**REPORT ON PANEL 5 DISCUSSION: TAXING PRIVATE WEALTH BETTER**

**Panelists**: Felix Mutati, MP, Association of Chartered Certified Accountant Global Advocate, Minister of Finance (rtd.) London

Joy Ndubai, Global Tax Advisor, Action Aid, Kenya

Kwame Owino, CEO, Institute of Economic Affairs (IEA), Kenya.

**Moderator**: Josephat Shete

**Rapporteur 1:** Allan Mwaniki Maina

**Rapporteur 2**: Chido Alexander

**1.0 Introduction**

The panel opened by an introduction from the moderator, who called the participants’ attention to page 4 of the ‘Tax Justice and Poverty in Kenya’ handout which highlights the topic of discussion- taxing private wealth- at part 4 (c) (I) (i) titled, Legislation on wealth relevant taxation. The panelists were then given the chance to give their presentations.

**2.1 Joy Ndubai**

First to speak was Ms. Joy Ndubai from Action Aid, Kenya. According to Ms. Ndubai, we ought to ask the question, ‘why tax wealth?’ Wealth ought to be taxed in a bid to deal with inequality. She went further to give examples of taxes including; capital gains tax, property tax, estate duties and inheritance taxes. Ms. Ndubai was of the opinion that inheritance taxes might not be realistic in developing countries.

Further, she pointed out that the wealthy in Africa are the political elite and/or persons with connections to the top brass in political circles. The fact that these individuals have enough resources to access tax havens and engage in tax planning further begs the question, how do we tax private wealth better?

Ms. Ndubai gave an example of two countries who had tried to tax private wealth: Uganda and Colombia. In Uganda, the intended demographic was people with a ‘high net worth’. The effect of this was that it raised questions of definition; what is wealth and who is a high net worth individual? Thus there was compiled a list of 117 people who fit the aforementioned characteristics. The persons in this list were political elite and VIPs. This approach did increase the revenue collected from taxes following the sensitization of these high net worth individuals on their tax rights and obligations. Not all of them complied however.

In Colombia, the government introduced a 1% tax on the top 1% wealthiest people in Colombia. The authorities in Colombia used the data in the Panama Papers which implicated several Colombian personalities and matched data in the Panama Papers against the verification of domestic wealth. This allowed the authorities to narrow down to a group of people who are in the high net worth bracket.

Ms. Ndubai concluded her presentation by stating that compliance and availability of data are some of the biggest challenges facing private wealth taxation. She also emphasized the role data leaks- such as the Panama Papers- play in identifying the high net worth individuals and thus effecting taxes on them.

**2.2 Kwame Owino**

The second speaker was Mr. Kwame Owino, whose presentation touched on thematic areas including: land as the most common form of wealth holding in Kenya and in Africa at large. The general Kenyan populace isn’t really warm to the idea of land taxes which would serve a better purpose in reference to taxes on private wealth. Mr. Owino discussed the tax system and made several observations: first, a key characteristic of an efficient tax system is one which sets a moderate tax rate and second, one whose tax regime is quite simple. The Kenyan tax system is lacking in that, it is far too complex for the common mwananchi to comprehend and also, the tax rate is high.

Mr. Owino suggested solutions to the above stalemate as follows: it is important for there to be political consensus on land taxation. The public has to be convinced that land taxes are an option for revenue collection. However, this should be backed by results. The same applies for capital gains tax. He emphasized on the fact that he thought the marginal tax rate is too high and should instead be reduced. He concluded by introducing the idea that the high net worth individuals are far too few as to raise the tax to GDP ratio in countries like Kenya through taxing of their wealth. He was opposed to private wealth taxation on the premise that it was merely anger motivated yet the tax system is in need of a shape-up.

**2.3 Felix Mutati**

Mr. Mutati gave a complementary view of Zambia and what measures they had put in place. He stated that the politicians have not been accountable to their citizens and this has adversely affected the ability to mobilize funds for the realization of the development agenda. The problem is characterized by the fact that more money is spent paying salaries leaving very little for development. The solution to this has for the recent past been borrowing which has since proved unsustainable. Thus, this prompted the authorities in Zambia to address tax compliance in the country. This however has to deal with the reality that most citizens do not trust their institutions of governance with the taxes.

Mr. Mutati stated that the constitution in Zambia was grossly unbalanced where it raised expenditure and yet it did not actively cover resource mobilization. In reference to wealth tax, the government is at a loss since it doesn’t have the capacity to keep up with the capacities owned by the rich who can use them for tax planning. The cure for this would be capacity building for the governments and their agencies as well as the collection of credible data on the state of private wealth holding by citizens, domestically or abroad.

**3.0 Conclusion**

In conclusion, the panel was divided along the lines of ‘to tax’ or ‘not to tax’. Kwame was the main proponent of no taxing on private wealth his argument being, the tax system is yet to be fixed and the motive behind taxing the wealthy might be merely driven by ‘anger’. Joy Ndubai was pro- taxation of the private wealth but this is subject to better collection of data. According to Mr. Mutati, the issue lies in improving efficiency in tax systems and data collection.