

How a 5% PAYE Cut Expands The Economy, Creates Jobs and Increases Tax Revenue

ECONOMIC IMPACT

A uniform 5% reduction in PAYE across all income bands will

Release
KES 28.1 BILLION
into the economy annually

↓
Generate
KES 42 BILLION
in immediate GDP output

↓
Support
36,000+
new jobs annually

↓
Unlock
KES 140 BILLION
in formal lending capacity

↓
Generate
KES 27.1 – 31.5 BILLION
in additional tax revenues
recovering revenue loss caused
by PAYE reduction in the first year

HIGHER TAKE HOME = STRONGER ECONOMY

- 👤 Increased household spending
- 👤 Higher demand for goods & services
- 👤 SME growth and manufacturing expansion
- 👤 Improved savings and investment
- 👤 Stronger credit uptake and lending activity

Cycle Outcome:

- 👤 Increased consumption
- 👤 Increased production
- 👤 Business expansion
- 👤 More jobs
- 👤 Higher tax revenues

RESTORATION OF PURCHASING POWER

Kenyan workers face rising statutory deductions:

- 📉 PAYE up to **35%**
- 🏠 Affordable Housing Levy: **1.5%**
- 👤 SHIF: **2.75%**
- 👤 Increased NSSF contributions

Result

Real incomes declined by 10.7%
– 12% over 5 years

NATIONAL TAX POLICY ALIGNMENT

Individuals should not be taxed higher than corporations

Current reality:

- 👤 Companies: **30% corporate tax**
- 👤 Individuals: **35% top PAYE rate**

A 5% PAYE cut aligns personal tax with policy intent (**35% to 30%**)

JOBS & SECTOR GROWTH IMPACT

With increased disposable income:

- 👤 SMEs expand production
- 👤 Manufacturing demand rises
- 👤 Supply chains strengthen
- 👤 Trade and services grow

Multiplier Effect:

KES 1B in SME activity → **1,300 jobs**
Estimated impact: **36,000+ new jobs** annually

REDUCED PAYSPLIT PRESSURE

- 👤 Higher disposable income improves borrowing capacity
- 👤 Reduces loan stress and default pressure

Result

KES 14B in income gains → **KES 140B** lending capacity

GOVERNMENT REVENUE EXPANSION

Lower PAYE rates

- 👤 Higher consumption increases VAT
- 👤 Business turnover rises
- 👤 Economic activity expands

Result

→ **KES 210 BILLION** GDP expansion
→ **KES 27.1 – 31.5 BILLION** additional tax revenue, recovering revenue loss caused by PAYE reduction in the first year