative complexity and enforcement challenges, with the proponents maintaining that any justification for their adoption must rest more on social equity or political symbolism rather than robust fiscal efficiency.[26]

It is crucial, however, to distinguish wealth taxation from the broader regime of taxing high-net-worth individuals (HNWIs), which often focuses on income and consumption rather than net asset holdings. While both approaches target economic elites, the former is asset-based and aims at structural redistribution; the latter is income-based and geared toward plugging avoidance loopholes. Wealth taxes require annual or event-based assessments of an individual's global asset portfolio, often confronting valuation opacity, cross-border concealment, and legal structuring through trusts or entities. In contrast, HNWI-focused taxation strategies typically leverage enhanced income audits, anti-avoidance rules, and luxury goods taxes. Despite this, it is important to note that these two concepts often overlap in the realm of wealth taxation, as the same HNWIs tend to be the principal targets of wealth taxes.

[24] Rebecca S. Rudnick and Richard K. Gordon, "Taxation of Wealth" (1996) *International Monetary Fund* p 294-295.
[25] Rebecca S. Rudnick (ibid n 24).
[26] Rebecca S Rudnick (Ibid n.24) p 299. For more arguments regarding the viability and justifications developing countries should rely on regarding the wealth tax, *please see pages 292-302.* In the paper, Rudnick argues that developing countries can rely on moral and political justifications for a wealth tax as well as the intended benefits from the tax. Moreover, the overall fairness, administrative convenience and political support are crucial for a developing country in considering a wealth tax. She further argues that in the event a wealth tax is to be introduced in a developing country, it must consider the proper timing and ensure that its administrative challenges are first addressed so as to avoid the country from focusing on wealth tax at the expense of other forms of taxes.

3. POOR STRUCTURE AND DESIGN OF NEW TAXES: WHY KENYA MUST TACKLE STRUCTURAL CHALLENGES FIRST BEFORE INTRODUCING A WEALTH TAX

3.1 Kenya's Context Highlights Design Challenges in Newly Introduced and Proposed Taxes

Kenya's recent experience of tax design highlights a recurring structural and constitutional flaw that often undermines the principle of equity. Over the recent years, Kenya's taxation system has been volatile and fragile as it has introduced or attempted to introduce various tax measures in light of the Medium-Term Revenue Strategy, including the affordable housing levy, significant economic presence tax, digital assets tax and minimum top up tax.[27] However, many of these taxes have faced significant constitutional and administrative challenges due to poor design and the violation of the principle of equity in taxation. For instance, in 2020 the Kenyan High Court and Court of Appeal struck down the turnover-based minimum tax on equity grounds, as it did not distinguish between genuine loss-making companies and those that did not make losses.[28] Similarly, the affordable housing levy was declared unconstitutional on equity grounds as it targeted employed individuals but excluded persons earning income from the informal sector, despite both groups being beneficiaries of the housing scheme.[29] Moreover, despite its rectification in the Affordable Housing Act 2024 to include persons working in the informal sector, there remains no clear administrative framework for ensuring their contribution, showing design flaws. Clearly, a poorly structured and designed wealth tax could face similar legal challenges.

Many recent tax proposals, though ultimately rejected, have also had failures in design and structure. A notable example is the rejected Finance Bill, 2024, which proposed the introduction of a motor vehicle tax to be levied at the point of insurance renewal, at 2.5 percent of a vehicle's value. However, the proposal lacked clarity on the method of valuation and the frequency of taxation, particularly in cases where vehicle owners renew insurance multiple times within a year.[30] This absence of precision raised concerns about fairness, administrative feasibility, and the potential for double taxation. Similarly, the proposed eco levy, intended to promote environmental protection by discouraging the consumption of environmentally harmful products, suffered from structural flaws. While well-intentioned, the tax's scope extended to essential goods such as sanitary products and diapers, disproportionately affecting low-income households and undermining the equity of the measure.[31] These examples highlight a persistent challenge within Kenya's taxation system, where new tax measures introduced, whether proposed or enacted, suffer from poor design. This same challenge would inevitably affect any wealth tax introduced without a sound and comprehensive design framework. To avoid this, the following section explores the design considerations necessary to ensure a clear design and structure.

3.2 Global Evidence Shows that Successful Wealth Taxes are Premised on Clear Design and Structure

Successful global wealth tax regimes are grounded in clear design and structure that define tax bases, tax rates and exemptions to ensure equity and enforceability. Worldwide, wealth taxation frameworks have primarily followed two models: net wealth taxes (which tax an individual's total assets minus liability) and wealth transfer taxes (such as inheritance, capital gains and gift taxes). For instance, Switzerland defines taxable net wealth as the monetary value of all moveable property (cash, bank accounts, security, stock, bonds, cryptocurrencies) and immovable property (real estate) owned by the taxpayer including precious items (jewellery and precious metals).[32] Norway defines its taxable net wealth as the value of one's assets, such as real property, bank deposits, shares and business capital after deductions have been made for valuation discounts and debts. This taxable net wealth should be more than NOK 1.5 million (EUR 150,000).[33] Concerning wealth transfer taxation, various cantons in Switzerland impose inheritance and gift taxes based on the value of worldwide assets or income received by the beneficiary (heir or donee), rather than on the total estate or wealth of the deceased or donor.[34] It is also important to note that transfers to children, spouse or charitable organisations are exempt from the inheritance tax making its scope quite narrow.[35]

27 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" (October 2023) p 44- 67; Also see the Tax Laws Amendment Act 2024 s 5 and 6; Affordable Housing Act, 2024.
28 Kenya Revenue Authority v Waweru & 3 others [2022] KECA 1306 KLR; Institute of Public Finance, "Is Minimum Tax Still a Viable Option for Kenya? Lessons From Other Countries" (2024).
29 Okoiti & 6 Others v Cabinet Secretary for the National Treasury and Planning & 3 Others [2023] KEHC 25872.
30 See Finance Bill 2024, Clause 9; E Magale and M Schmidt, "Kenya Protests Show Citizens Don't Trust Government with Their Tax Money: Can Ruto Make a Meaningful New Deal?" (18th July 2024) ICTD; D Murakaru, "Trust Takes Years to Build: How Can the Government Mend the Broken Public Confidence Post-Finance Bill 2024 Protests?" (2024) Institute of Public Finance.
31 C Wainaina, "Finance Bill: The Green Initiatives Dilemma" (21st June 2024) ICJ Kenya.
32 J Blaise Eckert, Lukas Aebi, "Wealth Taxation in Switzerland" Wealth Tax Commission Background Paper no.133.
33 Thor O. Thoresen et al, "A Wealth Tax at Work" (2021).
34 J Blaise Eckert et al, "Wealth Taxation in Switzerland" Wealth Tax Commission Background Paper no. 133 p 9.
35 J Blaise Eckert et al (ibid n 34).

Table 2: Global Models of Wealth Taxation: Net Wealth Taxes and Wealth Transfer Taxes

Wealth Tax Model	Description	Examples
Net Wealth Taxes	Taxes on an individual's total assets minus liability	**Switzerland:** taxable net wealth includes: a. the monetary value of all moveable property (cash, bank accounts, security, stock, bonds, cryptocurrencies) and b. immovable property (real estate) owned by the taxpayer including precious items (jewellery and precious metals)
		Norway: taxable net wealth is the value of assets (real property, bank deposits, shares, business capital) after deductions for valuation discounts and debts. Threshold: NOK 1.5 million (EUR 150,000).
Wealth Transfer Taxes	Taxes on transfers of wealth, such as inheritance, capital gains and gifts.	**Switzerland:** Various cantons impose inheritance and gift taxes based on the value of assets or income received by heirs or donees. Transfers to children, spouses, or charitable organizations are exempt, narrowing the tax scope.

Low progressive rates and high base thresholds are essential design principles in a wealth tax that mitigates economic distortions and uphold tax fairness. The most effective global models adopt relatively low wealth tax rates that typically range between 0.1% and 3.5% not to preserve wealth per se but to promote compliance and ensure that the wealth tax captures only a reasonable share of accumulated assets without triggering capital flight or widespread evasion. Although higher rates might appear to advance stronger redistribution, empirical evidence suggests that they tend to undermine administrative efficiency and encourage tax avoidance.[36] Consequently, these moderate rates are intended to complement rather than replace broader redistributive measures, allowing governments to secure a fair contribution from wealth holders without discouraging investment or the productive accumulation of assets. For instance, Switzerland applies marginal wealth tax rates between 0.3% and 1%, while Spain employs a progressive system with rates ranging from 0.2% to 3.5%.[37] These modest rates, combined with high thresholds, ensure that only the truly wealthy are affected and that the amounts targeted remain minimal.

While the design of the tax base and rate is central to ensuring that a wealth tax genuinely targets the wealthy, the structure and scope of exemptions play an equally decisive role in shaping its fairness and economic viability. In this context, exemptions emerge as equity mechanisms through which the law mitigates harsh distributive effects, safeguards productive capital, and accommodates socio-economic diversity. However, their effectiveness depends critically on how clearly they are defined, justified, and administered, ensuring that they do not distort the very progressivity they are meant to preserve.[38] For instance, Spain's wealth tax incorporates detailed exemptions rooted in historical, cultural, and economic rationales: goods classified under Spanish Historical Heritage, select artworks and antiques within specified value thresholds, and generous personal and housing allowances, amounting to a combined €2 million exemption for couples.[39] Particularly notable is Spain's exemption for family-owned business shares, contingent upon active management, reliance on the salary from the company by the owner, minimum ownership stakes, and engagement in productive activity, which reflects a policy intention to shield small and medium enterprises from liquidity stress and over-taxation.[40]

[36] Rebecca S Rudnick and Richard K Gordon, 'Taxation of Wealth' in Victor Thuronyi (ed), *Tax Law Design and Drafting*, vol 1 (International Monetary Fund 1996) p 16 -17. link
[37] J Blaise Eckert (ibid n 34) p 14; Wealth Tax Commission, "Wealth Tax: Spain" Alonso Ramallo (author) (London School of Economics and Political Science, UK Economic and Social Council Research; Atlantic Fellows; Cage; The University of Warwick) p 12.
[38] Rebecca S Rudnick and Richard K Gordon, 'Taxation of Wealth' in Victor Thuronyi (ed), *Tax Law Design and Drafting*, vol 1 (International Monetary Fund 1996) p 16 -17. link
[39] Wealth Tax Commission, "Wealth Tax: Spain" Alonso Ramallo (author) (London School of Economics and Political Science, UK Economic and Social Council Research; Atlantic Fellows; Cage; The University of Warwick) p 5-6.
[40] Wealth Tax Commission, "Wealth Tax: Spain" Alonso Ramallo (author) (London School of Economics and Political Science, UK Economic and Social Council Research; Atlantic Fellows; Cage; The University of Warwick) p 16.

Complementing this view, UN DESA underscores that exemptions and thresholds should be contextually adapted, particularly in developing economies, to avoid regressive outcomes. It emphasizes that well-designed exemptions, whether through thresholds, valuation discounts, or sector-specific exemptions, can prevent unfair targeting of high-wealth, low-income taxpayers, such as small farmers or pensioners, and can sustain investment in productive sectors[41].

Global experience also shows that poorly designed wealth taxes often face significant legal and constitutional challenges, undermining their effectiveness and longevity. For instance, in 1997, the German Constitutional Court struck down the country's wealth tax, citing a violation of the constitutional principle of equality due to the preferential treatment of real estate compared to other assets such as bank deposits. Although initially introduced in 1952 at a modest rate of 1% on net wealth, the tax proved fiscally insignificant, contributing only 0.3% to total tax revenue and merely 0.1% of GDP.[42] Similarly, in a landmark ruling issued in 2021, commonly referred to as the "Christmas Judgment," the Dutch Supreme Court held that certain elements of the Netherlands' wealth tax system, specifically the use of a deemed flat-rate return, violated European legal standards on property rights and non-discrimination. The Court found that taxing individuals based on an assumed rate of return, which often exceeded their actual earnings, led to unfair and disproportionate taxation. In response, the Dutch government enacted two key legislative measures: the Legal Redress Act, intended to provide compensation for past over-taxation, and the Bridging Act, aimed at modifying the tax framework going forward. While these laws introduced a more nuanced approach by applying differentiated assumptions for various asset classes (such as savings, investments, and debts), they retained the flat-rate methodology at their core. However, in 2024, the Supreme Court reaffirmed its earlier position, ruling that the revised framework continued to infringe on the right to property and remained discriminatory. The Court emphasized that the continued reliance on deemed returns rather than actual income perpetuated the original flaws, as taxpayers could still be subjected to taxation that bore little relation to their real financial performance.[43]

3.3 Key Points on Design for Kenya in Its Shift to Wealth Taxation

Kenya's current tax system currently taxes wealth primarily at the point of transfer through capital gains and property taxes but lacks a comprehensive net wealth tax capable of addressing the country's widening wealth inequality. Should policymakers consider wealth taxation as a long-term mechanism for reducing inequality and expanding the tax base, its design must be both technically sound and socially equitable. A well-defined tax base is essential, clearly delineating the types of assets subject to taxation and who ultimately bears the burden. International best practices highlighted above including those set out in the UN Template for a Net Wealth Tax on Individuals, show that the base should be premised on assets, whether movable or immoveable, tangible or intangible as well as rights or interests of whatever nature in such property. However, it is important to note that Kenya's current tax landscape on wealth taxation is fragmented. Immovable property is primarily taxed at the subnational level through county-imposed land rates and at the point of transfer via capital gains tax and stamp duty. Meanwhile, select classes of movable assets are subject to taxation at the point of transfer. Digital assets, for example, are taxed at a 1.5% rate upon transfer under the Finance Act 2025, while shares and dividends attract capital gains tax. In designing the net wealth tax, it is thus imperative to ensure that these existing taxes on various assets are deducted from the gross asset value so as to arrive at a fair and accurate tax base. Without such deductions, a net wealth tax risks being perceived as punitive, undermining its legitimacy and possibly violating the non-duplication principle of taxation.

[41] UN Department of Economic and Social Affairs, Financing for Sustainable Development Office, *UN Handbook on Wealth and Solidarity Taxes* (UN 2024) p 15-16, 27 link
[42] Christina Enache, "The High Cost of Wealth Taxes" (2024) Tax Foundation Europe.
[43] See, Loyens & Loeff, Supreme Court Rules: The Dutch Box 3 Wealth Tax Is Still Discriminatory (6 June 2024).

To ensure the tax targets only the truly wealthy, a high wealth tax threshold should be established. Empirical data can inform this, where for instance, the Africa Wealth Report estimates that Kenya has approximately 7,200-dollar millionaires (those with assets exceeding Ksh 129 million) and 16 centi-millionaires (those with net assets exceeding Kshs 12.915 billion). Starting from these thresholds ensures that it targets the ultra- wealthy, thus reinforcing vertical equity within Kenya's tax system.

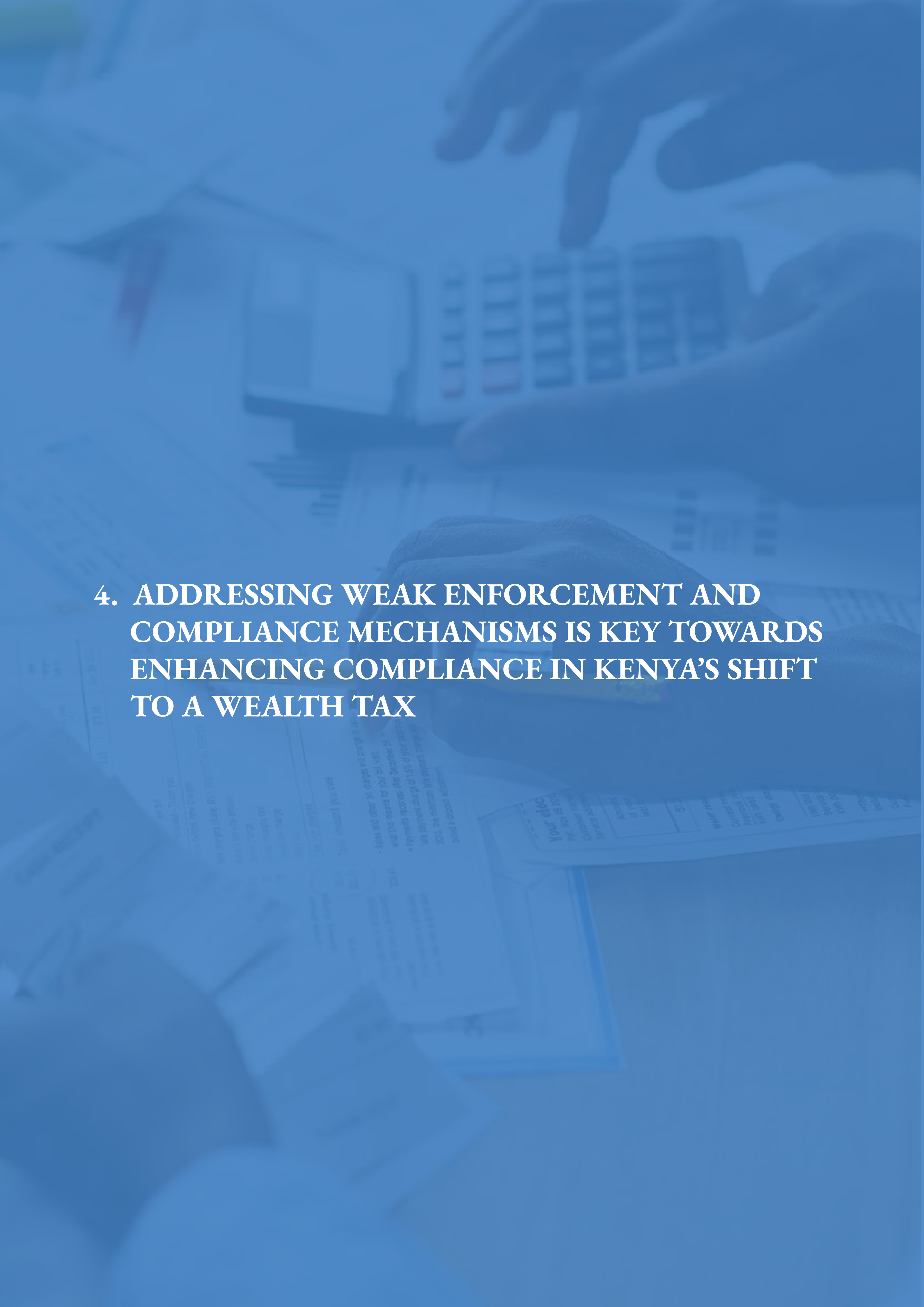
Additionally, the rate structure must be modest and progressive to avoid disincentivising investment or taxing returns beyond their actual yield. These rates as shown by the experience of Switzerland and Spain, can range from as low as 0.3% on the lower end of the tax base, gradually increasing to rates as high as 3.5% for significantly larger accumulations of wealth. Thoughtful exemptions such as those imposed by Spain should also be incorporated, particularly for productive or essential assets, to prevent the tax from undermining economic activity or placing an undue burden on middle-income earners. These exemptions, however, must be based on evidence-based justification in their design and implementation to prevent them from undermining the effectiveness of the tax.[44] For instance, Spain's exemption for family-owned business shares, contingent upon active management, reliance on the salary from the company by the owner, minimum ownership stakes, and engagement in productive activity, which reflects a policy intention to shield small and medium enterprises from liquidity stress and over-taxation. [45]

Moreover, Kenya's wealth tax should not be a one-off intervention, but rather a sustained and strategic fiscal instrument, implemented over a defined period until measurable reductions in wealth inequality are achieved. This is because Kenya's asset concentration is in the hands of a few people, and social mobility from poor to rich remains constrained and thus temporary taxation of the wealthy is unlikely to produce transformative outcomes. Although higher tax rates might appear as a faster route to redistribution, they tend to undermine administrative efficiency and may encourage tax avoidance among the rich often negating the impact of the wealth tax. Moreover, while short-term levies have been used effectively in certain historical and religious contexts, such as the *Zakat* framework in Morocco or the post-war solidarity taxes levied in Germany and Japan, these were often introduced under exceptional circumstances, which can be a key entry point for wealth taxation in Kenya.[46] However, such voluntary or once-off measures do not address the enduring mechanics of wealth accumulation and intergenerational advantage as they are meant to address certain economic emergency situations in a particular state.

Empirical and theoretical insights reinforce the need for a time-bound but sustained approach. Studies have found that without persistent progressive taxation on wealth, the return on capital tends to exceed the rate of economic growth, thereby entrenching inequality over time.[47] Nevertheless, the duration of such a tax must be finite and outcome driven. It should be governed by sunset clauses, periodic evaluations, and social indicators that track progress in narrowing the wealth gap. The objective is not to erode legitimate capital formation or penalise success, but to correct for structural imbalances that hinder inclusive development. As the Lorenz curve flattens and the Gini coefficient narrows, the rationale for maintaining a wealth tax may diminish. Until such indicators improve, however, Kenya would be justified in maintaining a modest, well-targeted wealth tax, not as a punitive measure, but as a necessary step toward economic justice.

Although a carefully designed wealth tax has the potential to correct Kenya's inequitable tax system by shifting part of the tax burden towards the wealthy, the promise of wealth taxation as a tool for greater fairness cannot be realized in isolation. Even though international design principles, such as well-defined bases, progressive thresholds and exemptions, offer useful policy direction for Kenya, these measures will remain largely theoretical unless the country addresses the structural weaknesses in tax enforcement and political elite capture that have long undermined equitable taxation. As the subsequent sections show, Kenya's challenge is not only of equitable policy design but also one of weak enforcement and political capture by the wealthy. Unless these issues are addressed, even the best-designed wealth tax may fail to deliver on its promise of equity and fairness, issues which are explored in greater depth in the subsequent sections.

[44] Institute of Public Finance, "A Review of Kenya's 2022 Tax Expenditures Report" (2023) link P 7.
[45] Wealth Tax Commission, "Wealth Tax: Spain" Alonso Ramallo (author) (London School of Economics and Political Science, UK Economic and Social Council Research; Atlantic Fellows; Cage; The University of Warwick) p 16.
[46] Attiya Warris, "Solidarity Taxes in the Context of Economic Recovery Following the COVID-19 Pandemic" (May 2021).
[47] T Picketty, "Capital in the Twenty First Century" *The Belknap Press of Harvard University Press* pp 366-368.



4. ADDRESSING WEAK ENFORCEMENT AND COMPLIANCE MECHANISMS IS KEY TOWARDS ENHANCING COMPLIANCE IN KENYA'S SHIFT TO A WEALTH TAX

4.1 Kenya's Context of Weak Tax Enforcement and Compliance Mechanism

Kenya's enforcement and compliance mechanism remains fragile, posing a major hurdle to the successful implementation of a wealth tax. Despite recent initiatives, such as the establishment of the HNWI unit, structural inefficiencies continue to hamper progress. The HNWI unit has faced widespread non-compliance, particularly due to the reluctance of wealthy individuals to accurately declare their wealth.[48] Furthermore, the absence of a harmonised and interoperable data system across government agencies weakens KRA's ability to cross-verify asset declarations, detect tax avoidance schemes and enforce compliance effectively. In addition, Kenya lacks a robust system to process and flag discrepancies in tax filings, an issue exacerbated by limited technological capacity and resource constraints.[49]

Moreover, the rise in tax avoidance and evasion further weakens Kenya's enforcement landscape. World Bank data notes that Kenya's declining tax buoyancy (the total response of tax revenue to automatic changes to national income and changes in tax policy) points to persistently high levels of tax evasion and avoidance.[50] This challenge in the context of a wealth tax may be further exacerbated because the wealthy have greater means to exploit tax planning and tax avoidance measures. Introducing a net wealth tax within this enforcement vacuum would likely trigger high rates of evasion and increase administrative costs thereby undermining the equity and effectiveness objectives of such a tax, thus highlighting the significance of Kenya addressing its enforcement challenges in its shift to a wealth tax.

4.2 Global Evidence Shows that Strong Enforcement for Wealth Taxes is Key, Though Strategies Differ Across Jurisdictions

Comparative evidence from countries that have effectively implemented wealth taxes highlights the centrality of well-structured enforcement mechanisms to the success of wealth taxation. Norway and Switzerland, for instance, have achieved relatively high compliance rates by requiring the wealthy to voluntarily declare their wealth including such that is held abroad. In addition, they have by integrated data systems that enable tax authorities to cross-reference wealth declarations with information from banks, registries and other government departments. These systems are supported by advanced digital infrastructure, making it difficult for individuals to underreport their assets.[51]

Maintaining this high standard level of enforcement and compliance is expensive as it requires sophisticated machinery and technology. According to Burgherr, a properly designed wealth tax would cost taxpayers about 0.05% - 0.1% of taxable wealth.[52] Countries like Norway and Switzerland which have strong administrative capacity, have kept costs low through automated prefilled returns and third-party information systems, such as banks and registries feeding directly into wealth tax forms.[53] In France, administrative costs amounted to 2.07% of wealth tax revenue in 2016, translating to 0.01–0.03% of taxable wealth, depending on reliefs.[54] In Germany, simulations for a reintroduced wealth tax place costs even lower, between 0.015–0.03% of taxable assets.[55] However, the situation differs in countries where tax administration systems are less developed. In such contexts, the same enforcement and valuation processes can become disproportionately expensive relative to the revenue yield. For instance, India discontinued its wealth tax, having proven costly and inefficient due to its high administrative demands and enforcement complexity, especially with regard to the valuation of assets.[56]

48 Dr. Layla Latiff, "The Potential for Taxing Wealth in Kenya" (2024). Can be accessed at, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4920275.
49 Latiff (Ibid n 48).
50 World Bank Group, "Beyond the Budget: Fiscal Policy for Growth and Jobs: A public Finance Review for Kenya" (2025) p 35.
51 OECD, "The Role and Design of Net Wealth Taxes in the OECD," (2018) OECD Tax Policy Studies, No. 26, OECD Publishing, Paris; Thor O. Thoresen, M A K Ring; O E Nygard and J Epland, "A Wealth Tax at Work" Statistics Norway; David Seim, "Behavioural Responses to Wealth Taxes: Evidence from Sweden" (2017) 9 American Journal: Economic Policy.
52 David Burgherr, "The Costs of Administering a Wealth Tax "Wealth Tax Commission Paper no 126 p 23.
53 David Burgherr (n 52 above) p 15; p 21- 22.
54 David Burgher (n 52 above) p 17-18.
55 David Burgher (n 52 above) p 18; Also see S Bach, M Beznoska and V Steiner, "A Wealth Tax on the Rich to Bring Down Public Debt? Revenue and Distributional Effects of a Capital Levy in Germany" (2014) 35 Fiscal Studies 1 p 67-89.
56 Grivish Vanvari, Krishnan TA, "Wealth Tax: India "Wealth Tax Commission Background Paper no. 137.

Noting the high cost of enforcing compliance with the wealth tax, lower-middle-income countries are prioritising strengthening enforcement capacity rather than implementing net wealth taxes. Rwanda, for instance, is enhancing tax compliance among HNWIs by leveraging digital technology and integrated data from various government agencies to identify wealth held in assets such as land, property, and business ownership. The Rwanda Revenue Authority (RRA) is adopting a soft engagement approach, prioritizing voluntary compliance through awareness, support services, and patriotic messaging, while also proposing legal reforms to amend current tax laws that exempt individuals with only employment or investment income from filing returns, a gap that limits comprehensive income assessment.[57] Uganda has prioritized enhancing voluntary tax compliance by conducting targeted audits and establishing clear criteria for identifying HNWIs. Through its dedicated HNWI unit, the Uganda Revenue Authority (URA) has undertaken taxpayer education initiatives, including sensitization meetings aimed at informing individuals of their rights and obligations while signalling increased scrutiny of their tax affairs. Notably, Uganda has made significant investments in developing and retaining skilled URA personnel, fostering institutional knowledge and continuity, an efficient and cost-effective strategy that lays a strong foundation before adopting more advanced digital compliance technologies.[58] However, Uganda's efforts have been criticised for not yielding much revenue from the HNWIs due to the adoption of aggressive tax minimisation mechanisms and avoidance schemes reducing their income and final tax liabilities. Moreover, the poor collaboration and information sharing across the government authorities has also contributed to this decline.[59]

4.3 Key Points for Kenya on Enforcement and Compliance in its Shift to a Wealth Tax

The viability of a net wealth tax in Kenya is fundamentally dependent on the strength of its enforcement infrastructure, without which such a tax risks being both ineffective and counterproductive. While the global discourse positions wealth taxation as a potentially redistributive tool to combat inequality, its successful implementation is contingent on robust administrative capacity. For Kenya, this necessitates the establishment of a comprehensive wealth database capturing granular information on owners of real property, rental income and mortgage data, data on crypto currency and digital assets, stocks bonds, mutual funds and other securities, bank account balances both domestic and foreign, and ownership and beneficial interest structures such as trust declarations among others. This data also has to be seamlessly integrated across institutions and registries of assets, such as the lands, companies registry, and financial reporting institutions, to support effective monitoring and compliance. Moreover, voluntary disclosure should be pursued to incentivise declaration of wealth, enhancing administrative legitimacy.

Establishing the institutional and administrative framework necessary for a net wealth tax in Kenya is daunting as it presents both technical and fiscal challenges. For a developing country already contending with structural weaknesses in enforcement and compliance, the financial and operational burden of such an undertaking is considerable. Instead, Kenya would be better served by emulating peer nations like Uganda and Rwanda, by prioritizing the development of enforcement and compliance mechanisms. This includes initiatives focused on improving wealth data collection, fostering a culture of voluntary compliance, and enabling cross-agency and cross-border data sharing. Interestingly, the approach taken by Uganda towards educating the wealthy as well as building the capacity of its revenue authority is a cost-effective measure Kenya could employ alongside the implementation of sophisticated technology in identifying the wealthy. After effectively ensuring the enforcement of the wealthy then Kenya can later introduce a wealth taxation.

Another challenge in the administration of a net wealth tax lies in navigating the delicate balance between effective data utilisation by the tax authority and strict adherence to data protection principles. Wealth taxation, by its very nature, involves the aggregation of highly sensitive financial and personal data, and thus presents elevated risks of misuse, politicisation, or cyber-exposure. Moreover, the potential reliance of third-party data in advancing the valuation of assets in wealth taxation would necessitate more exchange of data in not only

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57 J Kangave, "Tax Compliance of Wealthy Individuals in Rwanda" (2020) Joint Paper Between RRA and ICTD.

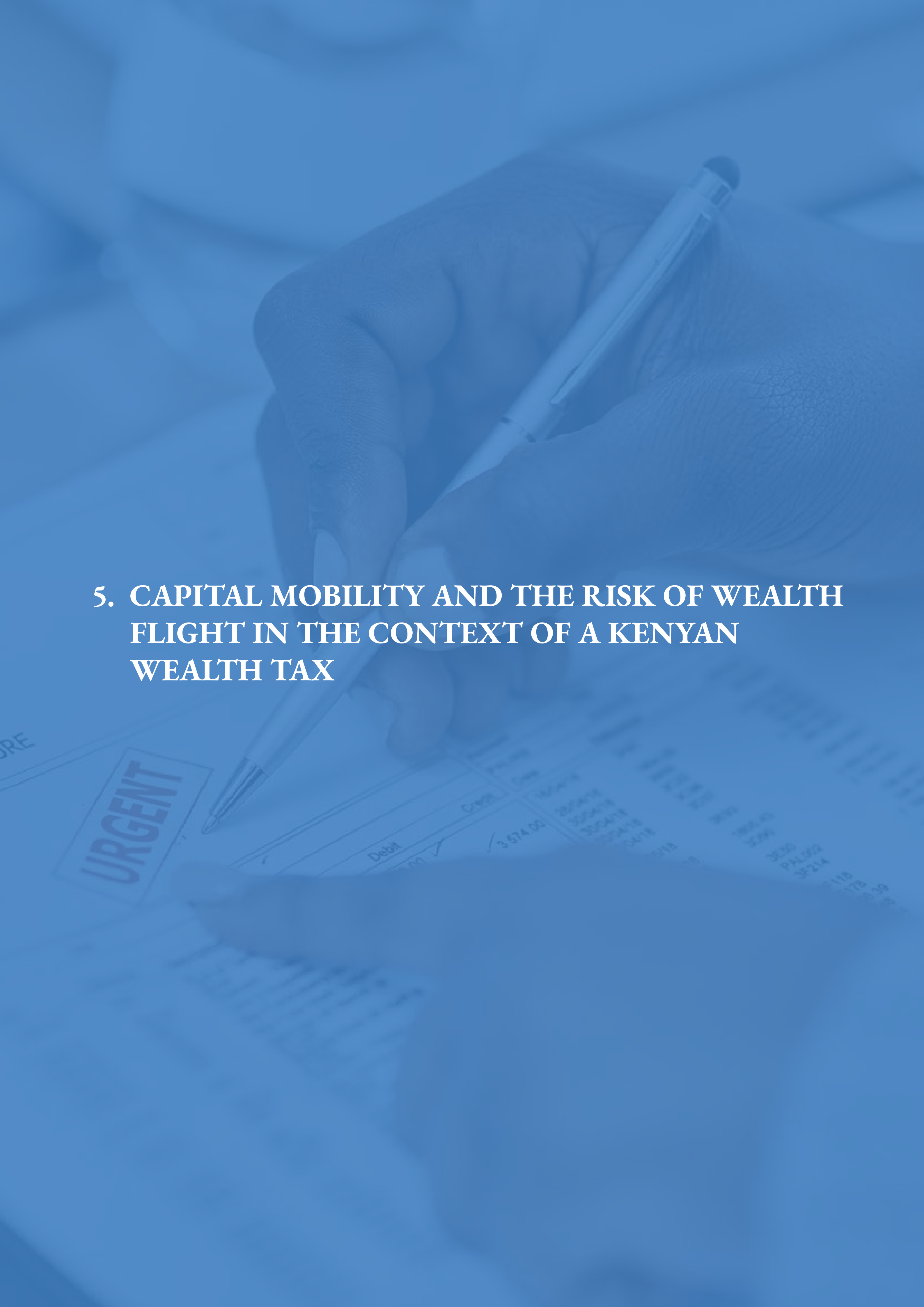
58 R Waiswa, J Kangave and Others, "What Can we Learn from the Uganda Revenue Authority's Approach to Taxing High Net Worth Individuals?" (2018) ICTD Working Paper 72.

59 Addis Tax Initiative, "Strengthening the Administration of Taxes Paid by High Net Worth Individuals, Uganda" which can be accessed at link.

identifying and enrolling new taxpayers but also enhance the monitoring of the wealthy, ultimately improving compliance.[60] However, in recent years, particularly during the 2024 and 2025 Finance Bill cycles, KRA has advanced proposals that seek to expand its access to personal and financial data, raising critical concerns about the erosion of established privacy safeguards. The 2024 Finance Bill proposed amending the Data Protection Act to exempt KRA from its provisions entirely, while the 2025 Bill sought to revise the Tax Procedures Act to permit access to sensitive information such as trade secrets and bank account details.[61] While these measures were defended by the National Treasury as necessary tools to enhance transparency and combat tax avoidance and evasion, they risk undermining Kenya's robust legal framework on data protection. This framework is founded on core principles including data minimization, purpose limitation, informed consent, and data security.

Therefore, even as Kenya shifts to wealth taxation, the Data Protection Act which sets out clear procedural safeguards for the collection, processing, storage, and sharing of personal data, safeguards must be adhered to and not diluted. This would mean not only building systems for comprehensive data collection but also demonstrating capacity for data stewardship by securing this information against breaches and ensuring it is used strictly for lawful, proportionate, and transparent purposes. Furthermore, any expansion of the KRA's powers must be guided by legislation or guidelines that complement the Data Protection Act and clearly delineate its data access limits, embed judicial or independent oversight, and offer redress mechanisms for affected individuals in cases of data misuse or breach. Ultimately, public trust is the cornerstone of an effective wealth tax regime, and this trust can only be earned if taxpayers, especially high-net-worth individuals, are confident that their data will not be exploited or exposed.

60 Lucia Rossel and Fabrizio Santoro, "Broadening the Tax Horizon Through Information: The Power of Third-Party Data For African Tax Administrations" (2024) ICTD Blogs.
61 Finance Bill 2024 Clause 63; Finance Bill 2025 clause 52.



5. CAPITAL MOBILITY AND THE RISK OF WEALTH FLIGHT IN THE CONTEXT OF A KENYAN WEALTH TAX

5.1 Kenya's Capital Dilemma: Domestic Growth Needs Capital, But the Wealthy Prefer to Hold Assets Overseas

To develop, Kenya urgently needs to attract and retain private investment.[62] However, the introduction of a net wealth tax, while potentially redistributive, poses significant implementation risks within Kenya's current institutional and economic context, particularly due to weak safeguards against capital and wealth flight. HNWIs in Kenya frequently hold substantial portions of their wealth in offshore jurisdictions, which significantly impairs the capacity of domestic tax authorities to accurately assess and tax wealth. The Pandora Papers and other global financial leaks have exposed the extent to which members of Kenya's political and business elite exploit international financial secrecy jurisdictions to obscure ownership, conceal wealth, and evade scrutiny. These revelations highlight not only the technical complexity of taxing mobile capital but also the political and regulatory vulnerability that facilitates such practices. Moreover, the opacity surrounding cross-border financial transfers and asset holdings compounds the difficulty of identifying and valuing offshore wealth, raising serious questions about the practical enforceability of a wealth tax.[63] In this context, any proposal to implement a wealth tax must be accompanied by substantial investment in transparency frameworks including wealth declaration for public servants, international cooperation on information exchange, and the political will to challenge elite interests. Without addressing these gaps, a wealth tax may not only prove ineffective but may also accelerate capital flight, undermine investor confidence and further lead to slower growth in the economy.

5.2 Globally, Capital Mobility is Still a Challenge Especially in the Context of Wealth Taxes

Globally, capital mobility has consistently posed a challenge to wealth tax regimes, especially in jurisdictions without harmonized regional tax systems. Spain, for instance, experienced notable internal capital migration following the imposition of a solidarity wealth tax, with many wealthy individuals relocating to Madrid, a region with more favourable tax rules.[64] Meanwhile, countries like Norway, despite maintaining active net wealth taxes, have sought to mitigate this challenge through strict reporting requirements for foreign-held assets and participation in global information-sharing frameworks.[65]

The OECD's Common Reporting Standard (CRS) has emerged as a cornerstone of global efforts to address capital mobility. Through the automatic exchange of financial account information among participating countries, the CRS has enhanced transparency and constrained the ability of taxpayers to hide assets abroad.[66] The Global Forum on Transparency and Exchange of Information for Tax Purposes highlights that the Global Forum Members have reported success through the identification of EUR 126 billion of additional revenue in the 2009-2022 period through offshore tax investigations and use of data received automatically through the CRS. This includes EUR 1.69 billion in additional revenue in Africa, EUR 278 billion in Latin America and EUR 20.1 billion in Asia.[67] For countries like Kenya, aligning with such international frameworks presents a critical opportunity to reduce tax evasion risks associated with offshore wealth. Additionally, effective implementation of the OECD's Base Erosion and Profit Shifting (BEPS) recommendations can strengthen domestic fiscal regimes and reduce leakages through aggressive tax planning and profit shifting by the wealthy.

5.3 Key Points on Capital Mobility for Kenya in its Shift to a Wealth Tax

For Kenya, introducing a wealth tax without first addressing the issue of capital flight would be premature and likely counterproductive. The country must first develop a robust asset registry and enforce compulsory disclosure of foreign-held wealth, particularly for politically exposed persons (PEPs) and HNWIs. Furthermore, diplomatic and regulatory efforts to join and fully operationalize the OECD's automatic exchange frameworks would ensure that Kenya can detect and trace wealth movements in real time. In parallel, tax policy

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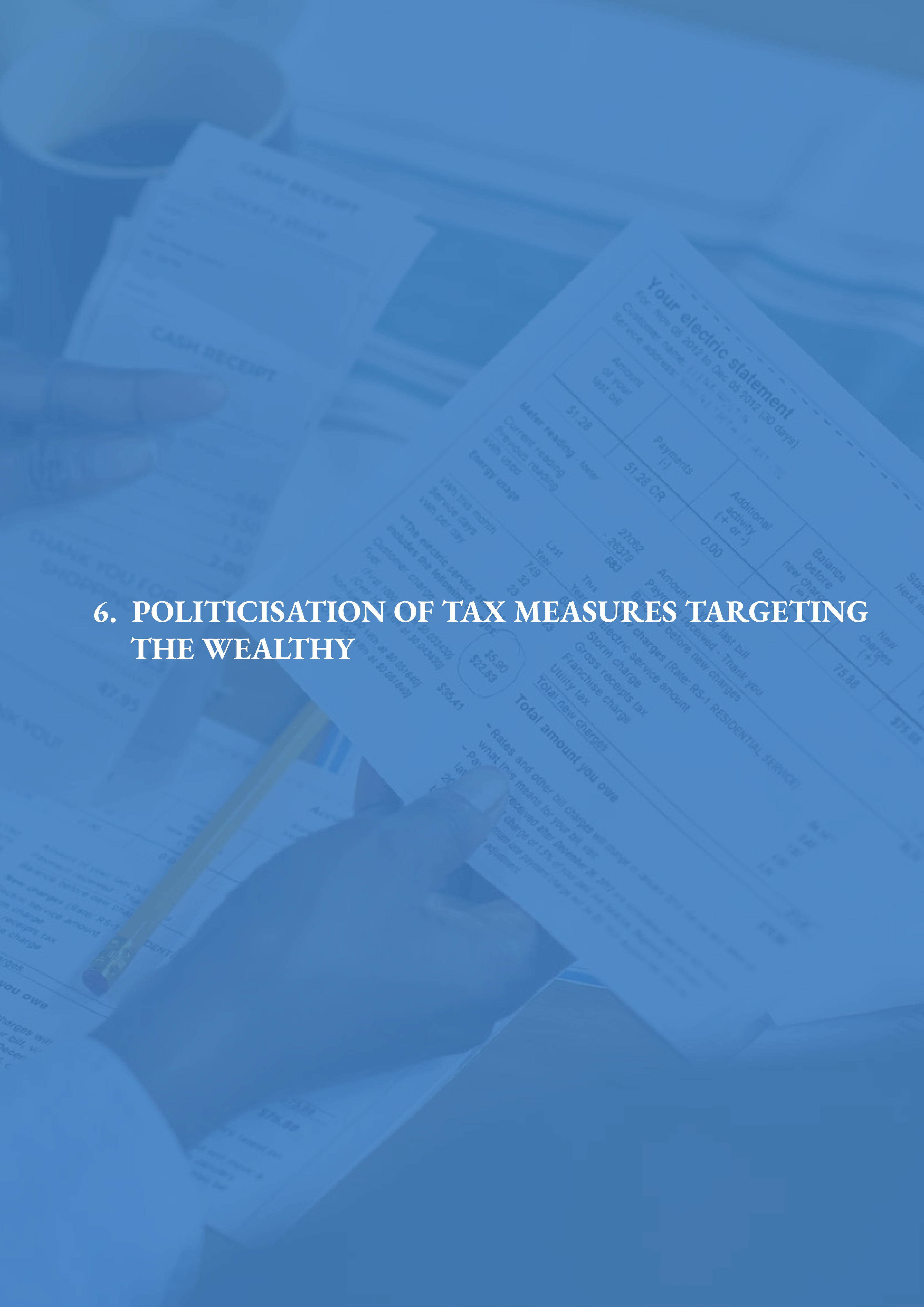
[62] Institute of Public Finance, "Annual National Shadow Budget FY 2025/2026: Recalibrating Budget Performance in the Face of Fiscals Constraints" (2025) pg 3.
[63] Odd-Helge Fjeldstad and Others, "Lifting the Veil of Secrecy: Perspectives of International Taxation and Capital Flight from Africa" (2017) Norway.
[64] Wealth Tax Commission, "Wealth Tax: Spain" Alonso Ramallo (author) (London School of Economics and Political Science, UK Economic and Social Council Research; Atlantic Fellows; Cage; The University of Warwick) pg 3, 7.
[65] Thor O. Thoresen et al, "A Wealth Tax at Work" (2021).
[66] OECD, "The Role and Design of Net Wealth Taxes in the OECD," (2018) OECD Tax Policy Studies, No. 26, OECD Publishing, Paris.
[67] Global Forum on Transparency and Exchange of Information for Tax Purposes, "Enabling Global Progress in Tax Transparency: 2024 Global Forum Capacity Building Report" (2024) OECD.

design should focus on setting sufficiently high wealth thresholds and reasonable rates to reduce the incentive for capital relocation, ensuring the tax targets only the HNWIs with minimal economic distortion.

Strengthening asset disclosure and addressing offshore wealth are critical for Kenya's efforts to reduce base erosion, profit shifting, and capital flight. While Kenya has taken a step in tackling tax avoidance by large multinational corporations, notably through the recent Tax Laws (Amendment) Act, 2024, which introduced a minimum top-up tax targeting profit-shifting practices, gaps remain in regulating the offshore wealth of HNWIs.[68] To enhance transparency and ensure a fair tax base, Kenya should establish stronger legal and policy commitments requiring all citizens, including the wealthy, to declare assets held both domestically and in offshore accounts or trusts, especially during the filing of returns. If a wealth tax is introduced, Kenya could draw valuable lessons from Norway and Switzerland, where foreign-held assets are systematically included in wealth tax calculations. Importantly, these reforms must be accompanied by robust data protection measures. Despite having a Data Protection Act and regulations in place, Kenya must strengthen its legal and policy safeguards to ensure that wealthy individuals feel secure when disclosing sensitive financial information to KRA, thereby reducing fears of data breaches or government control and supporting efforts to curb capital mobility.

[68] Tax Laws Amendment Act 2024 s 6.



6. POLITICISATION OF TAX MEASURES TARGETING THE WEALTHY

6.1 Kenya's Taxation Framework is Shaped by Political Dynamic and Elites

In Kenya, the taxation of wealth is heavily political, particularly when it targets HNWIs, many of whom occupy or influence powerful positions within the state. This elite entrenchment has led to frequent political interference in tax policy and administration. For instance, with the entry of Moi into the government, Kenya was suffering from various external and internal economic shocks that saw the introduction of new tax measures such as VAT. However, even with such tax measures, exemptions were still accorded to the politically connected through deal-making.[69] In fact, the IMF in 2003 noted that the large contribution to declining revenue growth was due to tax exemptions made by political elites and that the threat of their removal became a useful tool for encouraging loyalty.[70] Even during periods like the Kibaki era, when KRA enjoyed relative autonomy, its capacity to act independently was consistently undermined by political actors who viewed taxation not as a developmental tool but as an instrument of patronage and control especially after the dissolution of the NARC coalition.[71]

Attempts to strengthen wealth taxation, such as eliminating tax exemptions or introducing net wealth taxes, have repeatedly been obstructed by well-connected elites seeking to shield their assets or secure financing for political campaigns. For instance, a capital gains tax in Kenya was introduced in 1975 but later suspended in 1985 with the aim of boosting the mining sector. However, as Tyce notes, these exemptions coincided with an era of extensive discretionary tax exemptions, often granted through informal deal-making with political allies, highlighting the deep entanglement between fiscal policy and elite patronage networks.[72] The CGT was reintroduced under the Finance Act, 2014 at a modest rate of 5% per transaction, ostensibly as part of a broader effort to expand the tax base. Subsequent attempts to increase the rate, first to 12.5% in the 2019 Finance Bill, were opposed by the corporate sector, while a later increment to 15%, enacted through the Finance Act, 2022, triggered significant pushback from political elites.[73] Nonetheless, the policy gained traction under the post-COVID-19 fiscal recovery agenda of the administration, which sought to enhance domestic revenue mobilisation. These episodes underscore how entrenched elite interests continue to exert considerable influence over Kenya's fiscal architecture, ultimately curtailing the scope for implementing equitable and progressive tax reforms.

Jason Lakin's review of the literature on the politics of tax reform further deepens this critique by distinguishing between the instrumental and structural power of business and wealthy elites in shaping tax policy. Instrumental power is exercised through direct lobbying and political pressure, while structural power manifests in subtler forms, such as the implied threat of capital flight or disinvestment.[74] These actors often resist reforms that introduce net wealth taxes or enhance audit enforcement, preferring instead tax regimes that prioritize predictability and administrative simplicity. Lakin also underscores that resistance to equity-enhancing reforms is not confined to the private sector; it often emanates from within the tax administration itself. Revenue authorities may resist complex reforms, not out of ideological opposition to equity, but due to institutional incentives that favour ease of administration and revenue maximization. Consequently, even when reform proposals are technically sound and socially justified, they may falter due to political contestation and bureaucratic inertia. These dynamics expose the deeply political nature of tax reform in Kenya, where efforts to advance equity routinely clash with the entrenched interests of elite actors and technocratic conservatism. [75]

Recently, public resistance to new taxation measures in Kenya has reached a historic high, as seen during the 2024 anti-Finance Bill protests. Citizens took to the streets in unprecedented numbers, protesting what they perceived as unjust and poorly justified tax policies. Although a wealth tax would theoretically target only the HNWIs, its political and public perception could easily be manipulated, especially in a nation where the wealthy often wield disproportionate influence over media, public opinion, and policymaking. Without a robust

[69] Matthew Tyce, "KRA has the Capacity, but it is Kept on a Tight Leash: The Politics of Tax Administration and Policy in Kenya" (2020) ESID Working Paper No.159 p 9.
[70] Tyce (Ibid n 69) p 11.
[71] Tyce (Ibid n 69) p 18.
[72] Tyce (Ibid n 69).
[73] See R Jalipa and E Muendo, "The Kenya Fair Tax Monitor" (2022) pg 19; Dominic Omondi, "Tycoons Fight KRA Over Shares, Land Transfer Tax" (2025) Business Daily.
[74] Fairfield, Tasha. 2010. "Business Power and Tax Reform: Taxing Income and Profits in Chile and Argentina. Latin American Politics and Society." Latin American Politics and Society 52 (2): 37–71. https://doi.org/10.1111/j.1548-2456.2010.00081.x ; Bates, Robert H., and Donald da Hsiang Lien. 1985. "A Note on Taxation, Development, and Representative Government." Politics & Society 14 (1): 53–70. https://doi.org/10.1177/003232928501400102.
[75] See J Lakin, "The Politics of Tax Reform in Low and Middle Income Come Countries: A Literature Review" (2020) International Budget Partnership.

communication strategy and credible fiscal justification, even taxes designed to promote equity risk becoming casualties of public skepticism and elite-driven misinformation campaigns.

6.2 Although Wealth Taxation is Highly Politicized Globally, Positive Political Engagement Has Driven Success in Some Countries

The politicisation of wealth taxation is not unique to Kenya. In France, President Emmanuel Macron's decision to replace France's broad-based net wealth tax with a more limited levy on real estate was rooted in his administration's belief that the original tax discouraged investment and capital retention. This shift occurred even though survey findings showed that 70% of the French public considered the original tax fair. Moreover, households earning over €40,000 annually were 47% more likely to view the tax as unfair, indicating that the reform was more closely aligned with the preferences of higher-income groups than with the broader majority's support for wealth taxation.[76] In Nigeria, elite capture and political patronage have likewise weakened wealth tax enforcement, particularly in Nigeria where governors in various States have shielded affluent leaders and allies from scrutiny on matters of wealth taxation.[77] Moreover, in both Rwanda and Uganda, the intersection between wealth and political influence is identified by scholars as a significant obstacle to effectively taxing high-net-worth individuals. Although legal frameworks exist to target the wealthy, their enforcement has often been inconsistent, reflecting a tendency to shield politically connected elites from taxation.[78]

Globally, growing political support and coalition-building among the wealthy and policymakers have begun to reshape conversations around wealth taxation. During the 54th Annual Meeting of the World Economic Forum in Davos, over 260 millionaires and billionaires from the United States issued a public letter titled *"Proud to Pay More"*, calling on global leaders to adopt more progressive taxation of the ultra-wealthy, a gesture that further legitimises the global momentum for wealth taxation.[79] However, experts from ICTD working both in Uganda and Sierra Leone on taxing HNWIS, caution that such political alignment may be harder to achieve in many African countries. This is because despite HNWI's public visibility, they often evade taxation by concealing wealth in offshore jurisdictions and leveraging political connections to secure informal tax deals.[80]

Nevertheless, efforts to change this narrative are emerging. In Uganda, for instance, the URA made significant progress in engaging HNWIs by adopting a "soft approach" centred on building trust, promoting patriotism, and fostering voluntary compliance. With high-level support from senior URA officials, the strategy departed from traditional enforcement-heavy models and instead prioritised relationship-building, taxpayer education, and capacity development. This case highlights the importance of creating politically enabling environments and rethinking engagement strategies to improve compliance among the wealthy, particularly in countries where elite capture and opaque financial practices have long hindered equitable taxation.[81]

6.3 Key Points on the Politicisation of Wealth Taxation in Kenya

The successful implementation of a wealth tax in Kenya must contend with the country's institutional fragility, particularly the challenges posed by entrenched political patronage and weak compliance structures. Without addressing these political dynamics, a wealth tax risks losing public legitimacy and may ultimately prove unsustainable. If the tax is perceived as selectively targeting political opponents or shielding elites with political influence, it could provoke widespread public resistance, undermine trust in fiscal institutions, and invite legal challenges.

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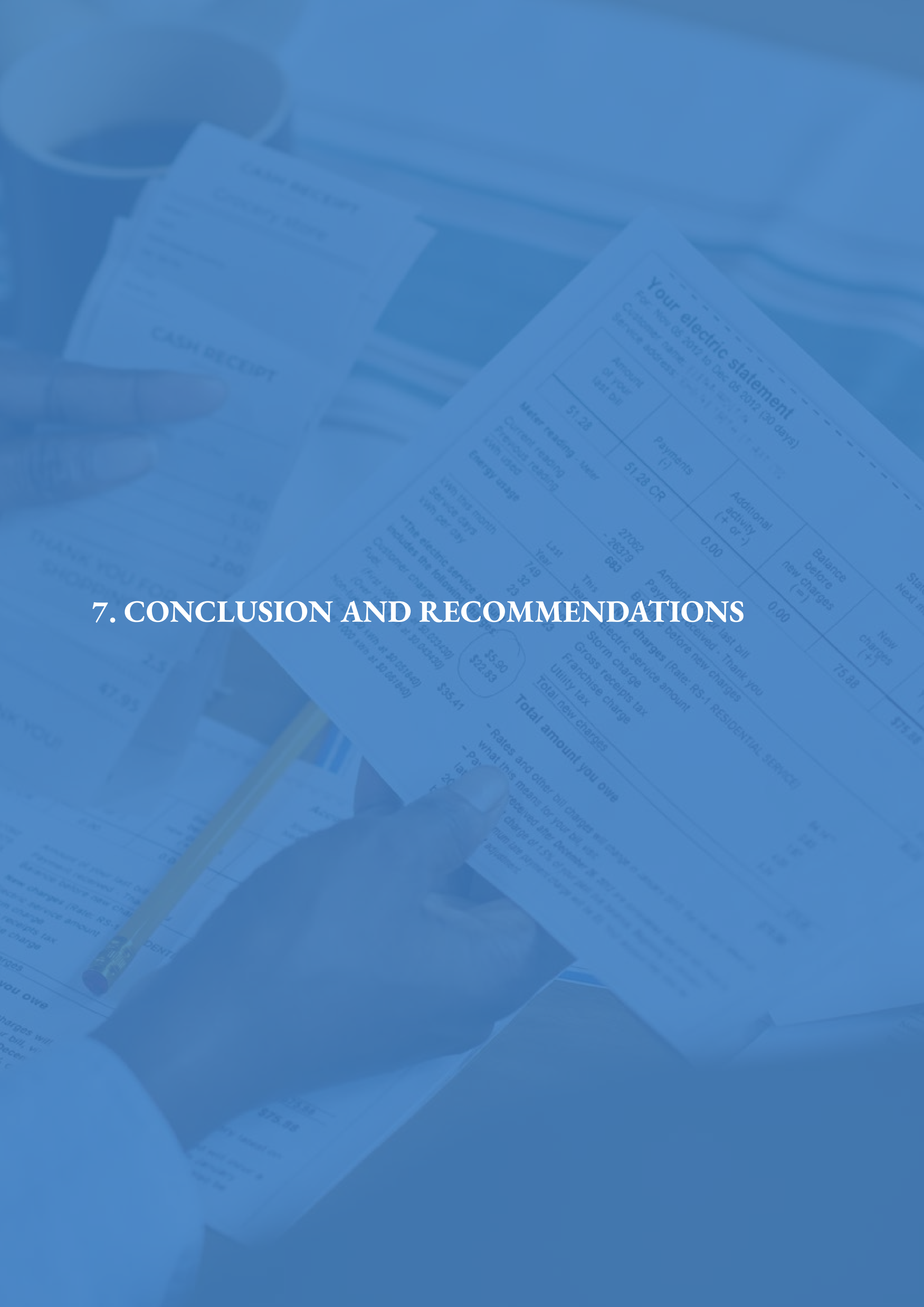
[76] E Clark and Others, "The Political Economy of the Abolition of Wealth Taxes in the OECD" Wealth Tax Commission Background Paper no. 123.
[77] G Occhiali, G Kangave, & Khan H, "Taxing High-Net-Worth Individuals in Nigeria: Challenges and Opportunities for Policy Makers from a Preliminary Investigation" (2025) Development Policy Review ICTD; G Occhiali, G Mascagni and others, "Taxing the Wealthy in Lower-Income Countries: Why it's Important, and How to Do it" (January 2025) ICTD Policy Brief No 14.
[78] Tyce (Ibid n 69).
[79] To access the letter, see https://proudtopaymore.org/
[80] G Mascagni, M Magwape, J Kangave and W Prichard, "High Net Worth Individuals Calling to Be Taxes More at World Economic Forum, but How Does This Work in Practice?" (25th January 2024) ICTD.
[81] J Kangave and Others, "What can we Learn from the Uganda revenue Authority's Approach to Taxing High Net Worth Individuals?" (2018) ICTD Working Paper.

To mitigate these risks, Kenya can draw lessons from jurisdictions that have navigated the political complexities of wealth taxation. Periods of political transition or economic crisis can present valuable policy windows for reform. The global revival of wealth tax debates during the COVID-19 pandemic underscores how moments of crisis can shift public discourse and make such proposals more politically acceptable. Moreover, adopting the "soft approach" by securing high-level political and institutional support, as demonstrated by senior leadership in URA and the adoption of a relationship building approach with HNWIs would be crucial in legitimizing efforts and signalling a commitment to equity in taxation. This would include for instance enhancing the capacity building of the wealthy on wealth taxes and issuing them pre-filled tax returns to simplify compliance. In this context, any attempt to introduce a wealth tax in Kenya must be underpinned by strong political support and accompanied by a transparent, inclusive public dialogue.

Civic actors in particular must adopt a more proactive and strategic role in shaping the national tax agenda, moving beyond reactive opposition to sustained, issue-driven advocacy. Moments of fiscal crisis, when governments are more amenable to reform, present critical opportunities for these actors to exert meaningful influence on the politics of taxation. To help ensure that wealth taxation is not only technically sound but also politically viable, civil society actor can mobilise public opinion and frame tax justice in relatable terms such as wealth taxation not being a punishment but an investment in Kenya's equitable future. Moreover, the current challenge of limited expertise on wealth taxation within civil society, which constrains effective engagement can be remedied through strong and coordinated coalitions that bring together the civic actors with regional networks such as Tax Justice Network Africa (TJNA), the East Africa Tax and Governance Network (EATGN) and the African Tax Administration Forum (ATAF). Such collaboration would unite think tanks, academics, professional bodies and pro-reform business leaders to counter elite lobbying that often dilutes progressive tax proposals. Moreover, such a coalition would ensure engagement with revenue policy makers at a technical level using evidence-based advocacy for the development of practical policy alternatives that advance equitable and well-designed wealth taxation frameworks.



7. CONCLUSION AND RECOMMENDATIONS

A well-designed wealth tax holds considerable potential to promote economic justice in Kenya by addressing the widening gap between the richest and the indigent. However, global experience offers a sobering reality: wealth taxes are easy to justify in theory but difficult to sustain in practice. Countries such as Germany have repealed wealth taxes after courts found them unconstitutional. In India, administrative inefficiencies rendered them fiscally impractical, while in France, political backlash from elite interests led to their dilution. These examples underscore the importance of designing a wealth tax that is not just principled, but also pragmatic, strategic, and responsive to context.

For Kenya, the conversation around a wealth tax must begin with a candid acknowledgment of the weaknesses in its current tax system, from poor design and structure of new modes of taxes, weak enforcement and compliance data systems to high levels of public distrust and elite influence. Introducing a wealth tax in such an environment requires more than just a legal enactment, but also demands political courage, institutional readiness, and genuine public engagement.

Therefore, the paper does not call for the immediate introduction of a wealth tax. Instead, it recommends a sequenced reform approach, beginning with foundational measures that strengthen Kenya's administrative, legal and institutional capacity and culminating in the eventual design of an equitable and enforceable wealth tax once those conditions are met.

A. Foundational Reforms (Preconditions Before Establishing a Wealth Tax)

To start with, Kenya cannot tax what it cannot see. Before implementing a wealth tax, the country must first invest in the following foundational measures which are low hanging fruits essential to establishing the systems and structures necessary for the effective taxation of wealth:

1. **Kenya should prioritize the establishment of a centralised and comprehensive wealth database that captures granular information on various asset classes and ownership structures.** This should include data on owners of real property, rental income and mortgage obligations, cryptocurrency and digital assets, securities such as stocks, bonds, and mutual funds, as well as domestic and foreign bank account balances. It should also encompass beneficial ownership information, including trusts and nominee arrangements. To ensure effectiveness, this database must be seamlessly integrated across key institutional registries, such as the Lands Registry, Companies Registry, KRA, and financial reporting institutions, to enable data harmonization, verification, and real-time cross-referencing. Such integration would form the evidentiary foundation for wealth assessment and facilitate efficient enforcement and administration of wealth taxation.

2. **Kenya should also invest in the development of protocols and mechanisms for cross-border data exchange, aligning with the OECD's CRS.** This would enhance transparency by enabling the automatic exchange of financial account information with other jurisdictions, thereby reducing opportunities for offshore tax evasion and undisclosed asset holdings abroad.

3. **Introducing a voluntary disclosure programme could play a crucial role in encouraging taxpayers to self-declare their assets before the commencement of wealth taxation.** Such programmes enhance administrative legitimacy, improve compliance levels, and build trust between taxpayers and the revenue authority by offering limited amnesty or reduced penalties for early disclosure. To reinforce voluntary compliance, Kenya may draw lessons from Uganda and Rwanda, where soft enforcement strategies, such as compliance education, moral persuasion, and recognition programmes for compliant wealthy individuals, have proven effective. These approaches can complement traditional enforcement mechanisms by fostering a culture of transparency and responsible wealth declaration.

4. **KRA must ensure that all data collected under the wealth taxation framework adheres to constitutional guarantees of privacy and complies with the Data Protection Act, 2019.** This requires implementing data privacy policies that adhere to the principles of data minimization, secure data storage, encryption protocols, and clearly defined access and usage parameters. Transparent oversight mechanisms should also be established to maintain public confidence in the administration of wealth-related data.

5. **As Kenya gradually builds its administrative and data infrastructure, it should concurrently undertake incremental reforms to existing wealth-related taxes.** A practical starting point would be the harmonization of CGT rates with the prevailing corporate income tax rate of 30%. This would represent an immediately implementable step towards laying the groundwork for the eventual introduction of a comprehensive wealth tax.

6. **Civic actors must also be at the forefront in terms of shaping the national tax agenda on the adoption of a wealth tax through proactive advocacy on the significance of a wealth tax in the redistribution of wealth inequality.** Moreover, effective engagement by the civic actors can be harnessed through strong and coordinated coalitions that bring together the civic actors with regional networks such as TJNA, EATGN and ATAF. Such collaboration would unite think tanks, academics, professional bodies and pro-reform business leaders to counter elite lobbying that often dilutes progressive tax proposal and ensure technical level engagement using evidence-based advocacy.

B. Future Design Considerations (Once the Preconditions are met)

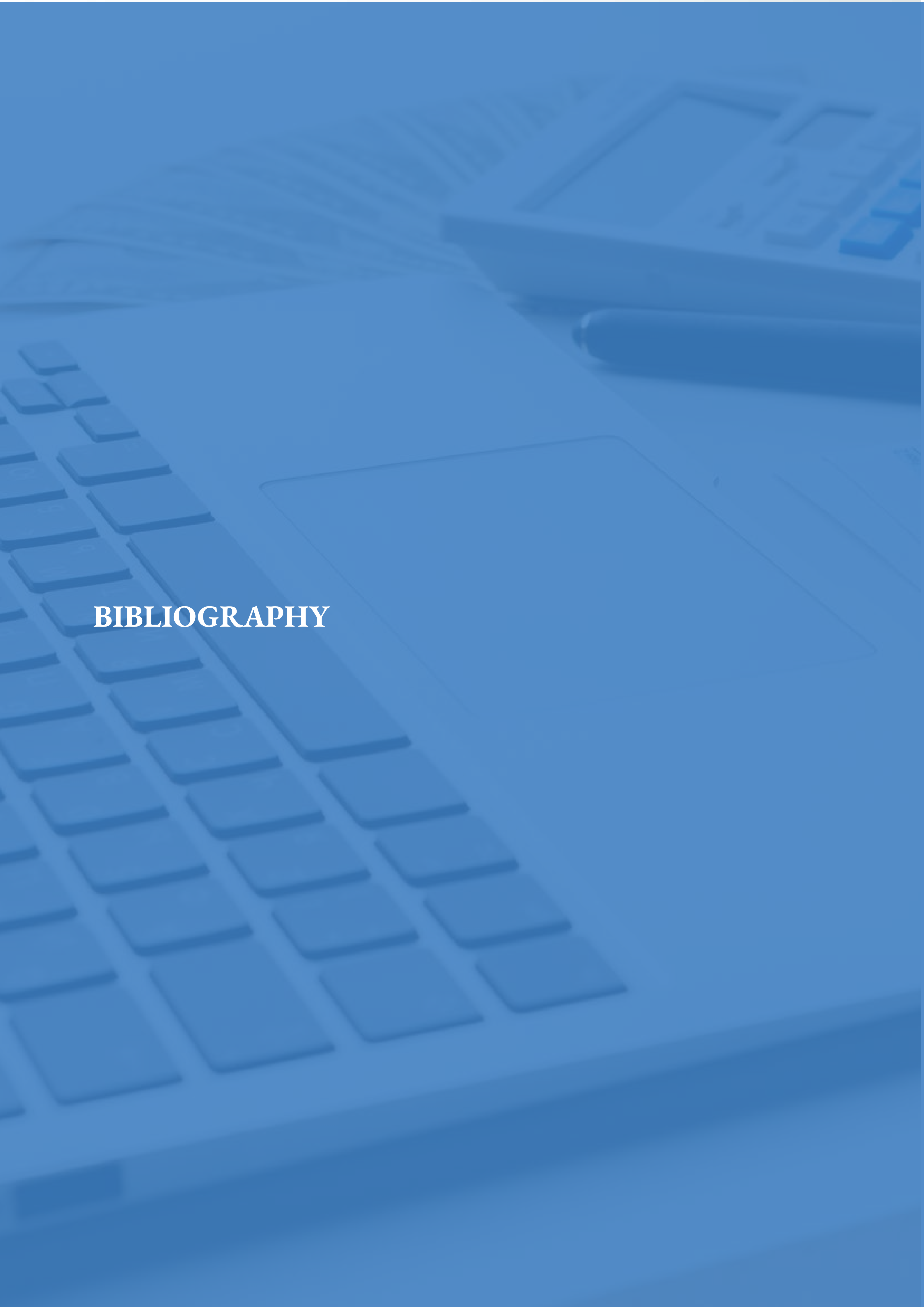
1. **Any future wealth tax must be grounded in a clear and enforceable legal framework that defines the tax base with precision.** This includes a comprehensive delineation of taxable assets as well as the liabilities to be deducted in computing net wealth. Given the existence of other forms of wealth-related taxation, such as capital gains tax, stamp duty, and land rates, any taxes already paid on such assets should be factored into the net liability to avoid duplication and ensure fairness. The tax should be designed to exclusively target the wealthy by establishing a sufficiently high exemption threshold, beginning at approximately KES 129 million (equivalent to USD 1 million), to exclude the middle class and small asset holders. To enhance compliance and minimise capital flight, the rate structure should remain modest, ranging between 0.01% and 3.5%, and be progressively applied. Furthermore, exemptions must be narrowly tailored to shield essential and productive assets. The wealth tax should also be implemented not as a one-off tax measure but rather with long-term sunset clauses and performance indicators, until national inequality levels decline.

2. **A successful wealth tax must be designed to prevent large-scale capital flight.** This includes requiring declarations of offshore assets and aligning domestic tax rules with international transparency standards. Without such safeguards, Kenya risks undermining its own investment climate and incentivizing avoidance. Moreover, the opacity surrounding cross-border financial transfers and asset holdings compounds the difficulty of identifying and valuing offshore wealth, raising serious questions about the practical enforceability of a wealth tax.[82] In this context, any proposal to implement a wealth tax must be accompanied by substantial investment in transparency frameworks including wealth declaration for public servants, international cooperation on information exchange, and the political will to challenge elite interests. Without addressing these gaps, a wealth tax may not only prove ineffective but may also accelerate capital flight, undermine investor confidence and further lead to slower growth in the economy.

3. **For a wealth tax to gain public legitimacy, it must be seen to work for the people.** Revenue from such a tax should be transparently earmarked for redistributive priorities that matter, like universal health coverage, quality public education, and social protection. Additionally, meaningful dialogue and accountability mechanisms must be established to resist elite capture of the tax system.

The implementation of a fair and effective wealth tax in Kenya is not beyond reach, and neither is it a utopian idea. However, realising this vision will demand more as it will require deliberate policy design, institutional reform, and the political courage to prioritise the common good. Only then can Kenya begin to close its wealth gap and build a truly inclusive and just society. In the meantime, Kenya should strengthen existing forms of wealth taxes as it works towards building the right systems for wealth tax.

[82] Odd-Helge Fjeldstad and Others, "Lifting the Veil of Secrecy: Perspectives of International Taxation and Capital Flight from Africa" (2017) Norway.



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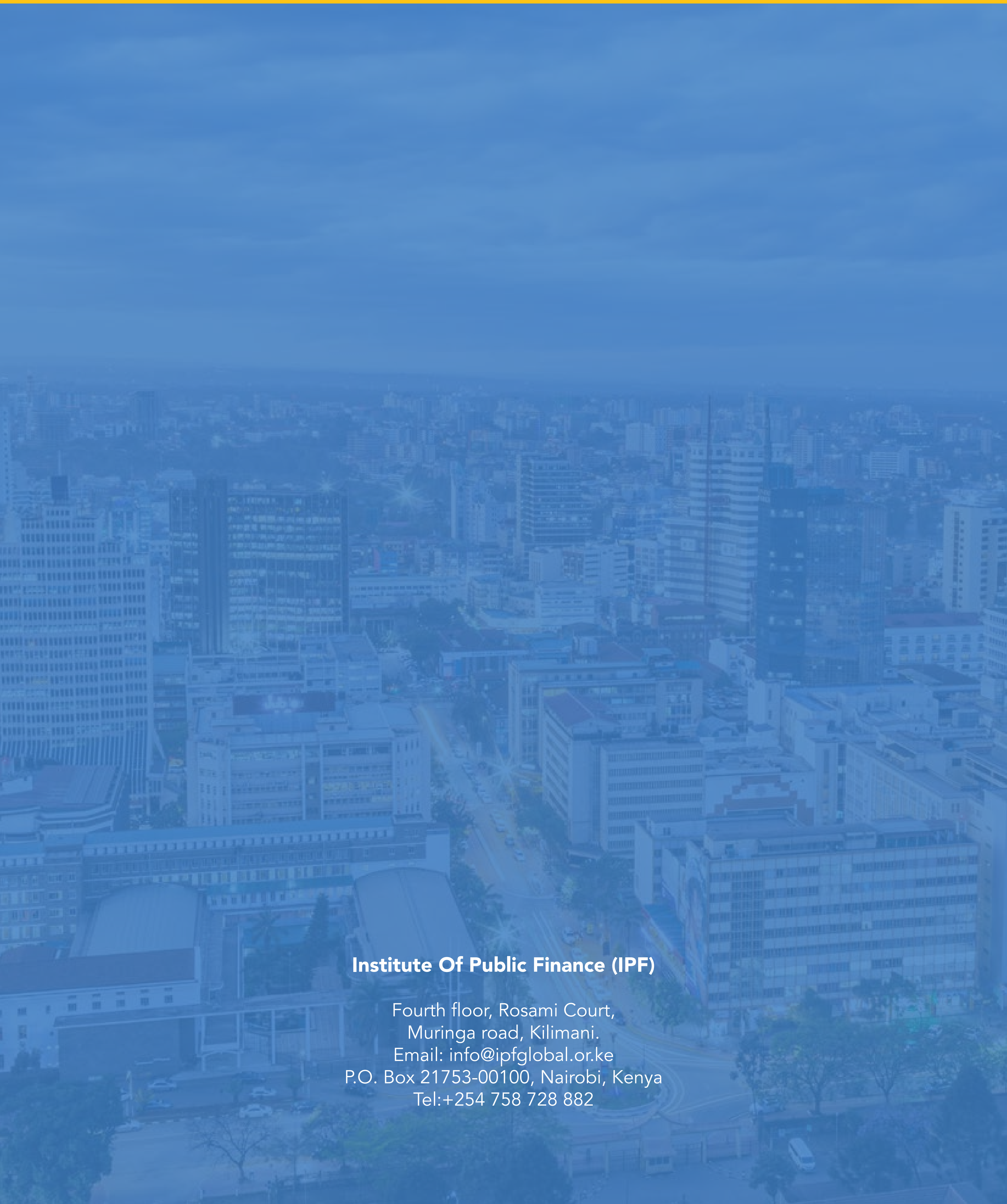

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