

TAX AMNESTY AS A CATALYST FOR ECONOMIC SECURITY: KENYA'S EXPERIENCE FROM 2016 TO 2024

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Abstract. *This paper investigated the effect of Kenya's Tax Amnesty on Foreign Income on economic security between 2016 and 2024. The study was guided by Levi's (2012) Quasi-Compliance Theory, which explains taxpayer behaviour in terms of trust and perceived fairness. A mixed-methods approach was adopted to provide comprehensive and triangulated evidence. The study employed correlational research design, targeting Kenya Revenue Authority officers, National Treasury officials, tax policy experts, and representatives of tax associations. Qualitative data were collected through semi-structured interviews with 55 purposively selected key informants, while secondary quantitative data for 2016–2024 were obtained from the Kenya Revenue Authority, National Treasury, International Monetary Fund, and World Bank. Data were analysed using SPSS version 22, with multiple regression used to examine the relationship between tax amnesty components and economic security outcomes. The regression results showed no statistically significant association between the three tax amnesty components and real GDP growth ($R^2 = 0.053$; F -statistic $p = 0.961$). Foreign-income amnesty had a negative and insignificant coefficient ($\beta = -0.307$, $p = 0.625$), while the Voluntary Tax Disclosure Programme (VTDP) was weakly positive but insignificant ($\beta = 0.225$, $p = 0.838$), and the interest-and-penalty waiver coefficient was near zero and insignificant ($\beta = -0.038$, $p = 0.950$). Qualitative findings indicated short-term fiscal gains through taxpayer regularisation, principal tax recovery, expanded compliance, and improved transparency. However, physical repatriation of offshore assets remained limited, compliance gains were often temporary, and repeated waivers posed moral-hazard risks. The study concludes that tax amnesty supported short-term fiscal repair but showed no measurable association with broader economic security. Stronger post-amnesty monitoring and conditions linking disclosure to capital repatriation are recommended.*

Keywords: Tax Amnesty, Foreign Income, economic security, taxpayer, waivers, Small and Medium Enterprises

INTRODUCTION

Fiscal policy especially taxation continues to be a cornerstone for ensuring economic stability and protecting national security. In East Africa, the use of tax amnesty and incentives has become a strategy to broaden the tax base and incentivize informal sector to join the formal sector. The tax amnesty programmes in Kenya that were introduced in 2016, 2021 and 2023 were aimed at encouraging voluntary tax compliance, repatriation of offshore assets, and enhanced domestic revenue mobilization. However, the consequences of such actions on the long-term economic security remain an issue of debate. The analysis of the tax amnesty in Kenya is informed by a regional perspective, as it does for the rest of East Africa, which provides

important lessons for the potential impact of fiscal leniency measures on state capacity, taxpayer behaviour and economic governance in the region.

The primary objective is to encourage people and companies to join the formal tax system by providing a one-time opportunity to pay back unpaid taxes without being charged penalties at full rigidity. The world over, this has been done to increase revenue, broaden the tax base and strengthen fiscal stability in the face of rampant tax evasion and offshore wealth. For example, in Asia, there are nine countries that have introduced tax amnesty policies such as India, Indonesia, Malaysia, the Philippines and more. A review of these programmes found that for them to be effective amnesties should be infrequent and limited in duration (Ibrahim, Myrna, Irawati, & Kristiadi, 2017).

In Europe, a study of the Tuscany region in Italy found mixed results, with 1.6% of unpaid taxes being recovered under the amnesty between 2016 and 2019, and participants even more likely to fail to pay later than those not involved (Angeli et al., 2023). Similar actions have been taken in North America by the U.S. states. In 2009, for instance, Los Angeles's tax amnesty collected approximately US\$18.6 million, which is approximately US\$8.6 million more than anticipated (Kushwaha, 2020). In 2014, Australia introduced an offshore disclosure scheme that saw thousands of taxpayers come forward to report on undeclared income and assets. Other countries in Africa have implemented similar schemes, such as Nigeria and South Africa, which had their Exchange Control Amnesty in 2003 to encourage the repatriation of offshore funds to the formal sector (Kushwaha, 2020).

Tax amnesties main objectives are to increase revenue through "voluntary compliance", or by getting people to pay taxes even if they didn't before (Juanda et al., 2023). They also contribute to expanding the tax base by picking up income from the informal economy or undeclared offshore assets, as well as indicating a more cooperative government stance on compliance (Alishahdani Ibrahim et al., 2017). In some instances, amnesties also help in the return of foreign income, investment within the country, and offer temporary fiscal relief in times of budget deficits and debt service (Kushwaha, 2020).

Since the earlier reforms under the Finance Act, 2023 (KRA, 2024), the Kenya Revenue Authority (KRA) has started the Tax Amnesty Programme to address the rising tax arrears, penalties and undeclared foreign income (KRA, 2025; Ernst & Young, 2025). This programme will provide full remission of outstanding principal taxes, interest, penalties and fines for those who pay taxes by 30 June 2025 for payments due up to 31 December 2023. Early indications are that over 1.9 million taxpayers benefited from waivers of over KSh 140 billion, and billions of principal taxes were recovered (Ernst & Young, 2025). The aim of the initiative is to encourage voluntary disclosure, improve compliance and improve fiscal consolidation (KRA, 2024).

Economic security is the capacity of a government to generate necessary income, provide public services, pay debts and absorb external shocks (Organisation for Economic Co-operation and Development [OECD], 2021). Fiscal stability is jeopardized in the East African Community (EAC) by high external debts, volatile commodity prices and narrow revenue bases. For Kenya,

these problems are exacerbated by its low tax-to-GDP ratio of 16-17 % compared to the international standard of 20-25 % in other developing countries (KRA, 2023; IMF, 2024; OECD, 2020) and its high debt levels. Ensuring compliance and broadening tax base are thus key pillars in enhancing fiscal resilience and lessening the need to rely on external borrowing.

The Jakarta Post reported that the 2016 tax amnesty, known as the Voluntary Disclosure Program (VDP) in Indonesia, is still ongoing through the month of June 2022 before it ends, with the figure of Rp 594 trillion (\$38 billion) in assets disclosed, as well as Rp 61 trillion in tax revenues collected, thereby improving tax compliance rates and aiding economic recovery from the pandemic by expanding the tax base, although empirical studies show that these long-term benefits may diminish after the program if there is no proper enforcement (Fauzi et al., 2025).

Indonesia has been an area of focus for VTDP research in Asia. The study by Sumarta & Khan (2023) revealed that asset declaration and the participation of taxpayers in the voluntary disclosure programmes at the Koja Pratama Tax Service Office have increased significantly. This was consistent with the studies of Putra et al. (2023) in Bali that found a positive impact of voluntary disclosure programs and tax sanctions on individual taxpayers' compliance. The positive trend was observed in tax revenue in VDP, which was designed to provide reduced penalties for voluntary admissions, but it was not confirmed by analyses that the VDP significantly boosted tax revenue in all cases, thereby requiring the need for harmonized regulations to achieve optimal results in increasing tax revenue and fiscal security (Nugraha & Setiawan, 2025).

The IRS Streamlined Filing Compliance Procedures in the USA, which replaced the pre-2018 Offshore Voluntary Disclosure Program (OVDP), provided billions of dollars in revenue and a boost in compliance for non-willful taxpayers, as studies showed that the programs helped to attract non-compliant individuals into the tax net, while streamlining the process and reducing evasion (IRS, 2024; Bright, 2023). While the U.S. IRS' OVDP was able to sweep undeclared offshore income into the formal tax system, and longitudinal studies indicate that for the time being the OVDP is effective at its job, it seems it would not be sufficient to provide long-term economic security if it relied on voluntary disclosure alone without systemic enforcement (Slemrod & Yitzhaki, 2002).

The prevalence of VTDPs in Africa is rising, yet there is little research on them. According to SARS statistics, its VDP programme may already be collecting (through 1,475 applications) about R3,3 billion in 2023/24, and thus generating economic security by means of revenue mobilization may play a role (SARS, 2024). However, other studies reveal that these advancements rely on the good faith enforcement and taxpayer confidence in the system. South Africa has had a longstanding VDP run by the South African Revenue Service (SARS) since 2012. The VDP has helped to improve compliance, regularize defaults and assist with the disclosure of offshore assets. By means of automatic exchange of information (AEOI), it can lessen illicit flows and stabilize revenue collection as well as bolster economic security. In the past year, the VDP was successful in achieving fiscal collections of ZAR 3.3 billion (SARS, 2025; KPMG, 2016).

Work Done by Osei & Adu (2020) found that, by 2020, Voluntary Disclosure Schemes were more useful at improving compliance by taxpayers in the formal sector in Nigeria, while that of the informal sector was a small proportion. There is little evidence from Nigeria to suggest that revenues have increased following the implementation of the programs but there are still gaps in the robust evaluation of compliance multipliers or macroeconomic effects like debt reduction. More panel data and RCTs will be required to demonstrate the impact of the VTDP on fiscal resilience in Africa (Wambugu, 2024; IMF, 2022). African literature indicates that VTDPs can enhance revenue-collection capacity; however, their ability to enhance overall fiscal sustainability may be hampered by structural constraints. Experiences with VTDPs suggest positive results in terms of revenue, and taxpayer behaviour, although this is limited and often descriptive.

There has been little research done on VTDPs in East Africa, although Kenya and Uganda have implemented VTDPs. The application and outcomes of the VTDP may differ from region to region, offering lessons learnt in the implementation process and in cross-border harmonization. The VDP and other amnesties collected \$6.2 million of Uganda's \$16.6 million target in 2019 while OECD estimates place a global total of €102 billion since 2009, including a contribution from Africa. However, studies on the uptake by locals suggest that trust gaps and awareness deficits point to a low uptake of amnesties, which limits future impact on behaviour (ICTD, 2020; EconRSA, 2022). The revenue the VDP from Uganda generated from the 2019-2020 amnesty was low due to uptake issues such as low awareness but this could help with improvements in partial compliance in EAC where harmonised standards can improve effectiveness (Deloitte, 2025; AfDB, 2024).

The implementation of general amnesties, which comprise a voluntary element, can affect revenues in opposite directions. Some research finds that tax incentives could hamper revenues. However, there is other research that finds that disclosure opportunities allow for revenue to the extent VTDP is undertaken (Global Tax Justice, 2022; Ernst and young, 2018). Kenya's use of digital platforms to increase participation and building cooperation to jointly tackle cross-border evasion are among the lessons learnt from the VTDP that could influence regional approaches. However, there is little empirical evidence on the comparative impacts (IMF, 2023; World Bank, 2022) of social media. The experiences that the region has gone through highlight the necessity of measuring and bettering specific indicators of economic security through designs. The RLE posits the need to look at program outcomes locally in East Africa such as the indicators of economic security by looking at the tax-to-GDP ratio and fiscal stability.

KRA in Kenya launched the VTDP for taxpayers with undisclosed tax liabilities for the period January 2015 and December 2020 in January 2021. The program enabled voluntary disclosures of liabilities in return for partial relief from penalties and interest (KRA, 2024). A recent study that was conducted in Nairobi County showed that the total revenue that was collected was higher than waiver revenue which recorded an approximate compliance growth of 11.77% according to Mrombo (2024). As a result of these statistics, one can say that things are now looking good in the short term at least. On the other hand, the relationship between disseminated

economic security and continued improvement regarding fiscal stability, generation of a higher tax-to-GDP ratio and lower dependence on external borrowing is yet to be studied thoroughly. There are cases when VTDPs had beneficial effects on compliance culture, but a follow-on compliance enforcement is needed to ensure long-term fiscal stability.

The introduction of the VTDP in Kenya has been highly successful with 116,144 participants generating KSh 29 billion in revenues. In addition, penalties on undisclosed liabilities have been waived, resulting in compliance rates being 11.77% higher than without the VTDP, thereby enhancing economic security. Overall revenue has risen by 6.8% despite fiscal pressures (KRA, 2021; Andersen, 2023). The tax avoidance initiative helps promote tax compliance and build trust; It is furthermore a step towards a tax compliant society and has proven to positively influence tax compliance behaviour as supported by various studies albeit with issues of tax avoidance mostly related to low awareness of the program according to ICPAK surveys (ICPAK, 2024; WJARR, 2024).

The VTDPs exhibit the potential to enhance the short-term compliance of target products and revenue mobilization, and there is some evidence for these in East Africa and Kenya. However, the connection between these programs and long-term financial security is not so clear. In-depth analysis is necessary to measure the long-term impact of Kenya's Vision and Strategy for Trade Development and Promotion on sustainable fiscal stability and economic resilience. It is useful to assess the longer-term effects of Kenya's VTDP on sustainable fiscal stability and economic resilience. Based on this background, the study intended to examine tax amnesty as a catalyst for economic security in Kenya from 2016 to 2024.

METHODOLOGY

Research Design

The study adopted a correlational research design to examine the relationship between tax incentivization programs and Kenya's economic security during 2016–2024. The design was appropriate because it enabled assessment of the strength and direction of relationships between variables without manipulation (Creswell & Creswell, 2018). The study used secondary quantitative data from KRA, the National Treasury, KNBS, and IMF, complemented by qualitative data from interviews and focus group discussions with tax officials, consultants, and taxpayer association representatives. Multiple regression analysis was applied to assess the relationship between foreign income amnesty, the Voluntary Tax Disclosure Programme (VTDP), interest and penalty waivers, and economic security indicators. The design therefore supported both descriptive and inferential analysis of the relationship between tax amnesty measures and economic security over the study period.

Study Area

This research was conducted in Kenya a lower-middle-income nation in East Africa that has a population of more than 54 million people and an estimated GDP of USD 113 billion as of 2024

(World Bank, 2024). Kenya is a well-known economic giant of the EAC with a larger share of over 40 percent of the GDP of the region. Its economy can be described as being fairly diversified; the main sectors that are present in the country are agriculture, services, manufacturing and finance (Kenya National Bureau of Statistics [KNBS], 2024). Although Kenya has a high growth potential and regional leverage, it still struggles with fiscal challenges, with a budget deficit that persists, the current level of public debt estimated to be approximately 68 percent of GDP and intermittent tax revenue performance (National Treasury, 2024).

Target Population

The target population comprised three key groups; KRA officials in tax policy, domestic tax and compliance departments, taxpayer association representatives, including KEPSA and Kenya National Chamber of Commerce and Industry (KNCCI) and tax policy experts and economists in the National Treasury and research institutions such as Kenya Institute of Public Policy Research and Analysis (KIPPRA).

Sampling Techniques

Participants with special knowledge and experience in the area of tax policy, compliance and economic security were selected and used as participants using a purposive sampling technique. This qualitative approach was appropriate in the non-probability method of inquiry wherein expert knowledge is paramount (Etikan et al., 2016). In the quantitative part, institutional databases were used to extract documentary data on from 2016 to 2024. In the qualitative part, the table below indicates the distribution of sample size to the targeted group of participants.

Table 1: Sample Size Distribution

Category	Sample Size
KRA officials working in tax policy unit	5
KRA officials working in domestic taxes unit	5
KRA officials working in compliance department	5
KEPSA officials	5
Kenya National Chamber of Commerce and Industry officials	10
Tax experts from National Treasury	5
Tax practitioners	10
Kenya Institute for Public Policy Research and Analysis experts	10
Total	55

Source: Researchers (2026)

Data Collection Methods

The research used mixed methods that is a combination of qualitative and quantitative methods to capture the full picture of the impact of tax amnesty programmes on economic security in Kenya covering the period 2016 to 2024. The quantitative was largely secondary data derived

from institutional reports and macroeconomic databases to reflect measurable trends and outcomes. The qualitative dimension featured gathering primary data from interviews and document to enhance understanding and contextualization of factors influencing the efficiency of policies and financial outcomes. Secondary data was obtained through desktop review. The combination of these tools ensured the collection of comprehensive and diverse data to address the research objectives effectively.

Data Analysis

The analysis was conducted using Ordinary Least Squares (OLS) regression. As part of the overall analysis, the study conducted inferential analysis (correlation and multiple linear regression) and diagnostics tests on the data. Key results are presented below including the regression summary, coefficients and diagnostic tests. All p-values are reported for significance testing (typically, $p < 0.05$ indicates statistical significance). Results are presented in tables for clarity.

RESULTS

Correlation Matrix

The study conducted Pearson correlation and generated a correlation matrix which shows inter-variable relationships (values range from -1 to 1; closer to 1/-1 indicates stronger positive/negative association). The matrix is as shown in Table 4.2

Table 2: Correlation Matrix

	ES_t	FA_t	VTDP_t	IPW_t
ES_t	1.000	-0.118	-0.007	0.001
FA_t	-0.118	1.000	0.871	0.823
VTDP_t	-0.007	0.871	1.000	0.979
IPW_t	0.001	0.823	0.979	1.000

Source: Researchers (2026)

Economic security has negligible correlations with the independent variables (tax amnesty on foreign income = -0.118, Voluntary Tax Disclosure programme revenue contribution = -0.007 and tax amnesty on interest and penalties = 0.001), foreshadowing the insignificant regression coefficients and supporting the null hypotheses; no strong linear links between tax amnesties and economic security. High correlations among tax amnesty on foreign income, Voluntary Tax Disclosure programme revenue contribution and tax amnesty on interest and penalties (0.82–0.98) indicate these programs are closely intertwined, for instance, voluntary disclosures often coincide with waivers and foreign income repatriation). This explains the elevated VIF values in the diagnostic tests (for instance Voluntary Tax Disclosure programme revenue contribution at 34.95), as multicollinearity arises from these programs scaling together over time. In the Kenyan context, this could reflect integrated policy implementation under KRA reforms (2016–2024), but it complicates isolating individual effects in regression.

Diagnostics Tests

Prior to conducting regression analysis, the study performed multicollinearity and autocorrelation diagnostic test to check model assumptions.

Multicollinearity (Variance Inflation Factor - VIF)

Variance Inflation Factor measures how much the variance of a coefficient is inflated due to correlations among predictors. A VIF > 10 indicates high multicollinearity.

Table 3: Variance Inflation Factor

Feature	VIF
Constant	10.69
FA_t	4.52
VTDP_t	34.95
IPW_t	26.18

Source: Researchers (2026)

Results indicate that multicollinearity is high. The VIF are higher than 26 for tax amnesty on interest and penalties, and nearly 35 for the revenue contribution for Voluntary Tax Disclosure programme, and are still elevated for tax amnesty on foreign income (VIF 4.52). However, the values are based on the extremely high between variables correlation of the three amnesty variables (particularly between Voluntary Tax Disclosure programme revenue contribution and tax amnesty on interest and penalties at 0.979), which is a characteristic of time-series context where the various amnesty components were implemented and expanded at the same time, under the same policy framework. The extreme multicollinearity also causes large standard errors and why, in some instances, the economic magnitudes of the tax amnesty variables were not statistically significant.

Autocorrelation (Durbin-Watson Statistic)

Durbin-Watson Statistic tests for serial correlation in residuals (ideal range: 1.5–2.5; 2.5 suggests negative).

Table 4: Durbin-Watson Statistic

Metric	Value
Durbin-Watson	3.171

Source: Researchers (2026)

The Durbin–Watson statistic is 3.171 which exceeds 2.5 and indicates moderate negative autocorrelation among the residuals. Negative autocorrelation is not ideal, but in this short time series (n=9) it is likely to be a by-product of common trends or omitted cyclical variables, and it should not seriously affect the conclusions of standard errors; it largely biases standards of significance downwards and standard t-statistics upwards, but in this instance the coefficients were already well short of significance, so the impact on inference is not very large.

Regression Analysis

The core of the quantitative analysis is a multiple linear regression model designed to estimate the impact of Kenya's tax incentivization measures on economic security over the period 2016–2024, as specified:

$$ES_t = \beta_0 + \beta_1 FA_t + \beta_2 VTDP_t + \beta_3 IPW_t + \varepsilon_t,$$

Where:

ES_t: Economic Security (proxied by GDP growth rate in %)

FA_t: Tax Amnesty on Foreign Income (in billions KSh)

VTDP_t: Voluntary Tax Disclosure Programme revenue contribution (in billions KSh)

IPW_t: Tax Amnesty on Interest and Penalties (in billions KSh).

The regression checks the three specific hypotheses of the study: whether β_1 , β_2 and β_3 are statistically different from zero, with the aim of determining whether the components of the tax amnesty (betting, lotteries, and trading) had a significant effect on economic security in Kenya in the implementation window. The results presented below, based on nine annual observations, show the magnitude, direction and statistical significance of each coefficient as well as model performance and diagnostic results that together allow to accept or reject the null hypothesis.

Model Summary

The multiple linear regression model was estimated using Ordinary Least Squares (OLS) on nine annual observations spanning 2016–2024. The overall fit and explanatory power of the model are summarized in the table below:

Table 5: Model Summary

Model fit statistic	Value	Interpretation
R-squared	0.053	Only 5.3% of the variation in GDP growth rate is explained by the three tax amnesty variables combined.
Adjusted R-squared	–0.515	After penalizing for the number of predictors and small sample size, the model has no explanatory power and performs worse than a simple horizontal line at the mean of GDP growth.
F-statistic	0.093	The joint contribution of tax amnesty on foreign income, Voluntary Tax Disclosure programme revenue contribution and tax amnesty on interest and penalties to explaining economic security (GDP growth rate) is extremely weak.
Prob (F-statistic)	0.961	The model as a whole is statistically insignificant at any conventional level ($p > 0.10$).
Observations	9	Degrees of freedom (residual) = 5; very limited statistical power.

Source: Researchers (2026)

The extremely low R-squared (0.053) and negative adjusted R-squared (–0.515) indicate that the three tax amnesty components collectively have virtually no linear explanatory power for annual fluctuations in Kenya's real GDP growth rate over the period under review. The insignificant F-

statistic ($p = 0.961$) confirms that the null hypothesis of no joint effect cannot be rejected; the model is indistinguishable from one in which all slope coefficients are zero.

This result might seem discouraging, but it is a very typical one in both theoretical predictions and empirical literature: tax amnesty programmes are mainly instruments to mobilize revenue and to regularize tax compliance, and are not direct engines of macroeconomic growth. This is a parsimonious specification and their effects on broader economic security measures, like GDP growth, are generally indirect, delayed, and subject to strong exogenous effects (global commodity prices, pandemics, debt-service pressures, monetary policy and geopolitical shocks) that are not captured in the specification. The generally poor overall fit does not therefore deny the relevance of the amnesty programs at the policy level, but rather reinforces the need to use the numerical results with a degree of caution, and to triangulate findings with the qualitative results to be presented in the following chapters.

Coefficients Table

Table 6: Regression Model Coefficients

Variable	Coefficient (β)	Std. Error	t-statistic	p-value	95% Confidence Interval	Hypothesis Tested	Decision ($\alpha = 0.05$)
Constant (β_0)	5.045	2.902	1.738	0.143	[-2.415, 12.504]	—	—
FA_t (β_1)	-0.307	0.589	-0.521	0.625	[-1.820, 1.207]	H ₁	Fail to reject
VTDP_t (β_2)	0.225	1.045	0.216	0.838	[-2.460, 2.911]	H ₂	Fail to reject
IPW_t (β_3)	-0.038	0.586	-0.065	0.950	[-1.544, 1.468]	H ₃	Fail to reject

Constant ($\beta_0 = 5.045$, $p = 0.143$)

When all tax amnesty variables are zero (theoretical baseline), Kenya's GDP growth rate is estimated at approximately 5.0% per year. This intercept is statistically indistinguishable from zero at conventional levels but aligns remarkably well with Kenya's average real GDP growth of 4.8–5.6% during non-crisis years in the 2016–2024 period, confirming the model's reasonable baseline.

Tax Amnesty on Foreign Income ($\beta_1 = -0.307$, $p = 0.625$)

A one-billion-KSh increase in declared and repatriated foreign income is associated with a 0.307 percentage point reduction in GDP growth, but the effect is not statistically significant. The negative sign may appear counter-intuitive; however, it is likely an artefact of severe multicollinearity ($VIF = 4.52$) and the fact that peak foreign-income declarations coincided with the 2020–2021 COVID shock and subsequent recovery years when growth was already depressed or rebounding. Economic theory suggests repatriated capital may not translate into immediate productive investment or consumption, often being parked in real estate or used for debt repayment.

Result: Fail to reject H_1 – no evidence of a statistically significant impact of the foreign-income amnesty on economic security.

Voluntary Tax Disclosure Programme ($\beta_2 = 0.225$, $p = 0.838$)

A one-billion-KSh increase in VTDP revenue contribution is associated with a modest 0.225 percentage point increase in GDP growth. This is the only coefficient with a positive sign, consistent with expectations that voluntary disclosures broaden the domestic tax base and improve fiscal space. However, the relationship is far from statistical significance, largely because of the extremely high multicollinearity with IPW_t (correlation = 0.979, VIF = 34.95), which inflates standard errors dramatically.

Result: Fail to reject H_2 – no statistically detectable contribution of VTDP to economic security in this specification.

Interest and Penalty Waivers ($\beta_3 = -0.038$, $p = 0.950$)

A one-billion-KSh increase in waived interest/penalties and recovered principal is linked to a negligible 0.038 percentage point decline in GDP growth, with the highest p-value in the model. The near-zero coefficient and extreme insignificance reflect both high collinearity (VIF = 26.18) and the reality that waivers primarily serve as a compliance-regularization and cash-flow relief tool rather than a direct growth stimulant.

Result: Fail to reject H_3 – no significant effect of interest-and-penalty waivers on economic security.

Across all three tax amnesty components, the null hypotheses (H_1 , H_2 , H_3) cannot be rejected. There is no statistical evidence that the Tax Amnesty on Foreign Income, the Voluntary Tax Disclosure Programme, or the waiver of interest and penalties exerted a significant linear influence on Kenya's real GDP growth rate between 2016 and 2024. This finding is robust given the data and model specification, and it reinforces a key insight from the global literature: tax amnesties are powerful instruments for revenue recovery and taxpayer regularization but are not primary drivers of macroeconomic growth. Their contribution to economic security is more likely to operate through indirect channels (improved fiscal sustainability, reduced debt-service pressure, enhanced investor confidence) that are not fully captured by annual GDP growth alone.

DISCUSSION

The multiple regression analysis shows no statistically significant association between any of the three tax amnesty components and real GDP growth over the 2016–2024 period. The model explains only 5.3 percent of the variation in GDP growth ($R\text{-squared} = 0.053$) and is jointly insignificant ($F\text{-statistic } p = 0.961$). Individually, the coefficient on foreign-income amnesty (FA_t) is negative and insignificant ($\beta_1 = -0.307$, $p = 0.625$), the coefficient on Voluntary Tax Disclosure Programme revenue ($VTDP_t$) is positive but insignificant ($\beta_2 = 0.225$, $p = 0.838$), and the coefficient on interest-and-penalty waivers (IPW_t) is near zero and insignificant ($\beta_3 = -0.038$, $p = 0.950$). Consequently, all three null hypotheses are retained: the data provide no

evidence of a statistically significant linear association between the amnesty measures and economic security as proxied by GDP growth.

This pattern of non-significant association with GDP growth agrees with the international evidence on tax amnesties. Krisnawan (2017) found that Indonesia's 2016 amnesty raised the tax-to-GDP ratio only temporarily (from 10.3 percent to 10.8 percent) before compliance declined, producing no sustained growth effect. Londoño-Vélez and Tortarolo (2025) similarly report that Argentina's 2016 amnesty generated large short-term revenue and asset declarations yet yielded only indirect and lagged macroeconomic effects. The present results therefore extend these earlier findings by confirming the same dissociation between short-term revenue recovery and GDP growth in an East African setting characterised by high debt burdens and a large informal sector.

The weakly positive but insignificant coefficient on VTDP_t agrees with studies that document short-term revenue gains from voluntary disclosure programmes while cautioning against expectations of lasting growth effects. The OECD (2015) and the IMF (2022) both note that voluntary disclosure schemes typically broaden the tax base in the disclosure window yet rarely produce measurable changes in aggregate growth. The Kenyan coefficient is consistent with this pattern and extends it by showing that even when digital platforms (iTax) improve uptake, the association with GDP growth remains statistically undetectable.

The near-zero association for interest-and-penalty waivers agrees with evidence that waivers primarily function as liquidity and arrears-clearance tools rather than growth instruments. Angeli et al. (2023) found that Italy's regional amnesties recovered only 1.6 percent of unpaid taxes and were followed by higher subsequent default rates. Indradi (2023) reports similar short-term revenue recovery in Indonesia accompanied by moral-hazard risks. The present results extend these findings by demonstrating that, even when waivers unlock large volumes of principal (as confirmed by KRA informants), the statistical association with GDP growth remains indistinguishable from zero.

Findings suggested that foreign-income declarations remained largely nominal, with physical repatriation "far below expectations," and that verification capacity was weak until the later introduction of AEOI. They further noted that VTDP participation and waiver uptake were frequently one-off events rather than lasting behavioural shifts, and that predictable waivers risked moral hazard. These accounts agree with the moral-hazard findings of Krisnawan (2017) and the temporary-compliance observations of Fauzi et al. (2025), and they explain why the quantitative associations with GDP growth are weak: the programmes regularised liabilities and improved short-term liquidity without generating the sustained capital inflows or compliance culture required to influence aggregate growth.

The findings demonstrate that the waiver of tax interest and penalties was highly effective as a revenue recovery and taxpayer regularisation mechanism. The programme enhanced government liquidity, broadened voluntary compliance and strengthened relationships between taxpayers and the Kenya Revenue Authority. However, these operational and fiscal achievements did not translate into statistically significant improvements in the macroeconomic indicator used to

measure economic security during the study period. The study therefore concludes that interest and penalty waivers should not be viewed as permanent compliance strategies but rather as targeted fiscal interventions designed to recover outstanding revenue, restore taxpayer compliance and strengthen fiscal sustainability. Their long-term contribution to economic security depends on subsequent enforcement, continued taxpayer education, institutional transparency and broader macroeconomic reforms that convert improved fiscal performance into sustained national economic resilience.

The findings agree with the broader literature that tax amnesties are effective short-term fiscal-repair instruments but are not associated with measurable changes in GDP growth. They extend that literature by documenting the same pattern in Kenya and the wider East African context, where concurrent programme implementation produces high multicollinearity and where external shocks (notably the 2020 pandemic) dominate growth variation. The results therefore reinforce the theoretical expectation that quasi-voluntary compliance (Levi, 1988) and temporary reductions in deterrence can mobilise revenue without automatically translating into macroeconomic expansion, while securitisation of taxation as a national-security issue (Buzan et al., 1998) may justify exceptional measures whose statistical association with growth remains limited.

CONCLUSION

The Tax Amnesty on Foreign Income has not been very successful in securing declarations of offshore assets and improvements to transparency especially after the adoption of AEOI. It also has not delivered any meaningful physical repatriation of capital. Further the tax amnesty has not made any detectable enhancement of Kenya's economic security. Evidence, both quantitative (insignificant and negative coefficient for tax amnesty on foreign income) and qualitative (KRA officials confirmed declared income largely remained external) shows tax amnesty generated little foreign exchange reserves or domestic investment. The inclusion of the VTDP was one of the most successful and administratively efficient components of the amnesty framework in Kenya. It increased compliance in the medium and SME sector, enhanced the perception of audit risk, and recovered significant historical liabilities through online platforms. Its contribution to wider economic security was statistically undetectable and mostly temporary.

Future foreign-income amnesty programmes should be redesigned to prioritise the conversion of declared offshore assets into measurable domestic economic activity by requiring participants to demonstrate tangible linkages between declared assets and Kenyan financial or productive investments. KRA should systematically track repatriated capital and its subsequent utilisation, strengthen verification capacity, and make more effective use of Automatic Exchange of Information data to ensure that declarations translate into actual capital inflows rather than remaining paper exercises. Similarly, systematic post-disclosure follow-up mechanisms should be established for VTDP participants through continued monitoring of filing and payment behaviour, targeted enforcement, and taxpayer education to convert temporary disclosure into sustained compliance. In addition, interest and penalty waivers should be treated as exceptional, time-bound, and non-routine instruments rather than recurring revenue-mobilisation measures.

Clear communication on the non-repeatable nature of waiver windows, supported by strengthened post-waiver enforcement and deterrence, would preserve short-term liquidity benefits while reducing moral-hazard risks associated with taxpayers delaying payment in anticipation of future relief. Collectively, these measures would strengthen the capacity of tax amnesty programmes to generate sustained compliance, improve domestic investment, and contribute more meaningfully to long-term economic security.

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