

High Taxation in the Entertainment Industry

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Introduction

A tax is a mandatory fee or financial charge levied by any government on an individual or an organization to collect revenue for public works providing the best facilities and infrastructure.

Over taxation is a practice to require artists to pay a lot of money in form of tax.

High taxation affects creative content creators in the Kenyan entertainment sector where they are discouraged about savings and investments due to the lack of clarity and transparency of tax rates by the government .

You would ask yourself a question if artists need to pay tax?

Yes, if you're in a country that requires it, all musicians should pay taxes.

Musicians do after all deal with an exchange in money, so taxes will need to be paid on these exchanges. If you are under a record label, they may help and sort this out for you. But this tax should be considerable to the artists themselves too.

When it comes to music, artistes have always found it challenging to sell their music in legal means and make a living out of the same.

The arts ecosystem and creative industry is broken. Poor policies, hungry cartels, and belligerent gatekeepers have become heinous middlemen, denying artists autonomy and financial freedom.

Up to US\$500 million (Sh54.3 billion) is generated yearly through music alone, yet artists are still struggling and fail to make enough money to sustain their careers.

In the visual arts domain, according to surrealist painter Bakhita Sheni, traditional painters, fine arts and illustrators have encountered difficulties in protecting their assets from being undervalued. Galleries in Nairobi are sort of greedy. They take up to 40 per cent of the money I earn just for using their facilities.

“I even had to sell my events company just to survive the pandemic. Here, the government is slowly digging the graves for us,” says creative entrepreneur Kitawi Mwakitele.

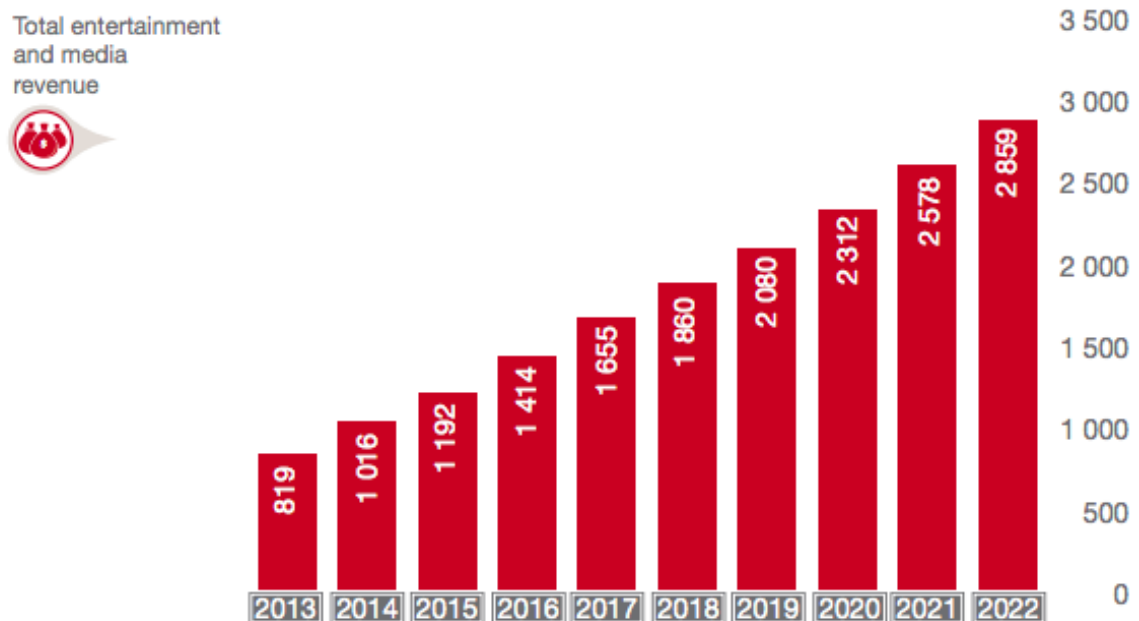
The tax question

However, the government played devil's advocate and lobbied for a Digital Service Tax (DST) through the Finance Act 2020, offsetting a 1.5 per cent payment of any digital transaction. This includes any commercial marketplace transaction that occurs online such as e-books, music downloads and films, which would be subject to a 1.5 percent commission that goes to the Treasury, again tampering with creatives' income.

The tax proposed in 2019 was passed in 2020 and was in full effect by January 2021, a move not many took a liking to.

STATISTICS OF TAX ENTERTAINMENT SECTOR AS OF 2013 -2022

Figure 17: Kenya: Total entertainment and media revenue, 2013–2022 (US\$ millions)



SCOPE OF THE PROBLEM

The film industry stakeholders expressed difficulties with the taxation regime as applied to the industry. The industry discussed the lack of clarity and transparency on the duty exemption clause and its application on imported film equipment.

The government always looks for ways to make business harder for creatives instead of uplifting them. As consumers of arts stay home, they are still itching for their favorite creatives to produce content worth their money, despite the roadblocks these creatives are enduring.

KNOWLEDGE GAPS

And in a means to cut off the middleman, artists are now selling their works at 100 percent rates, recouping the full value by opting to sell their works through the disruptive digital technology of the Non-Fungible Tokens (NFT).

NFT are the original collectible digital items that cannot be duplicated. They are based around crypto-currency Ethereum, which currently stands at about KSh192,000 and can be minted on various platforms such as Markers Place, Crypto.com, Open Sea, Arkane and Nifty Gateway among others.

They do not include third party dealings except the platform in which art purveyors' mint, and for the most part, these platforms are usually free to subscribe to.

In a world where digitalism and technology is innovating many industries, particularly music and electronic arts, NFTs are growing in relevance and outdated cash-based systems and business models.

The advantage with NFT is that it is under no government monitoring mechanism; it allows artists to self-license their works and gain leverage in pricing their souvenirs at a convenient price.

It also allows consumers or collectors depending on the art medium to own original pieces.

Additionally, crypto currencies have a high ceiling in terms of their value appreciation. We can all travel to the digital space where our work as artists would be found and settle for what they want without a lot of back and forth.

That is where I will be moving into in the near future," the surreal painter shares with Spice.

The pitfalls come into play where authorities are looking for ways to interfere with crypto payments.

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