



**REPUBLIC OF KENYA
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TREASURY CIRCULAR NO.7/2022

TO: ALL CABINET SECRETARIES

ALL ACCOUNTING OFFICERS/PRINCIPAL SECRETARIES

ALL COUNTY GOVERNORS

**ALL CHIEF EXECUTIVE OFFICERS OF STATE CORPORATIONS
AND AGENCIES**

**DEVELOPMENT OF THE NATIONAL MEDIUM-TERM REVENUE STRATEGY
(MTRS) FOR FINANCIAL YEAR 2023/24 - 2026/27**

I. PURPOSE

1. The purpose of this Circular is to inform the Government Ministries, Departments and Agencies (MDAs) and the County Governments of the Government's intention to develop a Strategy to enhance revenue mobilization to facilitate implementation of Government programmes under the Vision 2030.
2. The Strategy will be developed through a consultative process and will focus on enhancing tax compliance, broadening the tax base and improving tax administration. Therefore, this Circular is intended to invite proposals from Government MDAs and the County Governments

for the development of a Medium-Term Revenue Strategy (MTRS). Further, the Circular provides timelines and the milestones for the development of the MTRS.

II. BACKGROUND

3. Medium-term revenue strategies have been used by various countries in the world to guide tax reforms towards boosting tax revenues and improving efficiency of the tax system and tax administration.
4. MTRS has four key components, namely: tax system reforms, revenue mobilization, coordinated capacity building and sustained political commitment.
5. MTRS enables governments to have a clear view of the likely revenues for effective planning and enhances taxpayers' certainty on the applicable taxes on their investments. Commitment to reforms over the medium term helps prioritize intermediate objectives, such as increasing the number of taxpayers.
6. The National Government tax revenues as a share of GDP has been declining since the Financial Year (FY) 2013/14. The emergence of COVID-19 worsened revenue performance for the FY 2019/20 and FY 2020/21. Despite the effort to mobilize revenue, Kenya's revenue yield is still below the desired East African Community target of 25 percent of GDP. In particular, ordinary revenue as a percentage of GDP has generally been declining from a high of 18.2 percent in the FY 2013/14 to 15.2 percent in the FY 2021/22.
7. The MTRS is expected to address the declining revenue trends and entrench predictability of tax rates.
8. Two MTRS will be developed to cover the remaining period of the Vision 2030 as follows:
 - a) **The First MTRS covering FY 2023-24 to FY 2026-27; and**
 - b) **The Second MTRS covering FY 2027-28 to FY 2029-30.**
9. The development of the MTRS will be spearheaded by the National Treasury, Kenya Revenue Authority and the Office of the Attorney General.

III. OBJECTIVES OF MEDIUM-TERM REVENUE STRATEGY

10. The main objective of MTRS is to provide a comprehensive framework for guiding tax reforms for boosting revenues and improving the tax system over the medium term. The specific objectives are:
- i) Raise revenue to GDP from current 16.6 percent to 25 percent by 2030;
 - ii) Improve tax compliance from the current 70 percent to 90 percent by 2030;
 - iii) Align the tax policy objectives with other government objectives such as ease of doing business, trade policies among others; and
 - iv) Enhance collaboration between the Government MDAs, County Governments, private sector, civil society and the general public for enhancement of the domestic revenue mobilization.

IV. SCHEDULE FOR THE DEVELOPMENT OF THE FIRST MTRS

11. The development of the first MTRS will be undertaken in accordance with the following schedule:

NO.	ACTIVITIES	TIME FRAME
1.	Preparation of MTRS inputs for incorporation in the 2022 Budget Review and Outlook Paper (BROP)	12 th to 23 rd September, 2022
2.	Review of various reports on tax policy and tax administration and development of background paper on the MTRS	26 th September to 21 st October, 2022
3.	Development of zero draft MTRS	21 st to 25 th November, 2022
4.	Request for and receipt of proposals from stakeholders (including members of the public) on the zero draft MTRS.	9 th to 27 th January, 2023
5.	Consideration of proposals received from public participation/ stakeholder engagement	20 th to 24 th February, 2023
6.	Review of the draft MTRS at policy level	June 2023
7.	Preparation of a Cabinet Memorandum and approval by Cabinet Secretary, the National Treasury and Planning	July, 2023

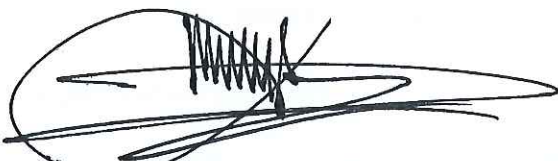
8. Submission of the draft MTRS to Cabinet for approval August, 2023
9. Sensitization of MDAs including the Departmental September, 2023
Committee of the National Assembly
10. Development of an implementation action plan, and November, 2023
monitoring and evaluation tool

V. SUBMISSION OF PROPOSALS FOR CONSIDERATION IN THE DEVELOPMENT OF THE FIRST MTRS

12. All Ministries, Government MDAs and County Governments are requested to submit proposals before 18th November, 2022 to the Principal Secretary, National Treasury and a soft copy to budgetproposals@treasury.go.ke for consideration during the development of the MTRS. The proposals submitted should be in line with the overall Government objectives to enhance revenue collection, broaden the tax base, improve tax compliance, and enhance business environment.

VI. CONCLUSION

13. All Cabinet Secretaries and Governors of the respective County Governments are required to bring the contents of this Circular to the attention of all officers working under them, including the Heads of Parastatals and Semi-Autonomous Government Agencies (SAGAs).



HON. (AMB.) UKUR YATAN, EGH
CABINET SECRETARY/THE NATIONAL TREASURY AND PLANNING

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