STUDY SUMMARY

Presumptive Taxation, Liquidity Constraints, and Tax Compliance in Kenya

Tax evasion generates significant losses in government revenues and distortions in a country's economic activities. Evasion is of particular concern in developing countries, where the share of the informal economy is typically larger and the government has limited sources of information. Over the last decade, an increasing number of revenue authorities around the world have started collaborating with academic researchers to rigorously evaluate initiatives aimed at increasing tax revenue.

Policy Issue

Evaluation Context

For this pilot project, IPA collaborated with the Kenya Revenue Authority (KRA), one of the most innovative and respected tax authorities in Sub-Saharan Africa. The project is aimed at exploiting opportunities to raise tax revenue based on the availability of third-party data and insights from economic theory. The two major areas covered by the project are taxation of real estate rental income and value added tax (VAT) compliance for small firms. Real estate taxation and VAT compliance are topics that span well beyond the specific study setting, potentially making the study findings relevant for tax authorities throughout the developing world. In addition, the strong partnership with KRA ensures that, should any of the proposed interventions be particularly effective in raising tax revenues, there would be high potential to scale them up nationwide.

Note: This research project is a pilot study designed to inform a potential a full randomized evaluation.

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COUNTRY
Kenya

PARTNER

PROGRAM AREA
Small and Medium Enterprises

TOPICS
Access to Finance, Community Participation

TIMELINE
2015-2016

Details of the Intervention

Results and Policy Lessons

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