

TAX TALK 37: FISCAL AND SOCIAL PROTECTION POLICIES IN TIMES OF COVID -19

The world was called to the battle-field to fight a common enemy by the name of COVID-19. Kenya, like other countries, quickly armed itself to the teeth by putting in place fiscal and social protection policies to help stop the spread and cater to the welfare of the vulnerable groups, particularly those in the informal sector, during this pandemic. Social protection responses fall within fiscal responsibilities. To what extent does the informal sector benefit from the measures taken by the government of Kenya? How has the government introduced and adopted the social protection measures?

The informal sector is exposed to social protection gaps and inadequacies. The economic stimulus programs put in place by the government are unlikely to benefit those in the informal sector because they are not captured in the government systems and there are no mechanisms to reach out to them. Statistics indicate that about eighty-three (83%) of the Kenyan population operate in the informal economy, consequently, earning a meagre income.

Therefore, the informal economy suffers more in terms of economic stimulus support case in point, the government's directives requesting Kenyans to stay at home as well as the dusk to dawn curfew is adversely affecting this sector. This has increased vulnerability in terms of job losses, reduced incomes attributed to the curfew – they can only operate within the hours allowed by government.

Sanitization in areas where water is not easily available such as open markets and the transport sector, increases the risk of spreading the virus. However, since they play a vital role in the economy, how do we protect them from the risk of the spread of the virus? Can social protection measures really cushion the informal sector workers in the informal economy? Is there any evidence that the informal sectors workers are taken care of in the context of COVID-19? Are there any social protection measures put in place by the government to protect their health?

The government ought to consider alternative income replacements for vulnerable informal sector workers who cannot make ends meet. The public transport sector must be an area marked for major policy change especially during a pandemic to discuss curfew and time schedules.

Be that as it may, there is need for the informal sector workers to balance between survival needs and reducing the threat of COVID-19 and this can only be achieved by adopting social protection measures for those in the informal sector such as; health protection especially for transport sector workers, labour issues and provision of basic facilities.

A few months ago, the government introduced a raft of tax reforms with a view of bringing in the informal sector into the tax system through the introduction of the Presumptive Tax and the Turnover Tax. Currently, the Government reduced the turnover tax from 3% to 1%. A raft of other tax proposals have been fronted and legal changes such as the Income Tax Bill 2020. VAT has also been reduced by 2%, from 16% to 14%. Despite these tax reforms, the informal sector is already earning so little that the difference is negligible. In addition to this, the government has exempted individuals earning less than Kshs. 24,000/- from payment of income tax. Although this is a step in the right direction, those that earn this amount are few and are unlikely to feel the impact.

While the efforts made by the government to help stop the spread and provide a safety net for the vulnerable must be commended. It is important for us to ask whether the solution is worse than the problem itself. It is impractical for the informal sector workers to stay at home or effectively practice social distancing as their environs are not conducive enough to practice this.

In formulating such policies, the government seems to be shooting from the hip and has not taken time to understand the virus. Presently, the virus has a mortality rate of 3% which is quite low and therefore should not have caused the drastic measures taken by the government. Thus far, the government has been focused on the growing number of infections as opposed to the mortality rate. Can the virus thrive in these hot climate?

The government should also question these measures as they are not being taken seriously by the citizens. The people seem to be doing it simply to adhere to the law and not for their own good. Even with roadblocks the measures are not efficient as the citizens have found innovative ways to circumvent them. Ideally, we should all be pulling in the same direction but right now it seems to be the government versus the people.

The government should rethink its approach and borrow a leaf from other jurisdictions. Sweden for instance, opted not to lockdown the country. For many, life there has been going on as normal as they have viewed the virus as a problem to be managed, rather than

conclusively defeated. The government should have employed this approach. Local context in handling the pandemic needs to have been taken into account.

It would be unfair for to accuse the Kenyan government of adopting a wait and see approach in this fight against COVID-19. But while we applaud their efforts, it is important for us to critically analyse the measures put in place. The general feeling is that most of these measures have been borrowed from other jurisdictions whose dynamics are not similar to ours. We need a localized solution to deal with the pandemic to cushion vulnerable informal sector workers from the economic shocks, health risks and sustenance pre and post the pandemic.