

Kenya appeals court unfreezes finance law that sparked unrest

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A Kenyan appeals court on Friday, 28 July, lifted a suspension placed on a disputed government finance law that will double the value-added tax (VAT) on fuel and introduce a new housing levy - legislation that sparked deadly opposition protests this month.



File photo: William Ruto, President of Kenya, speaks during a joint press conference with Kristalina Georgieva, Managing Director of the International Monetary Fund, French President Emmanuel Macron, US Treasury Secretary Janet Yellen and World Bank President Ajay Banga at the end of the New Global Financial Pact Summit, Friday, 23 June 2023 in Paris, France. Lewis Joly/Pool via Reuters/File Photo

Under the new law, whose implementation was frozen within days of its enactment late last month, the VAT on fuel will double to 16% and workers will also face a 1.5% housing levy that will be matched by employers.

The case challenging the law was first brought to court by an opposition senator seeking a declaration that certain parts of the measure should be stopped on grounds that they are unconstitutional.

In response to the law's signing, the opposition coalition has held five protests this month, some of which descended into violent confrontations with police. More than two dozen people were killed and scores injured.

"Public interest tilts in favour of setting aside the conservatory orders by the trial judge," the appeals judges said in their ruling.

They said the lifting of the suspension may be subject to further appeals, which must be served within the next 14 days.

President William Ruto's government says the higher taxes are necessary to stabilise government finances, which have been strained by growing debt repayments and lower-than-expected growth in tax collection.

A lawyer for the Kenya Revenue Authority told the court that the suspension of the finance law was costing the government 500 million Kenyan shillings (\$3.51m) per day.

The court's decision drew opposition criticism.

"The Court of Appeal has thrown Kenyans into more suffering. Yes, the cost of living is going to increase and become unbearable for majority of Kenyans," Philip Etale, an opposition party spokesperson, wrote on the messaging platform X, formerly known as Twitter.

Fergus Kell, a researcher at London think-tank Chatham House, said the tax hikes were "unlikely to be a game changer in the short to medium term" since Kenya's fiscal problems are largely related to overspending and borrowing.

"It will take time for increased revenue generation to begin to make a dent in that fiscal deficit," he said.

(\$1 = 142.3000 Kenyan shillings)

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