Journal of Economics, Finance and Management Studies

ISSN (print): 2644-0490, ISSN (online): 2644-0504

Volume 09 Issue 05 May 2026

Article DOI: 10.47191/jefms/v9-i5-45, Impact Factor: 8.735

Page No: 2650-2656

Revenue Amnesty and Revenue Collection of County Governments in Kenya

Joy Gacheri Kithinji[1], Willy Muturi[2], Patrick Kibati[3]

[1,2]Jomo Kenyatta University of Agriculture and Technology Kenya.

[3]Kabarak University, P.O Box 20157 Private Bag, Kabarak, Kenya.

ABSTRACT: County governments in Kenya continue to experience challenges in achieving optimal own-source revenue collection necessary for financing devolved functions and reducing dependence on transfers from the national government. Revenue amnesty programmes involving waiver of penalties and interest charges have increasingly been adopted as revenue mobilization strategies aimed at encouraging voluntary compliance and improving revenue collection performance. This study sought to evaluate the relationship between revenue amnesty and revenue collection among county governments in Kenya. The study was anchored on the Neo-classical Theory, which explains taxpayer behaviour based on incentives and rational decision-making. A positivist research philosophy and descriptive research design were adopted. The study targeted all the 47 county governments in Kenya and employed a census approach. Secondary data were collected from annual audited financial statements, Office of the Controller of Budget reports, Office of the Auditor General reports, and county government websites covering the financial years 2014/2015 to 2024/2025. Quantitative data analysis was conducted using GRETL econometric software through descriptive and inferential statistics. Panel regression analysis was used to test the relationship between revenue amnesty and revenue collection. The findings revealed that revenue amnesty had a positive and statistically significant effect on revenue collection among county governments in Kenya ($\beta = 0.253$, $p \leq 0.001$). The study concluded that revenue amnesty programmes improve taxpayer compliance, broaden the revenue base, and enhance short-term revenue collection performance. However, excessive and repeated use of amnesty programmes may weaken long-term compliance behaviour. The study recommended that county governments should apply amnesty programmes selectively, strengthen enforcement mechanisms, and invest in taxpayer education and awareness programmes to enhance sustainable revenue collection performance.

KEYWORDS: Revenue amnesty, Revenue collection, County Governments**,** Kenya

1 INTRODUCTION

Revenue collection remains a critical component in enhancing the financial sustainability and operational effectiveness of devolved governments in Kenya. Since the establishment of county governments under the Constitution of Kenya (2010), counties have been mandated to generate own-source revenue to support service delivery, infrastructure development, and other devolved functions. However, many county governments continue to experience persistent revenue collection shortfalls, resulting in increased dependence on transfers from the national government and constrained implementation of development programmes (Oguso, 2022). In response to these challenges, county governments have adopted various revenue mobilization measures, including revenue amnesty programmes involving waiver of penalties and interest charges aimed at encouraging voluntary taxpayer compliance and recovery of outstanding liabilities. Revenue amnesty programmes are widely recognized as policy tools for broadening the revenue base, improving taxpayer compliance, and increasing short-term revenue inflows (Organisation for Economic Co-operation and Development, 2021). Nevertheless, empirical evidence on the effectiveness of revenue amnesty programmes has produced mixed findings, with some studies reporting positive effects on compliance and revenue collection, while others caution that repeated amnesties may weaken long-term compliance behaviour by encouraging expectations of future waivers (Madjid & Asaari, 2023; Castro & Scartascini, 2019). Despite the increasing application of revenue amnesty programmes within county governments in Kenya, limited empirical studies have specifically examined their influence on revenue collection performance, thereby necessitating this study.

2 STATEMENT OF THE PROBLEM

County governments continue to experience persistent shortfalls in local revenue collection, resulting in overreliance on transfers from the national government and inadequate financing of essential public services and development projects (Oguso, 2022). Reports by the Office of the Controller of Budget have consistently shown that actual own-source revenue collection by county governments falls below the projected targets, thereby constraining service delivery and weakening fiscal sustainability (Office of the Controller of Budget, 2025). In response to these challenges, county governments have adopted various revenue mobilization measures, including revenue amnesty programmes involving waiver of penalties and interest charges to encourage taxpayers to settle outstanding obligations and improve compliance levels. Empirical studies on revenue mobilization and revenue collection have produced mixed findings regarding the effectiveness of revenue amnesty programmes. Mahestyanti et al. (2018) established that tax amnesty programmes positively influenced taxpayer compliance and revenue collection in Indonesia by encouraging voluntary disclosure and settlement of tax arrears. Similarly, Castro and Scartascini (2019) found that tax amnesty programmes contributed to short-term increases in revenue collection and expansion of the tax base in Argentina. However, Oguso (2022) observed that weak enforcement mechanisms, administrative inefficiencies, and ineffective debt collection systems continue to constrain optimal revenue collection within subnational governments in Kenya. Furthermore, repeated issuance of waivers and amnesty programmes may weaken compliance behaviour by creating expectations of future relief among taxpayers. Although previous studies have examined revenue mobilization measures and tax compliance, limited empirical evidence exists on the relationship between revenue amnesty and revenue collection among county governments in Kenya. This study therefore sought to evaluate the relationship between revenue amnesty and revenue collection of county governments in Kenya.

3 OBJECTIVE OF THE STUDY

To evaluate the relationship between revenue amnesty and revenue collection of county governments in Kenya

4 RESEARCH HYPOTHESIS

H_{03}: There is no statistically significant relationship between revenue amnesty and revenue collection of county governments in Kenya

5 LITERATURE REVIEW

5.1 Theoretical Review - Neo-classical Theory

The Neo-classical Theory emerged in the nineteenth century and is associated with economists such as Smith (1776) and Ricardo (1817). The theory explains economic behaviour based on rational decision-making, where individuals respond to incentives by evaluating the costs and benefits associated with a particular action (Smith, 1776; Ricardo, 1817). In relation to revenue amnesty, the theory suggests that taxpayers are likely to comply when the benefits of disclosure, such as reduced penalties and avoidance of legal sanctions, outweigh the costs of continued non-compliance. Alm and Beck, as cited in Meade (2012), argued that revenue amnesty programmes are more effective when accompanied by strict post-amnesty enforcement measures because taxpayers anticipate future consequences for tax evasion. Similarly, Malik (1991) observed that expectations of future amnesties may reduce voluntary compliance since taxpayers may deliberately delay payment in anticipation of additional leniency. Therefore, the theory emphasizes the importance of incentives and enforcement in influencing taxpayer behaviour and improving revenue collection.

The theory is relevant to this study because county governments often introduce revenue amnesty programmes to enhance revenue collection, broaden the revenue base, and encourage compliance among defaulters. Previous studies have shown that although revenue amnesties may generate short-term increases in revenue, their long-term effectiveness depends on strong enforcement mechanisms and the credibility of the tax system (Batubara, 2020; Pohan et al., 2019). Repeated amnesty programmes may also create perceptions of unfairness and encourage future non-compliance if taxpayers expect similar waivers to recur (Peñaherrera et al., 2020). In Kenya, Kilonzo (2012) applied the Neo-classical Theory in examining the relationship between tax amnesty and revenue growth, demonstrating the suitability of the theory in explaining taxpayer responses to amnesty programmes. Consequently, the theory provides an appropriate foundation for examining the relationship between revenue amnesty and revenue collection among county governments in Kenya.

5.2 Conceptual Framework



Figure 1 Conceptual Framework

5.2.1 Revenue Amnesty

Revenue amnesty refers to a government initiative that provides taxpayers with an opportunity to voluntarily declare previously undisclosed income or settle outstanding tax liabilities, usually with partial or full waiver of penalties and interest charges (OECD, 2021). Revenue amnesty programmes are primarily implemented to improve voluntary compliance, broaden the tax base, and enhance revenue collection by encouraging defaulters to regularize their tax obligations within a specified period (OECD, 2021). Such programmes are also intended to reduce enforcement costs and strengthen relationships between taxpayers and revenue authorities through compliance-oriented approaches rather than punitive measures.

Recent studies indicate that revenue amnesty programmes can generate short-term improvements in revenue collection and taxpayer registration, particularly when accompanied by strong enforcement mechanisms and effective administrative systems. For instance, the Organisation for Economic Co-operation and Development (2021) noted that tax amnesty initiatives are more successful when integrated with post-amnesty compliance monitoring and digital revenue administration systems. Similarly, Batubara (2020) established that repeated amnesty programmes may weaken long-term compliance if taxpayers perceive future waivers as recurring opportunities to avoid penalties. In the context of devolved governments, revenue amnesty has increasingly been adopted as a strategy for recovering outstanding own-source revenue, although frequent waivers may signal weak enforcement capacity and reduce compliance discipline among taxpayers. This study therefore conceptualized revenue amnesty in terms of the percentage of waivers issued to revenue payers and examined its influence on revenue collection among county governments in Kenya.

5.3 Empirical Review

County governments in Kenya continue to experience challenges in achieving optimal revenue collection needed to finance local development and reduce dependence on transfers from the national government. Revenue amnesty, which involves temporary waiver of penalties and interest on outstanding liabilities, has increasingly been used as a strategy to encourage voluntary compliance and improve revenue collection performance. According to Oguso (2022), weak debt collection systems, inadequate enforcement mechanisms, and administrative inefficiencies limit the effectiveness of revenue recovery initiatives within county governments, even where amnesty programmes are implemented.

Empirical studies conducted in different jurisdictions have produced mixed findings regarding the effectiveness of revenue amnesty programmes on revenue collection. Madjid and Asaari (2023), in a study examining the application of tax amnesty on taxpayer compliance, found that tax amnesty programmes positively influenced taxpayer compliance by encouraging voluntary disclosure and settlement of outstanding tax liabilities. Similarly, Kuncoro (2018) observed that tax amnesty programmes in Indonesia contributed to increased repatriation of offshore assets and improved domestic revenue generation, although repeated amnesties risked creating perceptions of unfairness among compliant taxpayers. Sayidah and Assagaf (2019) also established that tax amnesty programmes contributed to increased tax revenue and improved tax ratios by encouraging voluntary disclosure and compliance among taxpayers. However, the study noted that the positive effects of amnesty programmes were more evident in the short term.

Castro and Scartascini (2019), in a study conducted in Argentina, found that tax amnesty programmes increased short-term revenue inflows and expanded the tax base by incorporating previously non-compliant taxpayers into the formal tax system, although the overall revenue gains remained modest due to implementation and communication challenges. These findings suggest that while revenue amnesty programmes may enhance short-term revenue collection and taxpayer compliance, their long-term effectiveness depends on strong enforcement systems, administrative efficiency, and effective revenue governance frameworks. However, limited empirical studies have specifically examined the relationship between revenue amnesty and revenue collection among county governments in Kenya, thereby creating a contextual and empirical gap that this study sought to address.

6 METHODOLOGY

This study adopted a positivist research philosophy and employed a descriptive research design to examine the effect of revenue mobilization measures on revenue collection among county governments in Kenya. The study targeted all the 47 county governments established under the Constitution of Kenya 2010 and adopted a census approach to include all the counties in the analysis. Secondary data were collected using a data collection sheet from annual audited financial statements obtained from the Office of the Auditor General, Controller of Budget reports, and official county government websites for the financial years 2014/2015 to 2024/2025. Quantitative data analysis was conducted using GRETL econometric software and involved both descriptive and inferential statistics. Descriptive statistics such as mean, median, and standard deviation were presented in tables, while inferential analysis was conducted using panel regression models to evaluate the effect of revenue amnesty on revenue collection of county governments in Kenya. Prior to regression analysis, diagnostic tests including multicollinearity, normality, autocorrelation, and heteroskedasticity tests were conducted to ascertain the validity and reliability of the model. The use of panel data was appropriate because it enabled the analysis of variations across county governments and over time, thereby enhancing the robustness of the findings.

7 RESEARCH FINDINGS AND DISCUSSIONS

7.1 Descriptive Statistics for Independent Variable, Revenue Amnesty

The study sought to comprehensively describe and analyze the variable of Revenue Amnesty as a key component of revenue mobilization measures adopted by county governments. In order to achieve this objective, the researcher systematically summarized the collected data by computing relevant descriptive statistics, which included important measures such as the mean and standard deviation to provide a clear understanding of the central tendency and variability of the data. These statistical measures were instrumental in evaluating the extent and distribution of revenue amnesty practices across the counties. The results of this descriptive statistical analysis are presented and illustrated in detail in Table 1 below.

Table 1: Descriptive Statistics for Amnesty

Parameters	Amn
Mean	21.54
Median	0.000
Std. Deviation	39.76
Minimum	0.000
Maximum	100.00

The descriptive statistics results presented in Table 1 above provide important insights into the application and distribution of revenue amnesty among county governments. The findings indicate that amnesty recorded a mean value of 21.54 and a standard deviation of 39.76, suggesting a considerable level of variation in how different county governments implemented amnesty measures. This relatively high standard deviation reflects the existence of significant disparities, with some county governments actively utilizing amnesty as a revenue mobilization strategy, while others made little or no use of such measures.

Further analysis of the results reveals that there were several county governments that did not issue any waivers at all, as indicated by the minimum value of zero. In contrast, the maximum value recorded was 100 percent, demonstrating that some county governments fully implemented amnesty measures within the period under review. This wide range between the minimum and maximum values highlights differences in policy approaches, administrative priorities, and strategic decisions regarding the use of revenue amnesty as a tool for enhancing revenue collection across county governments.

7.2 Regression Between Revenue Collection and Amnesty

The study conducted a regression analysis to determine the extent to which amnesty influences revenue collection among county governments. The analysis was important in establishing whether there was a statistically significant relationship between amnesty and revenue collection. Table 2 presents the regression model summary, which shows the strength of the relationship between the variables, Table 3 presents the ANOVA results, which indicate the overall fitness and significance of the model, and Table 4 presents the regression coefficients used in explaining the study variable and interpreting the effect of amnesty on revenue collection.

Table 2 Model Summary of Revenue Collection and Amnesty

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.207[a]	.043	.039	.009951184308

a. Predictors: (Constant), Amnesty

b. Dependent Variable: Revenue Collection

As presented in Table 2, the coefficient of determination (R Square) was 0.043. This indicates that 4.3% (R^2) of the total variation in the dependent variable, which is revenue collection, can be explained by the independent variable, namely amnesty. In other words, amnesty accounts for 4.3% of the changes observed in revenue collection among county governments in Kenya. This suggests that amnesty has a contribution in influencing revenue collection performance, although the proportion explained is relatively small. The remaining 95.7% of the variation in revenue collection is explained by other factors that were not included in this specific regression model. Therefore, while amnesty contributes to explaining revenue collection, there are still many other variables outside the model that also play a significant role.

Table 3 ANOVA Table of Revenue Collection and Amnesty

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.001	1	.001	10.477	.001[b]
	Residual	.023	233	.000		
	Total	.024	234			

a. Dependent Variable: Revenue Collection

b. Predictors: (Constant), Amnesty

The ANOVA results presented in Table 3 indicate that the variability in the dependent variable, which is revenue collection, can be attributed to the influence of amnesty. This is because the P-value obtained was statistically significant at (P = 0.000), which is less than the 0.05 level of significance. Since the P-value is below the accepted threshold of 0.05, it confirms that the regression model was statistically significant and suitable for explaining the relationship between amnesty and revenue collection. In addition, the F-statistic was 10.477, which was also statistically significant, further supporting the overall fitness and reliability of the model. Therefore, the null hypothesis which stated that amnesty does not have a statistically significant effect on the revenue collection of county governments in Kenya was rejected, and the alternative hypothesis was accepted.

Table 4 Coefficients of Revenue Collection and Amnesty

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.003	.001		4.359	.000
	Amnesty	.253	.078	.207	3.237	.001

a. Dependent Variable: Revenue Collection H_{03}

The coefficient results presented in Table 4 shows that amnesty contributes a positive and statistically significant coefficient value of 0.253 for every one-unit increase in revenue collection of county governments in Kenya. This implies that an increase in the use of amnesty measures leads to a corresponding increase in revenue collection, holding other factors constant. The positive

coefficient indicates that the relationship between amnesty and revenue collection is direct and favourable. The regression model equation is therefore presented as; - $Y = 0.003 + 0.253X_3 + \mu$

In summary, the results presented in Table 2, Table 3 and Table 4 indicate that amnesty had a statistically significant effect on revenue collection of county governments in Kenya. This is supported by the regression coefficient value of $\beta = 0.253$, $t = 3.237$, and $P \leq 0.001$, which confirms that the relationship was statistically significant. Further, amnesty also explained a significant portion of the variation in revenue collection as shown by $R^2 = 0.043$, $F = 10.477$, and $P \leq 0.001$, indicating that the model was fit and appropriate for explaining the relationship between the two variables. Thus, the regression model connecting amnesty and revenue collection is expressed as $Y = 0.003 + 0.253X_3 + \mu$. As a result, the null hypothesis H03, which stated that there is no significant relationship between amnesty and revenue collection, was rejected because there was sufficient statistical evidence to show that amnesty had a significant effect on revenue collection of county governments in Kenya.

8 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The study sought to evaluate the effect of revenue amnesty on revenue collection performance among county governments in Kenya. The findings revealed that revenue amnesty had a positive and statistically significant effect on revenue collection performance, implying that measures such as waiver of penalties, reduction of interest charges, and temporary relief programmes encouraged taxpayers to voluntarily settle outstanding obligations. The study established that amnesty programmes enhanced compliance levels, reduced revenue leakages, and broadened the revenue base by bringing defaulters back into the formal revenue system.

Consequently, county governments experienced improved revenue inflows, thereby strengthening their capacity to finance devolved functions and public service delivery. However, the study further observed that excessive and frequent use of amnesty programmes may weaken long-term compliance by encouraging taxpayers to delay payments in anticipation of future waivers. Frequent amnesties may also create perceptions of unfairness among compliant taxpayers, thereby undermining voluntary compliance.

The study therefore recommended that county governments should apply revenue amnesty selectively and strategically rather than as a routine revenue collection measure. Before implementing amnesty programmes, county governments should undertake cost-benefit analyses to assess their long-term implications on compliance behaviour and revenue performance. In addition, county governments should strengthen enforcement mechanisms through enhanced debt recovery systems, collaboration with professional debt collection agencies, and appropriate legal enforcement measures against chronic defaulters. The study further recommended investment in taxpayer education and public awareness programmes to promote voluntary compliance and improve understanding of the importance of timely payment of county taxes, fees, and charges.

REFERENCES

1) Batubara, S. S. (2020). Tax amnesty policy analysis: Concept and applications in Indonesia. *Proceedings of the International Seminar, 1*(1), 157–163. https://jurnal.pancabudi.ac.id/index.php/seminarperpajakan/article/view/839
2) Castro, E., & Scartascini, C. (2019). *Imperfect attention in public policy: A field experiment during a tax amnesty in Argentina*. Department of Research and Chief Economist.
3) Kuncoro, A. (2018). *Macroeconomic and socioeconomic impacts of tax amnesty policy in Indonesia: An economy-wide approach* (Unpublished doctoral thesis). Cornell University.
4) Madjid, S., & Asaari, M. (2023). The effect of application of tax amnesty on taxpayer compliance. *Research of Accounting and Governance, 1*(2), 77–84. https://doi.org/10.58777/rag.v1i2.49
5) Mahestyanti, P., Juanda, B., & Anggraeni, L. (2018). The determinants of tax compliance in tax amnesty programs: Experimental approach. *Jurnal Keuangan dan Perbankan, 22*(1), 93–110.
6) Malik, A., & Schwab, R. (1991). The economics of tax amnesties. *Journal of Public Economics, 46*(1), 29–49. https://doi.org/10.1016/0047-2727(91)90063-8
7) Meade, J. E. (2012). *Neo-classical economic theory*. Routledge.
8) Office of the Controller of Budget. (2025). *County governments budget implementation review report for the first nine months of FY 2024/25*. Office of the Controller of Budget.
9) Oguso, A. (2022). Constraints to optimising revenue potential in subnational governments in Kenya: Lessons from Nairobi City County. *African Multidisciplinary Tax Journal, 2*(1). https://doi.org/10.47348/amtj/v2/i1a9
10) Organisation for Economic Co-operation and Development. (2021). *Tax administration 2021: Comparative information on OECD and other advanced and emerging economies*. OECD Publishing. https://doi.org/10.1787/cef472b9-en

11) Peñaherrera, G., Calvachi, M., & Galarza, M. (2020). The tax amnesty its incidence in tax collection under the theory of dissuasion. *Espacios, 41*(7), 108–118.
12) Pohan, C., Kusuma, M., & Arimbhi, P. (2019). Evaluation of tax amnesty policy in an effort to increase tax revenue. *International Journal of Scientific & Technology Research, 8*(10), 30–37.
13) Republic of Kenya. (2010). *The Constitution of Kenya*. Government Printer.
14) Ricardo, D. (1817). *On the principles of political economy and taxation*. John Murray.
15) Riasning, N. P., Amlayasa, A. A. B., & Datrini, L. K. (2021). The effect of repeat tax amnesty and tax penalty policy on taxpayer compliance (an experimental study). *International Journal of Research and Review, 8*(10), 105–116. https://doi.org/10.52403/ijrr.20211015
16) Rutto, A., Minja, D., & Kosimbei, G. (2022). The nature of local revenue decisions within the decentralized structures in Kenya. *The International Journal of Humanities & Social Studies, 10*(2). https://doi.org/10.24940/theijhss/2022/v10/i2/hs2111-038
17) Sayidah, N., & Assagaf, A. (2019). Tax amnesty from the perspective of tax official. *Cogent Business & Management, 6*(1). https://doi.org/10.1080/23311975.2019.1659909
18) Smith, A. (1776). *An inquiry into the nature and causes of the wealth of nations*. W. Strahan & T. Cadell.

There is an Open Access article, distributed under the term of the Creative Commons Attribution – Non Commercial 4.0 International (CC BY-NC 4.0) (https://creativecommons.org/licenses/by-nc/4.0/), which permits remixing, adapting and building upon the work for non-commercial use, provided the original work is properly cited.