



Report of The 3rd Annual Tax Summit

Rethink · Remodel · Rebuild

Enhancing the Tax Systems for Sustainable Economic Development

29th November – 1st December 2017, University of Nairobi, Kenya



Acknowledgement

This report is based on the 3rd Annual Tax Summit, which was organized by the Kenya Revenue Authority (KRA) in collaboration with the International Tax and Investment Center (ITIC) on 29th November to 1st December 2017 at the University of Nairobi, Kenya.

The Summit was officiated by Dr. Geoffrey Mwau, Director General, Budget, Fiscal & Economic Affairs, on behalf of the Cabinet Secretary, National Treasury; Dr. Edward Sambili, Chairman, KRA Board of Directors; Mr. John Njiraini, the Commissioner General, KRA; Mr. Daniel Witt, the President of ITIC; and Mr. Winfred Musau, Managing Director, National Bank of Kenya.

The Summit Organizing Committee comprised of Dr. Mohamed Omar, Commissioner, Strategy, Innovation and Risk Management, KRA; Grace Wandera, Deputy Commissioner Marketing and Communication, KRA; Beatrice Mundia, Chief Manager, Stakeholder Engagement and Events Management, KRA; and Brian Mandel, Program Manager, ITIC; with the support of Jeddy Ochuodho, Eunice Gachugu, Diana Akivaga, Sheila Aduvagah, Florence Makosewe, Dolton Nzano, Elizabeth Roimen, and Emmy Ruttoh.

KRA jointly with ITIC, wish to recognize the generous support of all the stakeholders who contributed to the great success of the 3rd Annual Tax Summit.

We would like to extend gratitude to all our distinguished speakers for the invaluable insights and knowledge shared during the Summit.

Our appreciation goes out to all the delegates who travelled from far and wide, and in large numbers to participate and contribute to the three days intensive discussions and in particular, those who use our services for sharing with us their personal insights and aspirations.

We appreciate members of the organizing committee who put their best feet forward and relentlessly worked to ensure a world class coordination of the Summit.

A great appreciation goes to the team of rapporteurs that put together this report. The team consisted of: Parminus Mbugua, James Arisi, Alex Oguso, Christine Kagendo, Vincent Babu, Felgona Ochieng, Sharon Kirai, Gloria Aloo, Cyrus Mutuku and Nicholas Muvila.

We also thank the KRA Public Relations and Communications team, for the photos that appear in this report. Further updates on the Summit, as well as videos and PowerPoint presentations, may be found on the website: <http://summit.kra.go.ke/>.

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Abbreviations

ACTA	American Centre for Tax Administration
APAs	Advance Pricing Agreements
ATAF	Africa Tax Administration Forum
BEPS	Base Erosion and Profit Sharing
BMOs	Business Member Organizations
CATA	Commonwealth Tax Association
CCC	Cargo Command Centre
CS	Cabinet secretary
EAC	East Africa Community
EACC	Ethics and Anti-Corruption Commission
EGMS	Excisable Goods Management System
EIU	Economic Intelligence Unit
EPZs	Export Processing Zones
EU	European Union
GDP	Gross Domestic Product
GRA	Ghana Revenue Authority
HMRC	Her Majesty's Revenue and Customs
IBFD	International Bureau of Fiscal Documentation
iCMS	Integrated Customs Management System
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information Systems
IRR	internal rate of return
iTax	Integrated Tax Management System
ITC	Input Tax Credit
ITIC	International Tax and Investment Centre
JAAT	Joint Alcohol Anti-fraud Taskforce
KEPSA	Kenya Private Sector Alliance
KRA	Kenya Revenue Authority
LAE	legal alcohol equivalent
LTO	Large Taxpayer office
MNCs	multinational corporations
MOU	Memorandum of Understanding
NBK	National Bank of Kenya
NGOs	Non-Governmental Organisations
NTBs	Non tariff barriers
O&G	Oil and Gas
OECD	Organization of Economic Cooperation and Development
PAYE	Pay As You Earn
PCAs	Post clearance audits
PE	Permanent Establishment
PSC	Production sharing contracts
PwC	PricewaterhouseCoopers
RA	Revenue Administrations
RECTS	Regional Electronic Cargo Tracking System
SARS	South Africa Revenue Services
SDGs	Sustainable Development Goals
SEZs	Special Economic Zones
SGR	Standard Gauge Railway
SMEs	Small and Medium EnterprisesTADAT- Tax Administration Diagnostic Tool
TEUs	twenty foot equivalent units
URA	Uganda Revenue Authority
VAT	Value Added Tax
WCO	World Customs Organization
WTO	World Trade Organization





Foreword by the Commissioner General, Mr. John Njiraini

The 3rd Annual Tax Summit brought together brilliant minds from the private and public sector, academia, youth and informal sector to celebrate and refocus our sustainable development efforts.

It has been a daunting journey of reforms and transformation trying to align operations with the changing times as a tax administration. There is no doubt the importance of KRA's role as a Revenue Administration in the achievement of the country's development goals. In the past, KRA adopted a closed approach on how it dealt with tax administration and tax policy development. The narrative has now shifted to a more participatory style that aims to ensure that we make our systems more efficient, secure and credible while exhibiting transparency and accountability.

Tax base expansion is one of the critical areas of interest. KRA is looking at having a more supportive approach that will bring new taxpayers into the tax bracket while retaining the existing ones through building a culture of voluntary compliance. However, for this to successfully happen, KRA will need the invaluable support and help of other players in the society. Are we willing to work together through symbiotic relationships with each other? If we are to achieve the task of demonstrating value to the citizens, then it is critical that taxes collected are actually channelled to projects that ensure social benefits and improvement in the lives of Kenyan citizens. Until taxpayers can justify the need to pay tax, improving compliance levels will be an uphill task.

Transformation and reforms has been KRA's language of late and it is our hope that the fruits of our initiatives shall be seen by you, who are outside looking in. Needless to say, we have also tried to transplant private sector styles of management. Though this has come with its challenges it has also born major successes and changed the way KRA does business.

The Tax Summit therefore presents an incredible opportunity to learn and exchange critical information that is important in policy formulation and decision making. With this in mind, KRA endeavours to encourage dialogue between taxpayers and key stakeholders to smoothen out challenges in the tax environment.



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We call upon all key players in government, private and public sector and citizens to embrace the importance of paying taxes for achievement of Kenya’s Vision 2030 and a Sustainable Development Goals”

Message from the Commissioner – Strategy, Innovation and Risk Management, Dr. Mohamed Omar

Kenya Revenue Authority is increasingly realising the value of data for evidence-based decision making and achieving its goals. As a knowledge-driven organisation, we have come a long way in learning the enablers and inhibitors of innovative thinking within a public sector setting. Through the years we have witnessed a gradual transformation of mind-set to that of a learning organisation. The Authority recognises the need to embrace relevant emerging technologies currently at the disposal of tax administrations. For instance, big data analytics, Artificial intelligence, and real-time applications, open datasets, to mention a few. These have the potential to allow greater transparency, improve effectiveness and efficiency thereby tremendously improving not only revenue performance, but also taxpayer service delivery.

The many efforts and campaigns rolled out by the Authority in a bid to be innovative and make it easier for the taxpayer to comply, have not gone unnoticed. Notably, the Authority has recently been put on the spotlight for its shortcomings in increasing the tax base.

KRA therefore, through a participatory approach and integrated compliance management strategies, has since doubled its efforts to engage key stakeholders on how it can best improve service delivery, facilitate taxpayers to comply and actively demonstrate its contribution towards achievement of the nation’s development goals. We have embraced a needs-driven approach which promotes targeted assistance to unique taxpayer groups.

An efficient tax administration will have a direct positive impact on the lives of the citizen. We call upon all key players in government, private and public sector and citizens to embrace the importance of paying taxes for achievement of Kenya’s Vision 2030 and Sustainable Development Goals.



1 OPENING SESSION

1.1 Remarks by Dr. Mohammed Omar Mohamed - Commissioner, Strategy, Innovation and Risk Management, Kenya Revenue Authority



We have collaborated with the International Tax and Investment Center to host the Summit jointly with the African Tax Dialogue, making it a Pan African event. Flashing back to the second tax Summit, we have been able to implement some of the recommendations shared one of which included the need for predictability and continuity in tax policies and laws. This recommendation has informed the on-going overhaul of income tax law, and has been adopted as a guiding principle of the overhaul, meaning that the Summit interactions are impacting tax policy.

The rationale behind this tax Summit is based on the fact that Tax Administrations worldwide are undergoing transformation largely driven by the changing market and business models demanding for a shift into data driven decision making and in management of taxation. Secondly, KRA is seeking to create a platform for dialogue with the stakeholders across the academia, industry players, other government agencies, tax practitioners among others, on issues pertaining to tax administration. Thirdly, information and knowledge is playing an increasingly significant role in the way tax administrations are managed and therefore the need to engage stakeholders to discuss and share insights, experiences and ideas for tax administration.

The Summit will therefore deliberate on these areas through discussions cutting across the following thematic areas: transfer pricing, advanced analytics, taxation of the Micro and Small Enterprises, resource mobilization for counties' socioeconomic development and digital taxation. The Summit will also include two master class workshops on extractives industry and management of excisable products.

We look forward to your significant contributions.



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1.2 Remarks by Mr. Wilfred Musau, Managing Director, National Bank of Kenya



Mr. Musau indicated that the National Bank of Kenya (NBK) was established in 1968 and has partnered with KRA for over 15 years. Through its many branches spread across the country, the bank has supported KRA in revenue collection, a partnership which has enabled NBK take pride in being part of the tax ecosystem. It is in view of this partnership that NBK supported the third Summit as the Platinum Sponsor and in support of the insightful theme of rethink, remodel and rebuild tax systems for sustainable economic development.

He indicated that as a financial institution, NBK has continuously invested in efficient collection systems to ensure that we offer the revenue collection service efficiently to avert revenue leakages and to continuously facilitate a good relationship between KRA and the taxpayers. NBK takes prides in being the largest out of the over 40 banks collecting over 50% of all the tax revenue paid to the Kenyan systems and banks every year.

NBK has invested in and continues to invest in collection systems to ensure that the bank remains relevant in supporting the adoption of technology and to ensure that there are no tax reconciliation gaps, such as those that have existed in the past. Over the years, KRA has grown from manual processes and we have journeyed together towards achieving integration with the iTax systems and we are looking forward to integrating with the new systems that KRA is investing in for tax collection.

“We look forward to working together as stakeholders for sustainable economic development,” he said.

1.3 Remarks by Mr. Seth Tekper, ITIC Board Member and former Minister for Finance, Ghana

Mr. Tekper noted that most African Revenue Administrations are attaining maturity levels following a series of reforms that have taken place over the last three decades. The structural adjustment and economic recovery programs saw a major streamline





of tax policies and reforms of Revenue Administrations, most importantly the reforms of tax structures to redefine the role of excise tariffs, corporate income taxes and sales taxes which later became Value Added Tax (VAT).

Growing countries such as Kenya and Ghana must come to a point of maturity because as they become middle income, they will witness erosion of resources particularly grants and concessional financing. They therefore cannot continue to have tax administration and policy platforms which represent those of developing countries, and must give major emphasis to domestic resource mobilization to improve on tax collection, and expand the tax to GDP ratio to above 20% to sustain the development initiatives, as well as create time for special initiatives such as Base Erosion and Profit Shifting (BEPs).

Africa must move beyond technical assistance and support that continues to emphasize the rudimentary tax programmes and internalize the basic principles within our tax institutions particularly training institutions so that countries like Kenya can lead other African countries which are lagging behind in the development of tax administration and tax policies that fit into the middle income bracket. Africa must also be at the table of tax and multilateral treaties negotiations through strengthening of the apex body Africa Tax Administration Forum (ATAF), and other regional bodies which coordinate taxation.

In conclusion, he noted that taxation is part of the fiscal system and it is therefore imperative for domestic taxes not only to be integrated with customs systems but also to be integrated within the whole structure of the fiscal system to enable enforcement of compliance by those who do business with the government and without paying their fair share of taxes. Dialogue is also very important and it is on this basis that ITIC's has pledged to expand its engagement in Africa with the hope of providing a platform to dialogue with the industry on critical areas such as transfer pricing and advanced pricing while at the same time, mindful of the mandate of the tax administrations which is, tax compliance.

1.4 Remarks by Mr John Njiraini - Commissioner General, Kenya Revenue Authority



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The idea about bringing the international community together is to acquire the same kind of knowledge, competence and capacity that these global conglomerations have,”

The Commissioner General, Mr. Njiraini began by acknowledging the International Tax and Investment Centre for partnering with KRA to jointly host the 3rd Annual Tax Summit.

He observed that over the last ten years, the subject of taxation especially in its international dimension has acquired prominence on a scale never before witnessed with governments moving closer to creating unified international responses. This convergence, of global attention, has been driven largely by the complexities which are engendered by technology and the operations of large multinational corporations who have access to top-notch technical advice on how to minimize tax exposure through complex business organization schemes. The idea about bringing the international community together is to acquire the same kind of knowledge, competence and capacity that these global conglomerations have, and get to know how they work and how they operate in different countries.

Many conversations are emerging regarding how this should work including, for example, the idea about having **comparability** and publication of information that allows, for instance, Kenya to see what those multinational companies publish and report in other jurisdictions. This means that one can be able to have more transparent information regarding whether what they say is the truth. Similarly, when they publish in Kenya other countries should access these reports thus creating more transparency across the globe. Such companies will be unable to cheat and misrepresent the information they publish across jurisdictions.

Mr. Njiraini noted with appreciation, the fact that the event was hosted at the University of Nairobi, Kenya’s **seabed** of learning and an institution that ought to play a critical role in the advancement of knowledge in all spheres. He pointed out that both the University and KRA stand to benefit through research that is more relevant and geared towards solving society’s problems in a practical manner. He appealed for greater collaboration between universities, businesses and governments with a view to ensuring more synergy in the resolution of national problems. One area where the collaboration could help is in the manner in which double taxation agreements and other international agreements relating to taxation are discussed. Research by



universities should be broad based so that it is not just government, it is business, it is academia, it is people who can do research and match the kind of negotiation competencies that is found in other countries, in other delegations, which will be better for us in the long-term. He urged universities to become part and parcel of national dialogue to help in resolving issues especially in the fiscal area.

Mr. Njiriani mentioned that KRA's approach over the years has been to act as a key player in global discussions - whether it's about international trade facilitation, cooperation in global tax initiatives and many other areas. He stated that within Africa, Kenya and KRA are regarded as providing leadership on international tax cooperation under the auspices of the Global Forum on tax information exchange and also at the United Nation's Committee on Global Tax Cooperation. The Global Forum has become a very key agenda for the G20 there is always a communiqué that is issued in reference to the work of the Global Forum because countries now globally have realized that this platform is so important for enabling the global community to address international taxation challenges. We are proud, as a country, to be a pioneer and to be a respected pioneer in this respect within Africa. Mr Njiraini stated that KRA is currently working with Africa Tax Administration Forum (ATAF) on transfer pricing and is helping in addressing concerns facing the continent.

In terms of capacity development, to address international taxation, he said that the Authority has since 2009 invested in training a core of subject experts now numbering over thirty (30). The Authority also has undertaken extensive work on legal and institutional reforms to support operations in this regard. In the same breath, he stated that KRA has since established a fully-fledged International Tax Unit which is mandated to focus on policy and institutional strengthening besides the unit carrying out audits relating to international taxation. KRA has managed to raise significant taxes from audit activities with a cumulative amount of Ksh. 25B having been raised since inception of the International Tax Unit.

On matters of global trade facilitation, Mr. Njiraini stated that KRA had prioritized global cooperation and the use of technology as key drivers to facilitate trade and is WCO active players in the global customs initiatives on trade facilitation. KRA also played a leading role in facilitating easier cross-border trade within the East Africa Community (EAC) through the implementation of the well acknowledged single customs territory initiative. Such initiatives demonstrate that Africa has capacity to deliver best practice to the world and KRA has done it in this respect. At the local level, he stated that Kenya customs continues to invest heavily in technology and process reforms to support more efficient operations among the key ones include the rollout of a seamless transit cargo tracking platform for the three EAC countries. Mr. Njiraini said that KRA has already commenced discussions to explore opportunities for placing cargo scanning on one common platform across the EAC.

KRA has defined technology as an imperative that is basic to the success of its business. Technology use therefore is no longer a choice but a necessity. This approach in itself informed by the volume of transactions KRA handles; technology therefore provides the only practical intervention that can help the Authority deliver holistic solutions. To this end, Mr. Njiraini stated that KRA has implemented programs aimed at digitizing operations with the automation program encompassing all aspects of KRA's operations.



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The Commissioner General also stated that KRA has commenced a program to re-orient staff work practices towards the new digital era, a process that involves the remodelling of jobs, remodelling of organizational structures and the re-skilling of staff. The programs which runs under the banner of ‘KRA Transformation Agenda’ will once fully implemented have fundamental impacts on the way the Authority works and relates with taxpayers. In this respect, there has been notable improvement in global ranking for ease of paying taxes indicator for Kenya from position 125 to position 92 this is because of technological investment. He observed that the trend is expected to improve as technological challenges are being addressed.

On corruption matters, Mr. Njiraini stated that one of the strategies is to address as much as possible situations that create the opportunity for human intervention or discretion. The second thing is by enhancing the collection and management of intelligence. He said that KRA has invested in restructuring intelligence gathering operations so that it purposely focus on creating a structure that has got the capacity, the independence to be able to collect the information, process it and use it in the right manner. Third strategy is by creating more transparent processes. Mr. Njiraini reported that KRA has purposely created a structure internally to resolve taxpayer concerns in a transparent manner - it is a conversation between the structure and taxpayer. He noted the need to continuously sensitise staff on frameworks put in place to facilitate resolutions of disputes within reasonable time.

In conclusion, the Commissioner General appreciated KRA partners both local and international, the Tax Summit Organizing Team led by Commissioner Dr. Mohammed Omar and Deputy Commissioner, Grace Wandera and delegates who attended the function. For KRA external partners, both local and international, Mr. Njiraini affirmed KRA’s determination to remain an active and genuine partner in mutual quest to make taxation a more customer oriented subject.

1.5 Remarks by Dr. Edward Sambili, Chairman of the Board, Kenya Revenue Authority



The Chairman began by noting that the Tax Summit provides a great platform for KRA to learn from other jurisdictions and from the stakeholders on the best practice for tax administration and together deliberate on solutions that can help KRA achieve its ambitious revenue targets to support economic development.

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The programs which runs under the banner of ‘KRA Transformation Agenda’ will once fully implemented have fundamental impacts on the way the Authority works and relates with taxpayers,”



He noted that of particular interest, is suggestions on how best to improve the Tax to GDP ratio and possibly attain high levels such as that of Denmark, which is over 40% largely supported by a strong and progressive tax system. KRA is keen in understanding how best we can collaborate to create a conducive environment for business to thrive, and use efficiency in customs management to improve the port business to increase customs revenue and also make Kenya a centre of the world trade. At the domestic tax level KRA is keen to hear more on how to expand the tax base from the current under 10% of the population and bring all eligible taxpayers to the tax net, and at the same time, address issues of transfer pricing and related issues.

1.6 Remarks by the Cabinet Secretary (CS), National Treasury, Mr. Henry Rotich, EGH read by Dr. Geoffrey Mwau, EBS, Director General, Budget, Fiscal & Economic Affairs, National Treasury



Mr. John Njiriani, Commissioner General, KRA follows the proceedings alongside Dr. Geoffrey Mwau, EBS, Director General, Budget, Fiscal & Economic Affairs, National Treasury

The Cabinet Secretary’s address recognize KRA’s effort in hosting the Annual Tax Summit, a platform for sharing knowledge on tax matters. Equally it appreciated ITIC for the support accorded KRA in co-organizing the event.

It underscored the importance of domestic resource mobilization in supporting high and sustainable growth of economies and acknowledged the role citizens play in growing and developing economies. It noted that many African countries continue to perform dismally on revenue collection, less than 20% of GDP, and reckoned that this will eventually affect the pace at which these countries grow and develop their economies. The Cabinet Secretary’s address stressed the need to identify strategies and measures of turning around the current unsatisfactory situation. It gave an example of Kenya where KRA collected total revenues amounting to Ksh1.4 Trillion against a target of ksh1.46 Trillion in the 2016/2017 financial year. This amount represented 18.2% of the GDP which was against a target of 18.9% GDP.



20%

Many African countries continue to perform dismally on revenue collection, less than 20% of GDP

While this performance is commendable, the CS argued that at 18.2% of GDP performance, Kenya is still below its full potential and there is need to re-double efforts by intensifying reform efforts to broaden tax base, make tax base more efficient and transparent and take advantage of ICT innovations.

A number of reforms have been undertaken by government to strengthen revenue performance. These include reforms in tax laws such as the VAT Act, Excise Duty Act and the on-going overhaul of the Income Tax Act with the aim of modernizing it. Technological innovations to enhance tax administration such as Regional Electronic Cargo Tracking System (RECTS), Integrated Customs Management System (iCMS), Integrated Tax Management System (iTax) and Excisable Goods Management System (EGMS) are some of the significant strides that are paying off. Revenue performance can be enhanced to a tune of 20% when these technological efforts are interlinked with other administrative tax measures that can eliminate tax evasion.

Governments across the world lose billions of revenue every year because of 'harmful' tax practices. This was attributed to the prevalence of increasing technology and globalization-enabled economic activities. Because of this, there's need to extend tax reforms to e-commerce activities to cover the dynamic online business environment - a strategy that should be adopted by tax administrations in developing nations.

On the international and regional stance, Kenya is a member of the regional tax blocs such as: the Commonwealth Tax Association (CATA), American Centre for Tax Administration (ACTA), Africa Tax Administration Forum (ATAF) and has a strong cooperation with Organization of Economic Cooperation and Development (OECD) and the United Nations (UN). Kenya's relation with these bodies has enabled KRA to benchmark its services to the international standards. There is need for exchange of information because it is critical in building an efficient tax administration and assist in protecting and broadening the tax base. This can be achieved by deterring tax avoidance schemes and enhancing revenue mobilization through access to critical information. To this end Kenya joined the forum for transparency and exchange of information for tax purposes in 2010 and committed itself to meet international standards on exchange of information upon request.

Kenya is among the first countries in the world to aggressively start building an IT ecosystem in order to ease tax administration while at the same time enabling tax payers to comply. In addition to government's quest to facilitate taxpayers to comply, it is the challenges of taxing internet and mobile based transactions that have forced government to identify taxable and reasonable ways of applying internationally accepted norms to E-Commerce and M-Commerce

In conclusion, the CS acknowledged the complexities of taxing electronic transactions due to factors such as varying tax systems by adopted by different tax administrations which frustrate compliance efforts. This requires Revenue Administrations to come up with new and feasible taxation methods which allow consumers and businesses to easily comply with their duties as tax payers.

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Technological innovations to enhance tax administration such as Regional Electronic Cargo Tracking System (RECTS), Integrated Customs Management System (iCMS), Integrated Tax Management System (iTax) and Excisable Goods Management System (EGMS) are some of the significant strides that are paying off.”





2 PANEL DISCUSSIONS

Session 1: Transfer Pricing & Illicit Financial Flows



Keynote Speaker: Mr. Seth Terkper, ITIC Board Member and former Minister for Finance, Ghana

Moderator: Mr. Gareth Harrison- Tax Director, Price WaterHouseCoopers

Panellists

1. Mr. George Obell- Chief Manager, International Tax office Kenya Revenue Authority
2. Mr. Nikhil Hira- Tax Partner, Deloitte East Africa
3. Ms. Emily Muyaa-Managing Senior, Sub-Saharan Africa, IBFD Government Consultancy
4. Mr. Kenny Hawsey- ITIC Board Member and Global Energy Tax Lead, PwC

Keynote Address

The keynote speaker, Mr. Seth Terkper, started by defining transfer pricing as a situation largely involving multinational corporations (MNCs); resident parent companies operating subsidiaries in other tax jurisdictions majorly in developing nations, where they derives their source of income. MNCs have internal governing mechanisms for their subsidiaries but a number of sovereigns insist on arms-length prices and as a result, they take advantage of the different taxation rates in different countries to set up more subsidiaries with the goal of reaping maximum profits while paying minimum taxes.

Mr. Terkper noted that transfer pricing complexities sets in with the introduction of tax havens which shift the sharing of information from a bilateral to a multilateral setting. Here, multinationals start to register entities in tax havens mostly in small economies (though there are advanced countries classified as small economies such as Ireland and some EU states) which introduces the third party element in a bilateral environment (because the resident shifts operations to a tax haven).

The resident advanced country begins to have problems such as revenue losses since the operations, including accounting, have been shifted to a tax haven.

Illicit financial flows is another transfer pricing complexity. It involves illicit transactions such as trading in arms, tobacco, human trafficking and money laundering which began to cut the eye of developed countries particularly with the advent of terrorism. This means that tax administrations have to cast a wider dimension on the issue of transfer pricing as it involves capital flights-over-invoicing and under-invoicing of exports and imports respectively. For instance, over-invoicing of exports means that more money is taken out than the actual value of goods while under-invoicing means payment of less tax. This means that tax authorities should not only focus on tax evasion and tax avoidance but also pay keen interest in illicit financial flows such as money laundering.

The speaker noted that developing nations are losing revenues of between US\$ 1.6 to US\$ 2.2 trillion, an estimate he attributed to illegal activities such as drug trafficking, illegal logging, human trafficking, illegal mining, illegal wildlife trade, crude oil theft, organ trafficking etc.

On risk management, the speaker pointed out that tax administrations have an added responsibility of going beyond tracking tax evasion and avoidance to becoming integrated with national security systems and monetary systems. He advised tax administrations to employ coordination and a proactive approach to solve the problem of illicit transfer pricing.

He proposed the need for tax reforms which includes integration of databases, organizations and processes of customs and domestic tax administrations. Transfer pricing and illicit financial flows should be embedded in the structures that tax administrations are putting in place.

Lastly, he proposed that tax administrations should automate functional processes such as monitoring of manifests and fiscal inspections. He also noted the need for tax administrations such as KRA, GRA, SARS and URA to build their capacity by ensuring that the principles of tax administration and policy are embedded in training and programs and that they collaborate in coming up with a tax institute to train professional tax practices to their staff subordinate, middle management and senior management level.

He concluded by reiterating that transfer pricing now has a wider dimension that calls tax administrations to move towards engaging and advising their clients and businesses beyond transfer pricing issues to achieve certainty in tax administration.

Panel discussions

The panel observed that transfer pricing falls into tax planning and avoidance and is only deemed illegal when it involves deliberate mispricing and leads to illicit financial flows. Transfer pricing in Africa and developing nations remains an emotive issue in view of the attitude towards illicit financial flows. Although MNC's contribution to economies is appreciated, they come with complicated tax planning schemes.



However, there is need for the countries to move away from the attitude that the MNCs are deliberately mispricing.

Currently, through the digital financial services, it is easier to move money around the world thus creating a challenge in controlling the illicit financial flows. Many countries have come up with Anti-money Laundering laws/regulations in an attempt to curb this vice. In Kenya, transfer pricing is a concern in view of the observation that some of the MNCs report losses but they do not seem to consider winding up whereas others report lower profit margins as compared to the domestic companies operating in the same areas/sectors. Kenya has an international and domestic approach towards issues of transfer pricing. Under the international approach:

- (i) Kenya participates in the OECD initiatives to enhance global sharing of information.
- (ii) KRA participates in BEPS (Base Erosion and Profit Shifting) initiatives, driven by G20. The BEPS initiatives have several working parties that Kenya takes part in.
- (iii) KRA embraces arbitration which creates a platform for faster resolution of international disputes.

There is need however, to address the double tax agreements gaps and counter “treaty shopping” (one country taking advantage of bilateral tax treaties) through multilateral instruments.

Under the domestic approach:

- (i) The Income Tax Act is currently undergoing review to ensure that the international initiatives are incorporated.
- (ii) Kenya has embraced information technology and set up systems that are intelligent to utilize data warehousing/bulk information for decision making. KRA has automated its processes through iTax system thus comparisons along sectors and/or tax heads can easily be done.
- (iii) Professionalizing the Transfer Pricing Team – the team has been expanded from 16 to 40 members of staff, and the process of capacity building of the team is still in progress. In the last 3 years, the team has dealt with 65 transfer pricing cases and collected over Ksh 20 billion.
- (iv) A multi-agency team comprising of Ethics and Anti-Corruption Commission (EACC), Asset Recovery Agency, the Kenya Police Service, and Office of Public Prosecutor among others, has been set up to deal with tax crimes. It was noted that putting the evidence together on the illicit financial flows or the intent to evade taxes remains a challenge.
- (v) The Government of Kenya has concluded Double Taxation Agreements with a number of countries and is currently expanding her treaty network. The double tax agreements are important since they help in alleviating double taxation where business is conducted in different tax jurisdictions and also assist tax administrations in preventing fiscal evasion.

The panel noted that new guidelines on transfer pricing have been developed by OECD (referred to as “Six Method”) which have been adopted in Latin America (applied in pricing commodities). Countries like Kenya have short transfer pricing



The Government of Kenya has concluded Double Taxation Agreements with a number of countries and is currently expanding her treaty network,”

guidelines incorporating the OECD guidelines. Other countries have clearly indicated that “the OECD guidelines apply in their jurisdictions as revised from time to time” thus making it easier to apply the new guidelines.

Recommendations

- (i) Tax authorities need to recognize that they have an expansionary role beyond tax administration - for example, they need to be actively involved in dealing with issues of money laundering. Revenue Administrations must be at the cutting edge of a continental drive by continuously upgrading systems and strengthening routine processes, focusing on emerging issues, and must lead and be the focal point for technical knowledge and assistance.
- (ii) There is need to strengthen institutional capacity of Revenue Administrations to deal with complex revenue administration topics and to tackle the growing complexity of transfer pricing. Develop a curriculum for transfer pricing to be taught in learning institutions. Segmentations should be encouraged to have technical teams adequately equipped to handle transfer pricing issues. Also put more focus on individuals as well as MNCs – the documentation and monitoring of all international taxpayers need to be improved on.
- (iii) Build capacity for advance pricing agreements in Africa.
- (iv) Strengthen regional organizations – there is need to strengthen organizations such as Africa Tax Administration Forum (ATAF) to build their capacity to effectively conduct continental negotiations at the international level.
- (v) Need to consolidate tax laws by bringing in the best international practices – the ongoing review of Income Tax Act should incorporate the international best practices in dealing with transfer pricing.
- (vi) Legislate on integration of systems and processes that facilitates exchange of information from trade tax, financial and security systems.
- (vii) Transparency and accountability in application of tax revenue - When tax application and utilization can be easily seen by the taxpayers, it becomes easier to improve on tax morale. However, the focus has to be more on prescribed tax rules and enforcement rather than on moral obligations.
- (viii) Stakeholder engagement - All stakeholders should be brought on board in development of the transfer pricing guidelines (it should not be seen as an OECD issue). When the engagements are transparent and open, it becomes easier to implement.

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There is need to strengthen institutional capacity of Revenue Administrations to deal with complex revenue administration topics and to tackle the growing complexity of transfer pricing,”



Session 2: Optimizing Big Data and Advanced Analytics for Enhanced Tax Administration



Keynote Speaker: Mr. Nick Nesbitt – General Manager, IBM East Africa

Moderator: Mr. Sebu Haileleul- Country Manager, Microsoft Kenya

Panelists

1. Prof. Bitange Ndemo - Professor, University of Nairobi
2. Dr. Joseph Sevilla - Data Lab Director, Strathmore University
3. Mr. Suleiman Asman- Country Director, Innovation for Poverty Africa
4. Ms. Beatrice Gichohi - Ag. Deputy Commissioner, Kenya Revenue Authority
5. Mr. Rished Bade - Former Commissioner General, Tanzania Revenue Authority & Senior Advisor, International Tax & Investment Center.

Keynote Address

The keynote speaker Mr. Nicholas Nesbitt commenced his address by acknowledging that tax authorities can utilize big data for the optimization of business processes, noting that emerging areas on advanced data analytics and artificial intelligence are now seen as the future for every industry and sector, government included. Regrettably however, criminals are increasingly becoming more sophisticated as they master manipulation of financial systems and their own businesses to ensure they do not pay taxes. This has created a vicious cycle whose only solution lies in utilizing big data.

He categorized data into structured and unstructured and further described structured data as records found in organised formats such as spread sheets and databases and unstructured data as the vast amounts of records that are readily available on social media platforms. The speaker analogized that unutilised data, especially unstructured data, makes tax authorities record losses in revenue collection. Social media behaviour such as individuals and companies posting expensive lifestyle



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Criminals are increasingly becoming more sophisticated as they master manipulation of financial systems and their own businesses to ensure they do not pay taxes,”

information should be closely monitored to ensure that they are in tandem with the taxes they pay.

Integration of data is important to solving these problems as it aids in establishment of actionable insights which can be used to nab tax evaders or seal the loopholes in tax collection. Automation of taxation processes can also go a long way in supporting tax administrations launch patterns, relationships and themes that can help in finding anomalies and aid decision making processes. This will facilitate the identification of individuals and companies that violate tax laws.

To handle these problems even better, adoption of artificial intelligence by tax administrations is imperative since it aids in analysing vast amounts of historical, current and future data, with an advantage of making sense of the future data basing on historical data.

Tax administration challenges such as fraud cannot be solved only by machines working in the background. The speaker emphasized the need for tax authorities to change the customer experience by setting up effective and working customer service units. However, many call centre units set up by tax administrations have predetermined set of answers that do not satisfactorily answer the specific questions and needs of taxpayers. There is urgent need for authorities to address customer care challenges by adopting artificial intelligence to avert delays in tax collection.

Additionally, collaboration between tax authorities and big data analytics companies can aid in nabbing tax fraudsters and drastically increase compliance levels. These companies have specialized technological tools and technical capacity to establish criminal patterns, identify the criminals and give intelligence of their whereabouts for tax authorities and national security apparatus to take action. Their systems also can help tax administrations in prioritizing tax collection efforts by profiling taxpayers in a systematic manner using certain parameters such as large taxpayers, non-filers etc. These interventions can boost tax collection levels promptly.

Going into the future, the speaker noted that tax administrations should adopt appropriate technology that can simplify tax payment processes and make it easier for taxpayers to comply. There is need for tax authorities to embrace smart technologies which give taxpayers alerts through email or text message, for example, what tax is due and that facilitates access of tax records and engagements with authorities anytime, anywhere.

The speaker closed his address by challenging tax authorities to change their approach on operations by starting with the end in mind in what he termed as *design thinking* which involves re-imagining the future and having a picture of what they aim to achieve. This should then inform a roadmap for the desired future whose aim should be to make tax payment a painless process. Armed with digitization, integration of applications, use of analytics and artificial intelligence, tax bases can be broadened and tremendous compliance levels achieved.

Panel discussions

Despite having automated services, the panel noted that, Revenue Administrations have not yet tapped into big data especially unstructured data that could be used for tax opportunities, and risks management. Revenue Administrations lack capacity to

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Tax administrations should adopt appropriate technology that can simplify tax payment processes and make it easier for taxpayers to comply,”



harness and manage unstructured data for it to give actionable insight. It was also observed that there exists a gap between RAs and other agencies such as banks that can provide information on taxpayers. Most RAs struggle to share data with their citizens while this could be an opportunity for more interaction between the authorities and taxpayers.

Emerging business models utilizing social platforms such as WhatsApp and YouTube are eating into telephone companies (telco) revenue. These platforms are not captured on the national payments. It is essential to note that there are no explicit legal constraints in using big data obtained from social platforms because these are public platforms used on voluntary basis. Big data provides an avenue to transform complex information into simple and easy to understand information for the taxpayer. This calls for the utilization of real time data as opposed to complex analytics e.g. using data provided on declaration forms.

KRA on its part has implemented various technological platforms such as iTax system and integrated customs management system that generate big data. KRA is also working on a data warehouse and integration of internal systems with 3rd Party systems such as IFMIS to leverage on big data. By using big data KRA expects to increase tax revenue, tax compliance, enhance customer experience and informed policy formulation.

Recommendations

In order to utilize big data in tax administration and management the following recommendations were made;

1. Revenue Administrations need to develop local expertise in data analytics through collaboration with the industry and academia. RAs staff also need training in design thinking to enable a future view of taxation,
2. Revenue Administrations should employ highly integrated system through a collaboration approach with other government agencies for data exchange and to allow for a single view of the taxpayer,
3. There is a need to monitor the new modes of payment such as crypto currencies for tax related anomalies. Modern digital terms such as *bitcoin* should also be incorporated in tax laws and policies for ease of monitoring,
4. RAs need to update tax collection systems as often as possible to combat the fraudsters' changing tactics,
5. Revenue Administrations should make it easy for citizens to access tax information such as tax filing and payments due dates,
6. RAs should apply digital technologies such as mobile applications, to simplify tax payments and enhance compliance through anytime, anywhere access of tax systems and processes,
7. RAs should apply electronic agents such as robots to enhance personalized customer interaction,
8. RAs should adopt a transformational roadmap through integration of legacy systems into new technologies such as block chains to ensure permanency of records.



Emerging business models utilizing social platforms such as WhatsApp and YouTube are eating into telephone companies (telco) revenue. These platforms are not captured on the national payments,”

Session 3: Enhancing Customs Systems for Efficiency in Trade Facilitation



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RAs should adopt a transformational roadmap through integration of legacy systems into new technologies such as block chains to ensure permanency of records.”

Keynote Speaker: Mr. Julius Musyoki - Commissioner, Customs & Border Control Kenya Revenue Authority

Moderator: Ms. Phyllis Wakiaga – Chief Executive Officer, Kenya Association Manufacturers

Panelists

1. Mr. Julius Musyoki – Commissioner, Customs & Border Control, Kenya Revenue Authority
2. Ms. Carole Kariuki – Chief Executive Officer, Kenya Private Sector Alliance
3. Mr. Peter Kibet Biwott – Chief Executive Officer, Export Promotion Council

Keynote Address

The Keynote speaker, Mr. Julius Musyoki, Commissioner of Customs and Border Control at KRA began by noting that the mandate of KRA Customs & Border Control Department includes, revenue collection and accounting; security and trade facilitation, compilation of trade statistics and protection of society through enforcement of prohibitions and restrictions. However, with the advent of many security threats across the globe, customs has given prominence to the security mandate and Kenya has been at the forefront of this shift, creating a division for border security management. He further noted that, customs operations are standardized by World Customs Organization (WCO), which coordinates instruments and tools that are universally consistent, for efficient and simplified customs processes.

He noted that trade facilitation initiatives in the Kenyan history started with physical declaration of documents, Boffin Systems, 2005 Simba System and currently work is ongoing to adopt a new system, the Integrated Customs Management System (iCMS). The system will automate end to end cargo clearance by consolidating all





the existing customs systems under one access point. It will enhance information sharing with other government agencies, and facilitate ease of doing business by speeding up cargo clearance. Kenya aims to achieve 70% of pre-arrival cargo clearance by the year 2018. Other systems and interventions in place include:

1. The Integrated Scanner management – this will improve reliability and enhance security of containers on transit as well as reduce the risks to inspection staff.
2. Regional Electronic Cargo Tracking System (RECTS) – facilitates end to end monitoring of transits along the northern corridor (Kenya-Uganda-Rwanda).
3. Vetting of customs clearing agents to enhance professionalism.
4. Generating data to ease risk based Post Clearance Audits (PCA).
5. Commissioning of SGR Freight Train which is expected to decongest the port of Mombasa with a freight capacity of 5 freight trains per day of 108 twenty foot equivalent units (TEU) each.
6. Installation of a Cargo Command Centre (CCC) to coordinate cargo scanners from a central point and avoid the element of staff discretion where integrity issues arise.
7. Educating staff on change management through engagements in transformation programs to buy in the changes and approach clearance of cargo on a risk based approach with a view to improve customer service

Panel Discussions

The moderator began by putting the discussion into context noting that the session focused on the role of customs in facilitating and implementing the WTO trade facilitation agreements which entered into force on 22nd February 2017, and had been ratified by about 70% of the WTO members, as at March 2017. The Trade Facilitation Agreement is a positive reminder of the commitment of countries around the world to improving the international trading system and promoting free trade. Over the last 20 years, the international community has made significant progress in dismantling trade barriers; applied tariffs have been reduced, quotas removed, FTAs signed around the world and developing countries are trading more. As a result, the global trade recorded a 10% increase during the period between 2000 and 2008. However, after the global financial crisis in 2008 several Non- Trade Barriers (NTBs) have arisen leading to a drop in the global trade and making it difficult to predict the trade architecture that will evolve over the next few years. The recent Brexit referendum, calls on North America to dismantle free trade, and growing NTBs in the EAC region and the African continent, are indicators that protectionism will continue to rise and countries like China will continue dominating the global trade. The question then remains as to how developing economies can enhance customs systems for trade efficiency under these circumstances.

To answer this question, the panel acknowledged that initiatives such as those taken by KRA are key in enhancing customs systems noting that they have enabled Kenya make significant progress in improving the ease of doing business. According to the World Bank Ease of Doing Business Report, 2018, the EAC region had an average ranking of 133 in the cross border trade indicators, with Kenya ranking at position 106, Uganda position 127, Rwanda position 87, Tanzania position 182 and Burundi position 164 out of 190 countries. Similarly, Kenya registered a significant improvement in the ease of paying taxes, ranking position 92, and an improvement

of 74 places from 166 in 2014. This improvement was largely attributed to the operationalization of iTax, and tax reforms which saw a reduction in the number of payments. In 2016, the World Bank Logistics performance report placed Kenya at position 39 in customs efficiency up from position 151 in 2014. These improvements have led to a significant reduction in the cost of doing business due to reductions in the time taken to transport cargo along the northern corridor, and implementation of the Port Community Charter which has facilitated stakeholder collaboration in facilitating trade. There is need however, to work together to reach the governments aspirations of improving Kenya's business environment to top 50 globally. This collaboration needs to include public private dialogue at the inception phases of government initiatives.

The panel further noted that there is a direct correlation between efficient trade facilitation systems and poverty reduction: reduction in cost of transporting goods, access to raw materials and faster market linkages enhance the competitiveness of a country's products allowing businesses to grow and create employment opportunities, which in turn reduces poverty levels. Over and above improving trade efficiency, the panel noted that there is need to sensitize Kenyan traders to focus on exporting value added products, as opposed to bulk primary products. It was estimated that to achieve macroeconomic stability and a balance of trade in the next five years, Kenya needs to grow her exports by 20% annually. This calls for concerted effort to empower Kenyan companies and improve efficiency across the entire trade value chain. The focus on the export is critical due to the fact that the Kenyan population represents a mere 0.006% of the potential global market meaning that 99.994% of the potential market is outside Kenya.

Enhancing efficiency by saving on time taken to export, a paperless customs allowing importers access of the system and do their own self declaration without engaging agents. KRA has also adopted transformation on staff change management programs, retraining and reskilling of staff. Risk based approach and non-intrusive inspection of exports and imports. There is need to seal loopholes of tax evasion if Kenya's tax GDP ratio is to move from 18.2% to 30% and compare to that of Denmark 46% and Namibia 33%.

The audience sought an understanding from the panel, on how Kenya manages interagency collaboration at the ports of entry for efficiency; how KRA integrates domestic taxes data in customs operations and vice versa; how KRA manages customs and domestic taxes audits to avoid multiplicity and duplicity of interventions in revenue administration. The audience also sought an explanation as to why some products are cheaper in Uganda compared to Kenya yet they pass through the Kenyan borders, and an explanation on the expected return on investments from the various customs interventions. The audience further sought to understand how disputes arising from classification of goods are resolved without involving the time



consuming judicial systems while at the same time seeking an intervention from KEPSA to ensure an all-inclusive apex business body that incorporates the SMEs.

Recommendations

1. The Integrated Customs Management System (*iCMS*) should be integrated to *iTax* for seamless accessibility and to obtain information on non-compliant taxpayers.
2. The number of audits by KRA has become a source of concern to many taxpayers. KRA should conduct joint Customs and Domestic Taxes' audits to avoid business interference and focus on improving the business environment.
3. There is need for business member organizations (BMOs) to be all inclusive to embrace informal sector umbrella bodies and organizations for the purposes of a consolidated dialogue.
4. Harmonization of valuation in East Africa Community should be fast tracked to eliminate the existing discrepancies.
5. Developing countries should support manufacturing, SEZs, EPZs and various incentives to increase value since they create employment opportunities and contribute to government revenue.
6. KRA should encourage taxpayers to embrace the alternative dispute resolution mechanism to minimise on time and costs involved in court processes.
7. KRA should implement integrity programs to increase transparency, eliminate staff intervention and bureaucracy.
8. There should be strong and continuous public - private engagement and dialogue with all stakeholders to enhance tax compliance.
9. To promote the competitiveness of Kenya's exports, there is need to widen the tax base as opposed to increasing tax rates.



Session 4: The Nexus between Tax Governance and Tax Morale



Keynote Speaker: Ms. Doris Akol-Commissioner General, Uganda Revenue Authority

Moderator: Mr. Daniel Witt-President, International Tax and Investment Centre

Panelists

1. Prof. Dina Pomeranz – Lecturer, University of Zurich
2. Mr. Peter Kinuthia- Tax Partner, KPMG
3. Maurice Oray – Ag. Deputy Commissioner, Kenya Revenue Authority
4. Mr. Robert Uhar – Tax Administration Advisor for Leadership, Nathan Associates
5. FCPA Philip Muema - ICPAK Tax Committee

Keynote Address

The speaker underscored tax as a non-*quid pro quo* payment that citizens are obligated to pay to the government. She noted that tax provides a social contract between the government and the citizens. Governments seek to increase tax bases and maximize revenue collection while citizens expect governments to reciprocate by providing social goods and services. The speaker noted that tax governance underlies the effectiveness of tax administrations and is the foundation on which tax authorities are built. She identified an aggregate of elements that tax governance is composed of as,

- Transparency in the way tax is administered and utilized,
- Accountability and public participation in tax policy design, for example, through civil service organization involvement in tax system design.





- Exchange of information between intergovernmental and intra-governmental agencies. She noted that it is incumbent upon government to provide fertile environment for information exchange.
- Fair application of the rule of law guiding tax matters
- Responsiveness of tax system to people’s needs. She was of the view that a tax system should not be arbitrary.

The speaker defined tax morale as the attitude citizens possess towards payment of taxes. Tax morale presupposes readiness to pay tax at due time. She identified the existence of a positive correlation between tax morale and voluntary compliance and stated that tax morale is influenced by social values, perceptions, attitudes, fairness and justice in tax administration. She analogized that perceived poor tax governance leads to incidences of low tax morale whereas perceived good tax governance builds public trust which boosts tax morale in the long run.

There is need for Revenue Administrations to draw a linkage between tax collected and services delivered as a result of the taxes as this has an impact on tax morale. This is because voluntary compliance is a product of a perception of good utilization of taxes collected. If governments make improvements in accountability explicitly linking improved tax collection to the expansion of popular social programs, tax administrations are likely to register high levels of tax morale.

The speaker observed that Revenue Administrations have a role to play in fostering tax morale and gives an example of what measures the Uganda Revenue Authority (URA) has undertaken to foster tax morale.

- a) Quarterly Press briefs on tax collection and sector performance, challenges and the outlook
- b) Taxpayer Appreciation Week. This is meant to strengthen the relationship with private and informal sector by giving broad accountability on utilisation of taxes. URA engages various ministries to showcase how they have spent the allocations. Compliant sectors are rewarded.
- c) The government has documented an Annual Publication called ‘My taxes Work’. #MyTaxesWork is also a hash tag for the Authority
- d) Annual Open Mind Forum is a proactive way of engaging the public on critical issues affecting the society and in policy formulation.
- e) Making it easy to comply through Personalised SMS Updates to taxpayers on their tax issues

In conclusion, the Speaker acknowledged the existence of the gap between tax collected and service delivered where public perception to tax payment is still low and tax culture where taxpayers view it with suspicion – a system that compels them to give their ‘hard-earned’ money to the government. Tax administrators should endeavour to narrow this gap by ensuring that they are efficient, effective and provide accountability for what the money does.

Panel Discussions

KRA has experienced growth in revenue collection attributable to good governance practices and improved service delivery introduced through the transformation agenda. This has greatly reduced the cost of compliance to the taxpayer as KRA has embraced technology. Information sharing is also key both at the domestic and international level. KRA is in the process of developing domestic cooperation to enhance inter-agency sharing of information.

The new KRA slogan: *Tulipe Ushuru Tujitegemee!* – translated pay taxes for self-sustainability, is a good start to motivate taxpayers to comply. Tax education at early stage for future taxpayers is necessary. Some countries such as Russia have tax comic books designed to teach children about taxes. There should be political goodwill to boost tax morale; this is key in fostering voluntary compliance. Corruption is a major impediment in driving tax morale in Kenya. We should make calculation of taxable amounts very easy.

One of the major challenges facing tax authorities is the negative impact of corruption on tax morale. Nevertheless, investing in technology ensures less human intervention hence reducing room for rent seeking. Technology ensures integrity of the system, efficiency and removal of non-value process in the systems.

Recommendations

1. Tax administration should ensure that political processes do not interfere with tax mobilization efforts
2. Tax Administrations should improve taxing capacity and efficiency through application of technology , knowledge management and expert staff retention
3. Tax Administrations should enhance system efficiency through the use frameworks such as Tax Administration Diagnostic Tool (TADAT)
4. There is need to foster tax education by encouraging public participation and integrate active participation of professional bodies
5. Tax Administrations should develop a tax collection strategy at national level and align specific activities social projects





Session 5: Harnessing Domestic Revenue for Sustainable County Development



Keynote Speaker: Mr. Simon Kirgotty, Devolution Secretary, Ministry of Devolution and Planning

Moderator: Mr. Moses Kajubi -Tax Expert, World Bank

Panelists

1. Mr. Benson Korongo – Commissioner, Domestic Taxes, Kenya Revenue Authority
2. Mr. Kiprono Kittony - Chairman, Kenya National Chamber of Commerce & Industry
3. Mr. Eric Kiniti – Director, East African Breweries Ltd.
4. Mr. Rished Bade- Senior Advisor International Tax & Investment Center & Former Commissioner General, Tanzania Revenue Authority
5. Ambassador Kipyego Cheluget - Assistant Secretary General, Common Market for Eastern and Southern Africa

Keynote Address

The speaker began by noting that the promulgation of the constitution of Kenya 2010 led to a new dispensation in governance of the country with the introduction of a devolved system of governance which sought to bring government closer to the people. County governments then would become the center of dispersing political power and economic resources to Kenyans at the grassroots.

The speaker further noted that the formation of County Governments in 2013 meant that the sub-national governments would inherit all revenue streams, expenses, weaknesses and inefficiencies of the defunct local authorities. The Ministry of Devolution was then mandated to ensure that devolution works and draft national policy and agricultural framework to enhance revenue mobilization.

He outlined article 202 (1) and 203 (2) of the Kenyan constitution which defines county government funding where county governments are to receive at least 15% of national revenue to fund service delivery.

The speaker acknowledged that counties have limited taxing powers and inadequate capacity to collect revenues. This has lead counties to contribute only about 13% of their total expenditure, with the Central Government contributing 84%. Additional sources of revenue include: grants, donor funding, and partnership with the private sector.

He stressed the need for collaboration between KRA and county governments in revenue collection leveraging on each other's strengths. He concluded by stating that county governments need to initiate public engagement through better communication, enhance automation on revenue collection, strengthen revenue administration and set realistic revenue targets.

Panel discussions:

It was observed that the private sector can contribute to improve county tax bases through investments. For instance, East African Breweries Limited was reported to be in the process of investing **Kshs.15 billion** in Kisumu, with a target of sourcing all the raw materials locally by the year 2020. There is need therefore, for counties to simplify the processes and procedures for private investment for efficiency. Through collaboration between private investors and the county governments, investment risks can be reduced. Among the challenges faced by county governments include but not limited to legislation, capacity and competencies. Outdated laws still exist in the counties for instance waivers and variations at the county levels are not underpinned by any law.

KRA has a role to play in revenue collection by use of smart enforcement tools such as i-tax system which is already interlinked with County Integrated Financial Management Information System (IFMIS) and by working closely with the county governments for example in registration of businesses and taxpayers. KRA has already established i-Tax centers in major towns and Huduma centers. Additionally, KRA has signed Memorandum of Understanding (MOUs) with some counties to assist them in revenue collection.

To curb multiplicity of taxes at the county levels the national government has come up with model tax law to guide counties in raising revenue particularly on own –source resources. Publication of county performance should be regularly done to improve transparency, accountability, build trust and boost tax morale. KRA should also be encouraged to consider waiving penalties and interest on defaulted taxes by the counties.

Recommendations

1. Build trust between KRA and the counties to enhance collaboration in county revenue mobilization.
2. There is need to inform people of the importance of paying taxes through showcasing of services and social amenities provided by government to improve tax morale.
3. There is need for counties to embrace a continuous open dialogue policy to keep the citizenry informed on taxation changes.





4. Enhance automation of county revenue collection processes to reduce rent seeking.
5. There is need for KRA to build the capacity of the members of county assemblies to address taxation matters from a policy formulation perspective.
6. Encourage counties to generate own revenues and set realistic revenue targets to avoid budget shortfalls.
7. There is need for KRA to integrate their tax systems with the counties to foster information sharing.
8. KRA to expand its grassroots physical presence by increasing the number of iTax support centers to cover all counties and ensure presence in all Huduma Centres.
9. County governments need to maintain up-to-date databases for all businesses operating within the counties detailing their contacts and physical location. The national government should develop legislation to compel the county governments to avail this database to KRA upon request.
10. County governments should enter into MOUs with KRA to leverage on the existing technology and expertise to enhance county revenue mobilization.
11. Counties should reevaluate their revenue streams with a view to legislate and incorporate new incomes especially in the E-commerce sectors.

Session 6: The Role of Professional Bodies in Enhancing Domestic Revenue Mobilization



Keynote speaker: Amb. Erastus Mwencha-Immediate Former Vice Chairman, African Union

Moderator: Mr. Muriithi Ndegwa -Chief Executive Officer, Kenya Institute of Management

Panelists:

1. Dr. Samuel Oroko -Chairman, Kenya Medical Practitioners and Dentist Union
2. Ms. Faith Waigwa-Vice President, Law Society of Kenya

3. Dr. Mohamed Omar - Commissioner, Strategy, Innovation & Risk Management, Kenya Revenue Authority
4. CPA Francis Kamau, ICPAK Tax Committee
5. Mr. Keith Engel, CEO, South Africa Institute of Tax Professionals

Keynote Address

The Speaker began by noting that governments provide essential and sensitive services to its population which the private sector may not be willing to invest in due to the high initial cost of investment required or the sensitive nature of such services as security, education, healthcare and transport.

He noted that governments' big challenge is mobilizing resources for provision of these public goods and services and how to finance the Sustainable Development Goals (SDGs) bearing in mind the under collection challenges in developing countries. He attributed the challenges in revenue mobilisation to the existence of large subsistence/informal sector in developing nations, lack of a robust and enabling business environment to create sufficient economic activities and too many leakages in tax collection. The speaker noted that Africa lost over US\$ 1 trillion in domestic revenue between the years of 1971-2008, which translated to over US\$ 50 billion annually, attributing the loss mainly to poor negotiation of trade agreements and mispricing problems, particularly in the extractives industry.

In Africa, he said, there is a huge gap in motivating taxpayers to voluntarily pay taxes. He gave an example of Denmark where, despite having high tax rates, compliance has remained high over the years since the citizenry feels the impact of services delivered by the government. This, he added, demonstrates that value for money to the taxpayers is important. He however applauded KRA's technological advancements that enable taxpayers file returns online, even those in diaspora. Such innovations, he say, ought to be replicated in other areas of tax administration such as tax computation and reporting.

He concluded by proposing measures that would aid tax collection and administration which include provision of taxpayer education; rewarding compliant corporate and individual taxpayers; narrowing of the revenue-expenditure gap (expenditure should not exceed collection); focusing on sustainable development (discourage activities that pollute the environment through taxation and encourage use of technology) and ensuring that value for money paid by the taxpayers is realized.

Panel discussions

A recent review carried out by KRA showed that the professionals are among the main non-compliant taxpayers. Some professionals are doing business with County governments but are not even registered on iTax system. The need for value for money to the taxpayer was emphasised by the panel. When people pay taxes, it is good for them to see what the amount paid is doing for them. It was remarked that the Government should adhere to the Abuja declaration that requires that 15% of government expenditure goes to provision of health services.

One of the challenges in tax administration in Africa is that the African countries often take hi-tech solutions to solve low-tech problems. The use of European experiences





for tax base expansion in Africa sometimes does not work as most countries struggle with taxing the informal sector. Tax system needs to be fair and should not harm the businesses of the professionals. For example, a rental tax of 10% on gross rental income could be worse than a 30% tax on net rental income. This could be harming the rental property businesses in Kenya.

The panel also deliberated on the need for KRA to partner with professional bodies to deliver tax education and enhance voluntary compliance. Professionals such as medical practitioners have started collaborating with KRA in organising seminars for tax education. Business associations also need to work closely with KRA to enhance the ease of paying taxes, especially for the small taxpayers. In future, Non-Governmental Organisations (NGOs) should also be included in the tax discussions to enable KRA understand more on their take on tax operations and the perception in the population they represent.

Recommendations

- (i) **Tax education** – KRA should educate all professionals on their tax obligations to avoid cases of accumulated tax arrears.
- (ii) KRA should partner with Universities should come up with a curriculum for tax education and offer tax education to all University students as a compulsory unit. There is also need to start tax education at an early learning age and make it part of the education system.
- (iii) **Partnership with the professional bodies** - There is need for a Memorandum of Understanding between KRA and the professional bodies to ensure a close working relation. Professional bodies should consider sharing with KRA their lists of registered members for ease of interaction and provision of the required tax education. KRA should also involve the professionals in every key decision to avoid conflicts after bills have been passed.
- (iv) KRA should take advantage of the forums organized by the professional bodies to educate their members on tax issues and enhance interaction with the professionals.
- (v) Professional bodies should be compelled through law to make it a mandatory requirement for their members to be fully tax compliant before registration or renewal of their licenses.
- (vi) Tax professionals such as tax practitioners, tax lawyers, and tax auditors should be well trained, and well regulated. Practitioners should also be penalized for collaborating with taxpayers to evade paying taxes.
- (vii) **Information sharing** - Use third party data to capture the non-complaint businesses/individuals. Work closely with County and National Government to ensure all suppliers pay taxes.
- (viii) Work on a single identifier for every taxpayer.
- (ix) Tax incentives and their returns on investment should be made public. KRA needs to report on tax incentives and how much they are costing the country and if they are still necessary
- (x) Media can be used as a tool to name and shame tax evaders. The media sets the pace on public discussions hence should be engaged more on coverage of tax issues especially highlighting how tax evaders are dealt with by KRA to discourage similar acts - the tax evaders should be put on the headlines.

Session 7: Digital Economy- Revenue Opportunities and Challenges



Keynote Speaker: Mr. Raul Flores Palacios- Tax & Government Digital Advisor, Microsoft Consulting Services, Mexico

Discussants

1. Ms. Doris Akol-Commissioner General, Uganda Revenue Authority
2. Rished Bade- International Tax & Investment Centre
3. Mr. Gareth Harrison- Tax Director, PriceWaterHouseCoopers

Keynote Address

The speaker described the digital economy as a transformational concept characterised by extensive use of digital tools in day to day interactions and learning such as using you tube to download scholarly content, using the internet for content generation, and learning assistance through interactions with Chat Bots. He further described a scenario involving a young entrepreneur whose business is largely digital involving, Sourcing and selling goods and services online on sites such as Amazon, Fiverr, eBay, Etsy; marketing on Facebook and you tube; receiving and making payments digitally using PayPal; hiring minimum resources on LinkedIn, offering customer assistance using a Bot, and has plans to deliver goods using drones. Such an entrepreneur has no physical assets and no boundaries as could be located anywhere in the world.

This shift in consumer behaviour patterns has pushed businesses to redefine their business models to meet constantly changing customer needs and the needs of a burgeoning generation of heavy technology consumers. Revenue administrations as well, should transform and digitize their revenue collection models to harness the opportunities presented by these advancements and develop an enabling tax environment not only for today's taxpayers, but also for the future taxpayers. The speaker proposed the following as the pillars for the digital transformation of tax models in developing economies:





1. Digital transformation to enable new business capabilities
2. To enable the taxpayer of the future
3. The adoption of a data culture across the entire organization
4. Strong collaboration with other government entities – to enable gathering of holistic taxpayers data
5. Enabling a value chain on the entire tributary cycle

Digital transformation will equip RAs with the ability to develop and use tax intelligence using machine learning, artificial intelligence, cognitive services & data science to detect and prevent frauds, and anomalies in taxpayer behaviour; improve the experience of taxpayers by using modern applications and cognitive services such as Chat Bots; enable a standardized and efficient way to interact with the taxpayers, and enabling the automatic fiscal auditing using analytics on real time on the electronic operations of taxpayers.

Panel Discussions

The digital economy presents great opportunities which require a well thought through and structured approach for RAs to effectively exploit these opportunities for revenue enhancement across the entire revenue collection value chain, right from recruitment to post-payment taxpayer support. However, there are certain challenges that RAs need to understand as they seek to tax online businesses. The panel identified below as some of these challenges:

1. Invisible business operations
2. Growth in non-monetary transactions, enabling value exchange without exchange for money such as royalty programs and the emergence of crypto currencies among others.
3. The disappearance of the concept of permanent establishments/physical presence and growing borderless transactions. This poses a challenge when it comes to attribution of profits and creation of value threatening a country’s sovereignty with respect to tax, due to the inability to pin down the jurisdiction with the right to tax.
4. The need to create a balance between encouraging and taxing innovation. Digital companies have the ability to geo-filter their services and block regions that impose taxes, which amount to governments denying the citizens of the given services.

The panel noted that the key to successfully taxing these activities lies in increasing the understanding of how business models are changing to adapt to this new phenomenon, and a review of tax legislation to incorporate definitions of emerging technology terms such as block chain, crypto currency, and other tradable commodities. Further, it is important for RAs to understand the penetration of the various digital platforms among the taxpayers, and promote awareness through these platforms through online conversations.

The audience sought to understand the best practice in creating a balance between a conducive environment for innovations to thrive, and the need to maximize revenue collections. Further clarity was sought on what KRA is doing to encourage continuous interaction with newly registered businesses on their tax obligations. In response to these concerns, the panel observed that there is need for RAs to put in

place awareness programmes that continuously update taxpayers on their obligations as well as notifications on due dates. Non-compliant businesses should also be incentivized to pay through voluntary disclosure programmes and tax amnesties. Tax treaties should also be reviewed to eliminate loopholes that MNCs take advantage of to avoid tax. Governments should also cooperate with the commercial entities in the digital sector and seek to understand their business models while at the same time cooperating with other government agencies for information sharing. The Global Forum also facilitates country by country reporting and RAs should take advantage of this forum for information exchange.

Governments also need to incorporate ICT innovations businesses in the Special Economic Zones and incentivize ICT incubators to encourage ICT entrepreneurial growth. Tax regulation should also be friendly to promote the growth of domestic technology based businesses.

Recommendations

The session recommended the following as key in supporting taxation of digital economic activities;

1. **Third party collaboration:** There is need for RAs to cooperate with intergovernmental and intra-governmental entities as well as the relevant commercial entities such as financial institutions, telecommunications and internet service providers for purposes of information exchange to facilitate a holistic sight of all taxpayers' digital transactions and digital social interactions. For commercial entities there is need for RAs to put in place incentives to facilitate the cooperation, or put in place legislative measures to enforce full disclosure. Such legislation should however be developed cautiously not to discourage innovation.
2. **Taxpayer interaction:** RAs should adopt digital technology for continuous communication with the taxpayers on their tax obligations, changes in the tax laws and due date reminders. RAs should avoid surprising taxpayers with demand notices, where taxpayers are not well informed of their tax obligations.
3. **International cooperation:** RAs should actively participate in the Global Forums to facilitate inter-country information sharing and country-country comparison of the behaviour patterns of taxpayers operating digitally across the globe.
4. **Awareness creation and tax education:** Sensitization on the roles and obligations of a taxpayer on filling and remitting taxes on time, and as stipulated in the law.
5. **Compliance incentives:** Revenue Administrations can incentivize non-compliant taxpayers to come forth through amnesties and voluntary disclosure programmes.
6. **Promoting Innovation:** there is need for governments to encourage ICT innovation, by promoting ICT entrepreneurial innovation, as part and parcel of Special Economic Zones, and incentivizing ICT incubators.

In closing, the panel noted that digital technology is an enabler, and RAs should be ready to understand and use it to derive value from it, in developing taxation solutions.





3 MASTER CLASS WORKSHOPS

3.1 Extractive Industries Taxation

Chairperson

Mr. Reggie Mezu- International Tax & Investment Center Program Advisor, the Cragus Group and the former Regional Tax Manager, Shell

Presenters

1. Mr. Seth Terkper-Board Member, International Tax & Investment Center and former Minister for Finance, Ghana
2. Mr. Eric Mensa Ni-UN Tax Committee advisor in DTAs & Transfer Pricing & Deputy Commissioner, Ghana Revenue Authority.
3. Dr. Ruth Wachira-Deputy Commissioner, Large Taxpayers Office, Kenya Revenue Authority
4. Mr. Gareth Harrison-Tax Director, PWC and former Tax Manager, Shell
5. Mr. Osborne Wanyoike - Tax Services Director, PWC

Introduction

The extractives industry is a new concept to the developing countries. Whereas the developed nations have built capacity over the years, Africa is yet to realize the full benefits of the industry. This session discussed how developing countries can optimize revenue from the sector and ensure that investors maximize returns for their investments.

Over the years, the prices in the industry have generally been falling. This can be attributed to more supply and less demand, more sources of alternative energy, reduced fiscal revenues and uncertainty. Consequently, the appetite for investors in the extractive sector is diminishing. This demands that countries and particularly those in Africa need to Stop, Think and Act and this mirrors KRA's tax Summit message of Rethink, Remodel and Rebuild. It has been observed that developing countries take two steps forward and one step backwards. For instance, a study by PwC in four African countries i.e. Ghana, Tanzania, Namibia and Egypt disclosed that the internal rate of return (IRR) has been on a decline for projects in the extractive sector in Africa. Notably, only Namibia had an IRR above the required benchmark of 25% for the project to be feasible.

To help Africa understand the dynamics of the industry and build capacity, the United Nations set up the Extractives Committee in 2013. The formation of the committee was based on a research that indicated that from about 20 countries covered, 80% of their revenues were generated from the extractive industry. However, these countries were having significant difficulties. Subsequently, the Committee came up with the Addis Ababa (Ethiopia) Agenda 2015 which resolved that developing countries needed to relook inward on how they can generate their own revenues from their own resources instead of depending on foreign aid. A broad based framework needed to be developed involving knowledgeable experts, environmentalists, academicians, and government amongst others. The Committee has since developed a manual (Handbook) on extractive industries, which will soon be launched subject to availability of funds from the UN. The Committee has also

developed guidance notes to developing countries, which are often unable to exploit the industry to their advantage.

Conflicting tax regimes, interpretations of decisions, multiplicity of taxes, transfer pricing, poor working relationship between the investor and the Revenue Administrations and how to develop expertise and capacity building are often big challenges.

Some of the challenges facing the extractives industry include:

1. Natural resource contracts is a challenge as developing nations lack necessary expertise and highly experience negotiators to negotiate and draft the agreements
2. Permanent Establishment (PE) is also an issue especially for oilrigs off the coast. Is it a PE and under what provision of the law so as to tax a business if it is a PE.
3. Treatment of decommissioning of extractive industry (Rehabilitation) needs also to be dealt with contractually rather than through a legal letter significance which does not have force of law. Decommissioning challenge is rampant in Africa thus the need for tax law to set aside funds for such costs.
4. Locked in agreements for a long period when prices obviously go up and indirect ownership of the Mines e.g. a non-resident owning the gold mine in the developing country. There are schemes herein in like share ownership that enables the non-resident to avoid tax. Revenue Administrations need to structure their laws to stop such tax avoidance schemes.
5. Pricing issues is another challenge that needed to be addressed. Transfer pricing issues in the area of services (acceptable margins) and funding (WHT on deemed interest) often arise.
6. Lack of collaboration between the government and the investors. The challenge is the government having an inflexible tax regime and the miners lacking transparency on costs and profits.

Other challenges in oil and gas production are:

1. Production sharing contracts (PSC) versus tax legislation:-
 - ✓ Sanctity of the contracts between government and contractor
 - ✓ Conflict between PSC and tax law, which one takes precedence?
 - ✓ Keeping PSC stable for term of investment
 - ✓ Transfer Pricing legislation and disputes emanating from the same.
 - ✓ Dispute resolution mechanism
2. Policy Considerations
 - ✓ Revenue collection targets versus investment promotion dilemma
 - ✓ Capital intensive and long term nature of O&G investment life cycle and financing





- ✓ Benchmarking legislation/policies with other countries
- ✓ Need for collaboration and team work amongst the government agencies.

3. VAT Regime

- ✓ Regime that reflects the industry characteristics
- ✓ Is it a consumption tax or investment tax?
- ✓ Upfront VAT may be regressive in the face of rising project costs
- ✓ Zero rating versus VAT refunds is often poses cashflow challenges
- ✓ Administration bottlenecks e.g. processing of VAT refunds.

4. Customs Regime

- ✓ Scope of expenditure and administration levies and charges
- ✓ Importation under bond poses additional financing costs to O&G.
- ✓ Transfer of equipment between contractors; how should it be treated taxwise?
- ✓ Tracking of the equipment in the country.

5. PAYE Regime

- ✓ Benefits in kind e.g. housing, camps, meals treated as taxable benefits regardless of the remote and offshore nature of O&G industry
- ✓ Contractor obligation as collector of taxes while in remote or offshore areas.
- ✓ Taxation of expatriate employees who are engaged to address skills gap in the young industry
- ✓ Short time employees

6. Withholding tax Regime

- ✓ Is an effective collection mechanism but what about branch registration?
- ✓ Economic challenge rate not representative of supplier margins.
- ✓ It is source based while DTAs are residence based
- ✓ A cost to business e.g. interest and interest grossed up by lenders

Proposed interventions

1. There is need to look at possibilities of entering into Advance Pricing Agreements (APAs)
2. States should develop certainty in tax laws since uncertainty makes dialogue very difficult.
3. Decisions should be very well documented.
4. Issues of prices and costs should be amicably discussed.
5. In the area of Investment decisions Revenue Administrations should be part of the fiscal structure so as to appreciate the revenue prices and expenses.
6. There is need to develop expertise and to have fiscal stability. LTO should carry out research or have research units to develop the much-needed capacity.
7. States should start engaging in smart borrowing e.g. by using mineral gains and oil reserves to purchase bonds borrowing from the Ghana model.

8. There is need to review tax acts comprehensively and not on ad hoc basis and have continuous monitoring of the emerging trends. Exemptions, refunds and incentives should be made clear for predictability.
9. The need for dialogue between KRA and other stakeholders in this industry is crucial to be able to streamline operations
10. The 9th Schedule should be reviewed to capture the following:
 - I. Tax policy that works for both investors and government
 - II. Eliminate inconsistency between mining agreements and legislation
 - III. Strike a balance between indirect taxes (extending custom duty reliefs to subcontractors) and direct taxes (capital allowances vs. tax holidays, restoration costs, ring fencing and USD accounting).
 - IV. Have certainty with regard to transactions (indirect disposals)
 - V. Clarity on natural resource income and royalty on minerals

3.2 Combatting the Illicit Trade of Excisable Products

Chairperson: Ms. Elizabeth Allen – International Tax & Investment Center Program Advisor & Former Head of Division, HM Customs and Excise

Presenters:

1. Lawrence Hutter
2. Elizabeth Allen
3. Jem Golden- Senior Consultant, Euromonitor International Consulting
4. Seth Terkper-Board Member, International Tax & Investment Center and Former Minister for Finance, Ghana
5. Karambu Muthaura-Kenya Revenue Authority

Presentations

1. **Causes and Control of Illicit Tobacco – A research Study Conducted by Alvarez & Marsal, Presented by Lawrence Hutter**

Background

Tobacco products are among the most highly trafficked products in the world, second only to drugs. An estimated \$40-\$50 billion in tax revenues a year is being lost to the illicit trade. The composition of illicit trade has changed in recent years, exhibiting a significant shift from mainly contraband to counterfeit and illicit whites. The debate about the relationship between high and increasing taxes on tobacco, illicit trade and organised crime crystallises around two core issues: relationship between tobacco tax policy, enforcement and illicit trade; and alleged involvement of the tobacco industry in illegal trade.

Methodology

The research was based on an analysis across a representative sample of 28 countries, including the major global cigarette markets (excluding China). The analysis addressed the US state by state where the data was available. A broad range of global sources was used in the analysis, including: European Union (EU) Excise Tax Tables; Euromonitor International Passport; The Economist Intelligence





Unit (EIU); Business Insider, United Kingdom (UK); KPMG Project Star/Sun; Bureau of Economic Analysis; and the World Justice Project.

Key Findings

- There are clear links between high tobacco taxes, affordability and illicit trade, which strong enforcement can mitigate. The research shows a relationship between tax yield and illicit trade globally, suggesting taxation is a key factor.
- Illicit trade primarily arises due to affordability pressure as demonstrated by the correlation between the two measures. Reductions in cigarette affordability have been primarily driven by retail price increases, which have in turn been driven by tobacco tax changes. There is also a historical relationship between affordability and illicit trade by country. In the US, there is a correlation between smuggling and both state excise tax and affordability.
- Widely differing levels of tobacco taxes generate attractive profit opportunities for smugglers. Increasing tobacco taxes without adequate enforcement results in growth in the illicit market. Strength of enforcement versus incentives for illicit supply influence the level of illicit trade
- With the significant trend to counterfeit and illicit whites, tobacco companies are now clear net losers from illicit trade. Major legitimate tobacco companies have no economic interest today in illicit trade as it erodes or cannibalises volumes and profits from their legally sold products.
- Tobacco companies have actively invested in compliance programmes as prevention of illicit trade is a business priority - Investments in the development and implementation of anti-illicit trade (AIT) measures and compliance programs include Know Your Customer, Know Your Supplier, Security Programs, Anti-Money Laundering, Market and shipment monitoring, Detection of Genuine product diversion, and Cooperation with Government.

Recommendations

- i. Increase levels of enforcement on excise taxes and it impacts directly on level of illicit trade. The study shows a clear link between the level of enforcement and the level of illicit trade as a percentage of total consumption, that is, lower levels of enforcement tend to yield higher levels of illicit trade.
- ii. The most effective solutions to tackle the illicit trade have involved collaboration and coordination between: government (fiscal policy, regulation, enforcement); health community (e.g., education campaigns); and industry (intelligence, expertise).
- iii. Review excise taxes - the study shows that tax increases have been the main cause of increased pressure on the affordability of cigarettes – with some affected consumers seeking alternative, more affordable and, if necessary, illegal products instead of quitting

2. **Fighting Illegal Trade in Alcohol Products – The UK Story. Presented by Elizabeth Allen**

Background

In pursuit of partnerships to fight illegal trade, HMRC established the Joint Alcohol Anti-fraud Taskforce (JAAT) in January 2014 to increase collaboration with the alcohol industry. HMRC also strengthened links with other enforcement agencies in the UK and internationally. In late 2014, HMRC introduced new due diligence rules requiring businesses to take reasonable steps to avoid fraud, and to secure wholesale and retail supply chains. The fraud continues to mutate in response to enforcement tactics, and HMRC secured additional government funding to further expand its enforcement and impact.

The new 2016 HMRC Alcohol Strategy aims to maximise alcohol revenue by: promoting good compliance (making it easier for businesses to pay the right duties); preventing tax losses (making it harder to make mistakes or to deliberately cheat); and responding to those who cheat (increasing the impact of enforcement). The UK strategy is expected to level the playing field for legitimate businesses and support wider government objectives to reduce alcohol related harms, and promote the growth of legitimate UK exports. HMRC aims to transform how businesses transact with it across the alcohol taxes by: simplifying tax across disparate alcohol regimes; digitising transactions in line with HMRC’s digital ambition for 2020; and streamlining processes to support business growth (for instance, a quicker approval service for new and expanding businesses). HMRC will continue the work started under the 2010 strategy to close the gap between duty due and duty collected by: sharing more of what they know with legitimate business to help drive out fraud; targeting communications and education to sectors impacted by particular risks; and supporting businesses to comply with their obligations through better guidance.

Recommendations

Other countries can borrow from the measures being undertaken by HMRC to penalize excise tax fraud, which include:

- i. Seizure of goods
- ii. Seizure of vehicles and vessels
- iii. Seizure of cash as proceeds of crime
- iv. Criminal prosecution with a custodial sentence of up to 7 years
- v. Confiscation of assets as part of the proceeds of crime
- vi. Assessment for the loss of duty
- vii. Financial wrongdoing penalties of up to 100 percent of the duty due
- viii. Civil action, including winding up orders and bankruptcy
- ix. Fines of up to £5,000 for selling illicit spirits not bearing the UK duty stamp
- x. Revocations of excise approvals
- xi. Removal of alcohol retail license
- xii. Withdrawal of haulier’s operator’s license
- xiii. Naming and shaming

3. **Understanding the Extent and Nature of the Illegal Alcohol Trade in Tanzania – Presented by Jem Golden, Senior Consultant, Euromonitor International Consulting**





Background

Illicit alcohol trade poses a substantial health threat to consumers, whilst the economic consequences for alcoholic drinks companies and governments are equally considerable. The local alcoholic beverage industry is aware of the damage being done to its business by illegality. The main objective of the illicit alcohol project was to understand the shape of all types of illegal alcohol markets in Tanzania. The specific objectives of the study were to: examine the current trends of the illicit alcohol landscape; size the total market for illicit alcohol and illicit alcohol categories; understand consumer purchase motivation; uncover and detail current methodologies used by official agencies to quantify the illegal alcohol market/track illegal alcohol consumption; estimate the role that regulatory measures might play in combatting illegal alcohol trade; and illustrate the value chain for illicit alcoholic beverages by illicit category.

Methodology

The study employed a step-by-step process which involved: review of available secondary materials; in-depth discussions with experts in the Euromonitor industry; store/tavern visits and observations; and in-depth and semi-structured interviews with relevant government officials responsible for monitoring the sale and licensing of alcoholic beverages, NGOs, trade associations, importers, breweries/distilleries, distributors, retailers, industry consultants, and other players in the supply chain. To avoid double counting and to better understand each of the alcohol categories, Euromonitor International designated each product to the category in which it first enters the illicit alcohol market of any given country and value chain analysis was used. The categories are as presented in the table below:

Table 1: Category definitions for illicit alcohol

Category	Subcategory	Definition
Counterfeited and Illegal Brands	Substitution/refill	Illicit alcohol sold as licit brands or empty bottles of legitimate products refilled with cheaper alcohol
	Industrial manufacturing of illicit brands or unbranded beverage alcohol	Manufacturing of illicit branded or unbranded alcohol
Smuggling	Smuggling of ethanol	Illicit imports of ethanol as a raw material
	Smuggling of the finished product	Illicit imports of packaged alcoholic beverages
Homebrew Artisanal Alcohol	Illicit homebrew	Illicit homebrew alcoholic beverages made for commercial purposes
	Licit homebrew	Beverage alcohol produced as part of long-standing traditional and/or cultural practices. Includes home production for personal use; excludes home production for sale
Surrogate	-	Alcohol not meant for human consumption (e.g. pharmaceutical alcohol) diverted to the alcoholic beverages market
Tax Evasion	-	Licit alcoholic beverages (locally produced) on which inappropriate or no excise production taxes are paid

Key Findings

- Higher excise duty on alcoholic beverages and uncontrolled unavailability of counterfeit sachets has fuelled demand for illicit alcohol.

- Low-cost (branded and unbranded) spirits are both a tax liability and a public health hazard: Although alcohol abuse is a growing public health concern, the country still lacks an effective strategy to tackle the problem. The unregulated spirits market is driving dangerous and uncontrolled expansion of consumption of illicit alcohol.
- High poverty amongst informal sector consumers along with high corruption levels fuels illicit alcohol activities. Some factors for illicit growth include high incidences of corruption and bribery, lack of consistent or proper enforcement, for inspecting and clamping down on unregistered illegal spirit producers across the alcoholic beverages supply chain to ensure accountability and responsible trading.
- Illicit alcohol activities are driven by many illegal operators: the total size of the illicit alcohol beverages market was 355,050 hundreds of litre (HL) legal alcohol equivalent (LAE) by volume and US\$352.9 million by value in 2015.
- Clear beer/lager dominates licit and artisanal homebrew illicit market value - In value terms, clear beer/lager/cider held the majority of the licit alcohol market in 2015 with 66%, followed by spirits (33%), opaque packaged beer (1%) and wine (0.4%).
- Illicit spirits dominate across the illicit activity categories in volume terms - Illicit homebrew is the largest illicit category, driven by illicit distilled and fermented homebrew beverages.
- Counterfeit low-cost spirits are increasing the binge-drinking culture: Illegal manufacturing targets mostly low-cost spirits brands sold in plastic sachets.
- Smuggling of alcohol is occurring via sophisticated illegal cartels across the country's many borders. Border controls are weak and control procedures are not enforced or adequate.
- The new government implemented new regulations in 2015/16, restricting sales trading of alcoholic beverages during work day hours across on-trade channels. However, this is still not adequate, as enforcement and implementation of the regulation is slow and prosecution of illegal producers of illicit alcohol is low.
- Stable economic growth supports alcohol growth as trading down occurs: Tanzania's economy is expected to continue to experience steady macro-economic. Consumer expenditure on alcohol is expected to grow, however with increasing alcohol prices and greater excise on alcoholic beverages there will be a tendency to trade down to cheaper brands within a specific category, such as opaque beer and economy spirits.

Recommendations

- i. The government needs to implement stronger coordination among the various government ministries to enforce the regulation of alcohol production and taxation amongst illegal producers and tax evaders.
- ii. Health and safety regulations need to be enforced for the manufacturing of spirits, such as establishing clear limits on the levels of alcohol content, which negatively impacts on the health and well-being of consumers.





- iii. Deal with counterfeiting of low-cost spirit alcohol brands, which accounts for the second-largest volume sold, mainly in plastic sachets. The low-cost spirits sachets are cheap and readily available across all informal and formal outlets, thus increasing alcohol consumption.
- iv. Strict enforcement and border controls to deal with smuggling of alcohol occurring via sophisticated illegal cartels across the country’s many borders.

4. Combating Illicit Flows of Excisable Products - Revenue Benefits of Comparing Customs and Revenue Data. Presented by Seth Terkper, Board Member, International Tax & Investment Center and Former Minister for Finance, Ghana

Background

A good customs IT system and database has significant benefits: tax revenue and macroeconomics benefits; facilitation of domestic tax administration; enhancing support to taxpayers; and border controls (links security of nations and bilateral/multilateral cooperation). However, these depend on efficient & effective interfaces and integration of systems supporting tax, customs, and other operational functions.

Key messages

Interface of organization, systems and processes makes it easy to merge and interface revenue databases. Data-match of values on returns enables automatic comparison of import/export and domestic tax declarations, and turnover or sales levels.

Taxpayer support in Ghana entails primary or frontline services to assist taxpayers to comply; and intermediation which involves third party assistance to taxpayers (tax professionals’ assistance in records management and accounting).

An ad hoc exercise in Ghana involving a selection of import and export data for top 5,000 importers (scaled down to 2,500) showed that some importers did not have a TIN or code to show their domestic tax offices (large tax offices, medium tax offices). Comparison with domestic turnover declarations showed significant differences same as declarations for VAT Input Tax Credit (ITC) and refunds. Non-compliance notices (with additional assessments) were sent to taxpayers and majority of the taxpayers did not contest the assessment and paid up. Word got round and several taxpayers appeared in tax offices to pay assessment and penalties thus improving on tax compliances. Some fundamental problems identified include:

- Tax and customs systems were found not to be fully integrated and lacking interfaces
- TIN & Tax office numbers were found not to be on customs declaration or databases
- Major customs offices were not helping to enforce registration of taxpayers
- No program exists for exchange of information (but domestic tax offices have read only terminals).

The use of customs data for administration and compliance may be impeded by a number of factors, including: poor integration and interface of tax and customs IT systems; absence of useful information (e.g., tax-office numbers or codes); absence of critical modules and use of different platforms in tax and customs; absence of programs and management information reporting; and poor coordination, even within revenue administrations.

Recommendations

- i. It is important to have customs integration to work with VAT administration - use import/export values to check violation of VAT threshold, check import VAT collected as though it were an import duty, and use customs declarations to support the validation of zero-rated exports and input tax credit (ITC).
 - ii. Customs department to work with excise administration – for instance, use of customs databases and stamps (banderols] to monitor domestic stocks and sales activities.
 - iii. Post-clearance audits - acceptable tax compliance practice should involve both customs and domestic tax officials.
 - iv. Border controls, Financial Flows and Money Laundering - Customs institutions monitor the physical movement of goods and persons which may involve criminal and illicit activities. Customs should therefore be more involved in dealing with illicit activities such as illicit financial flows. Customs processes involves significant global movements of funds in different currencies and at different exchange rates (there are cases of trade mis-declaration and mis-invoicing).
5. **Challenges and Success of Tracking Illegal Trade in Excise Products: A Case Study of the Kenya Revenue Authority, Presented by Ms. Karambu Muthaura**

Kenya has struggled with the fight against illicit trade of Excisable goods. They include: Undeclared imports, Undeclared local Production, under declared values – Cost Insurance in Freight and Retail Sale Price, Counterfeit brands – foreign production, Diverted Exports - Domestic production declared as exports (which never leave the country or are illegally re-imported).

Major challenges experienced in combating the illicit trade of excisable products include, unbalanced tax rates, corruption, Weak enforcement mechanisms, Lack of Political support, Availability of smuggled spirits, Lenient Court Penalties, No Excise stamps affixation in Uganda and spirits packed in sachets (this is legal in Uganda) which easily flow into Kenya and Import/Export diversions.

The control mechanisms put in place by KRA to curb this vice include administrative controls, technological controls, legislation and collaboration with industry players and other government enforcement agencies.





Administrative controls: - KRA licenses manufacturers and importers of excisable goods, Premises, Production lines and Products (per SKU). It has also created a Market Surveillance Office that gathers intelligence on non-compliant traders. There are also resident officers within the office unit who monitor production and account for imports and exports.

Technological controls: - The Authority has deployed an Excisable Goods Management System (EGMS) which relies on enhanced tax stamp and product information and allows remote monitoring of production. The EGMS application enables various stakeholders including retailers and other law enforcement agencies to verify authenticity of stamps which support effective enforcement.

KRA has also adopted an Electronic Cargo Tracking Systems that monitors Exports and Transit goods from the factory or port to the point of exit. Currently, ECTS is regional and the destination country has full visibility of goods.

The Authority also uses modern tax management systems such as iTax that enable monitoring of tax payments, trend analysis and cross-matching of taxpayer information.

Collaboration Control Initiatives: KRA has initiated industry engagements with intergovernmental agencies such as Kenya Bureau of Standards, Anti-Counterfeit Agency, Ministry of Health, and National Police Service amongst others.

There is also a Single Customs Territory that facilitates collection of taxes before transit goods leave the first port of entry into the territory or before exports are released. The collaboration has brought about International Co-operation and experience sharing.

Legislative Controls: The government has enacted laws such as the Excise Duty Act of 2015 and Legal Notice 53 which provides for the introduction of Excisable Goods Management System Regulations and clarifies the obligations of all members along the supply chain.

Since the implementation of EGMS, KRA has experienced a number of great success stories which include:

- Easy detection and seizure of illegal cigarettes - Over 20 million cigarettes have been seized
- Steady growth in Excise Revenue averaging 20% per annum
- Excise Revenues on imported cigarettes for the period July - Dec 2014 rose by 4728%
- Easy access business intelligence to enhance compliance
- Reduction of Illicit trade on Spirit : Excise duty revenue rose by Ksh. 4.4 billion in 2015/16; Ksh. 8 billion in the year 2016-17
- Closure of non-compliant manufacturing plants (tobacco and spirits) and reduction of importers of tobacco.

Recommendations

- i. Deployment of multiple compliance measures by KRA and other enforcement agencies against illicit trade so as to deal with possible mutation of tax evasion Licensing, EGMS, ECTS

- ii. There is need to extend track and trace systems (EGMS) to the first buyer
- iii. Need to extend EGMS to other Excisable Products
- iv. Need for standardized tax rates in the Region.
- v. Need for regular sensitization across all enforcement bodies and the Judiciary.

Wrap Up Comments

The challenges faced by Kenya in combating illicit trade of excisable goods are similar to those of other African countries such as Cameroon where smugglers have devised a way to trade illegally as a result of weak law enforcement. This, therefore, calls for more collaborative efforts to combat illegal trading. There is need to harmonise inter-country tax rates at policy to motivate and encourage legal businesses.





4 KEY RECOMMENDATIONS FROM THE 3RD ANNUAL TAX SUMMIT

TOPIC	KEY RECOMMENDATIONS
Transfer Pricing & Illicit Financial Flows	There is need for KRA to be actively involved in dealing with issues of money laundering, by continuously upgrading systems and strengthening routine processes, and leading as the focal point for technical knowledge and assistance.
	Develop a curriculum for transfer pricing to be taught in learning institutions, and equip technical teams with adequate skills to handle transfer pricing issues. The institutions should also be effectively utilized to build capacity for advance pricing agreements in Africa
	The ongoing review of Income Tax Act should incorporate the international best practices in dealing with transfer pricing.
	Legislate on integration of systems and processes that facilitates exchange of information from trade tax, financial and security systems.
	Conduct stakeholder consultations while developing transfer pricing guidelines to enhance transparency and openness and ease the implementation process.
Optimizing Big Data and Advanced Analytics for enhanced Tax Administration	Train staff on design thinking and data analytics to build local expertise and ability to predict future trends useful for taxation.
	Embed emerging digital terms such as bitcoin for ease of taxation monitoring.
	Apply digital technologies such as mobile applications, to simplify tax payments and enhance compliance through anytime, anywhere access of tax systems and processes
	Deploy digital agents such as Chatbots to enhance personalized customer interaction
	Adopt a transformational roadmap through integration of legacy systems into new technologies such as block chains to ensure permanency of records
Enhancing Customs Systems for Efficiency in Trade Facilitation	The Integrated Customs Management System (iCMS) should be integrated to iTax for seamless accessibility and to obtain information on non-compliant taxpayers.
	KRA should conduct joint Customs and Domestic Taxes ’ audits to avoid frequent business interference

TOPIC	KEY RECOMMENDATIONS
	Expedite harmonization of valuation in East Africa Community to eliminate the existing valuation discrepancies.
	KRA should encourage taxpayers to embrace the alternative dispute resolution mechanism to minimise on time and costs involved in court processes.
	KRA should implement integrity programs to increase transparency, eliminate staff intervention and bureaucracy.
	There should be strong and continuous public - private engagement and dialogue with all stakeholders to enhance tax compliance.
The Nexus between Tax Governance and Tax Morale	There is need to foster tax education by encouraging public participation and integrate active participation of professional bodies
	Sensitize citizens on the importance of paying taxes through showcasing of services and social amenities provided by government to improve tax morale.
Harnessing Domestic Revenue for Sustainable County Development	KRA should build the capacity of the members of county assemblies to address taxation matters from a policy formulation perspective
	There is need for KRA to integrate their tax systems with the counties to foster information sharing.
	KRA to expand its grassroots physical presence by increasing the number of iTax support centers to cover all counties and ensure presence in all Huduma Centres.
	KRA should enter in MoUs with County governments to enable them leverage on the existing technology and expertise to enhance county revenue mobilization.
The Role of Professional Bodies in Enhancing Domestic Revenue Mobilization	KRA should partner with Universities should come up with a curriculum for tax education and offer tax education to all University students as a compulsory unit. Incorporate tax education in early learning and make it part of the education system.





4 KEY RECOMMENDATIONS FROM THE 3RD ANNUAL TAX SUMMIT

TOPIC	KEY RECOMMENDATIONS
	Partnership with the professional bodies - There is need for a Memorandum of Understanding between KRA and the professional bodies to ensure professional bodies share with KRA their lists of registered members for ease of interaction and provision of the required tax education. KRA should also involve the professionals in every key decision to avoid conflicts after bills have been passed.
	Professional bodies should be compelled through law to make it a mandatory requirement for their members to be fully tax compliant before registration or renewal of their licenses.
	Tax Practitioners should also be penalized for collaborating with taxpayers to evade paying taxes.
	Tax incentives and their returns on investment should be made public. KRA needs to report on tax incentives and how much they are costing the country and if they are still necessary
Digital Economy- Revenue Opportunities and Challenges	Third party collaboration: There is need for KRA to cooperate with intergovernmental and intra-governmental entities as well as the relevant commercial entities such as financial institutions, telecommunications and internet service providers for purposes of information exchange to facilitate a holistic sight of all taxpayers’ digital transactions and digital social interactions. For commercial entities there is need for the Government to put in place incentives to facilitate the cooperation, or put in place legislative measures to enforce full disclosure. Such legislation should however be developed cautiously not to discourage innovation.
	Compliance incentives: Revenue Administrations can incentivize non-compliant taxpayers to come forth through amnesties and voluntary disclosure programmes.
Extractive Industries Taxation	There is need to review tax acts comprehensively and not on ad hoc basis and have continuous monitoring of the emerging trends. Exemptions, refunds and incentives should be made clear for predictability.
	Embrace continuous dialogue with stakeholders in the oil and gas industry to enable them streamline their operations

TOPIC	KEY RECOMMENDATIONS
	<p>The 9th Schedule should be reviewed to capture the following:</p> <ul style="list-style-type: none"> i. Tax policy that works for both investors and government ii. Eliminate inconsistency between mining agreements and legislation iii. Strike a balance between indirect taxes (extending custom duty reliefs to subcontractors) and direct taxes (capital allowances vs. tax holidays, iv. Restoration costs, ring fencing and USD accounting). v. Have certainty with regard to transactions (indirect disposals) vi. Clarity on natural resource income and royalty on minerals
<p>Combatting the Illicit Trade of Excisable Products</p>	<ul style="list-style-type: none"> i. KRA should consider extending EGMS to other Excisable Products ii. KRA should pursue the harmonization of tax rates in the EAC Region





5 WRAP UP SESSION

REMARKS BY MS. GRACE WANDERA, DEPUTY COMMISSIONER – MARKETING & COMMUNICATION: KENYA REVENUE AUTHORITY

Ms. Wandera recalled that the summit had begun as a small gathering at a local university and noted that despite the short time it had lived, tremendous knowledge, insights and action points had been gathered and implemented to the benefit of KRA.

REMARKS BY COMMISSIONER, STRATEGY INNOVATION AND RISK MANAGEMENT: KRA MOHAMMED OMAR

Dr. Omar observed that there was need to strengthen KRA's knowledge and skills on transfer pricing, base erosion through training. This, he said, would arrest the challenges facing tax administrations particularly those emanating from transfer pricing.

He also recognized the need for tax administrations to have mid-term revenue strategies, for example, a three year revenue strategy as opposed to the much focus paid to short-term targets of six months and one year. This, he noted, should be the case as mid-term strategies take cognizance of the various sectors of the economy that are coming up such as the informal and micro sector and how they could be supported to move to formal and medium respectively.

He reiterated the need to keep entrenching taxation in the education system, basic and high education with emphasis on research. This, he noted, was a recurring theme during the entire summit.

To optimize KRA's analytics and use of data, Commissioner Omar emphasized the need to continue integrating KRA systems internally and with external systems. He reported that use of data and information to make decisions was a global best practice. Data scientists were also

Simplicity and predictability of tax laws is another issue Dr. Omar highlighted. This is because investment decisions are made with existing laws and changes to these laws always affected the stability and operations of businesses.

The Commissioner stressed enhancement of human capital in the extractive industry such as oil, gas and minerals as a key resolution of the summit with a critical mass of data scientists and expertise in oil, gas and minerals needed to plan the mid-term and long-term revenue strategies.

He concluded by highlighting the need for continuous strategic partnership between academia, industry, tax practitioners and tax authorities. The closer collaboration achieved through such partnerships bring about knowledge and information sharing, policy formulation alongside innovation through research which, he said, was critical to better tax administration and economic growth of countries.

REMARKS BY MR DANIEL WITT, PRESIDENT INTERNATIONAL TAX & INVESTMENT CENTRE

The ITIC president lauded the mutually benefiting collaboration between KRA and ITIC in organizing the third annual tax summit. He noted that tax dialogues were critical in the sharing of knowledge between experts and tax administrations.

Mr. Witt reiterated that paying taxes should not be a painful process to those taxpayers and called for a simplified tax payment procedure across tax administration. He noted that tax authorities should focus on growing tax bases through transforming the informal sector into the formal sector which contributes significant amounts of tax.

He concluded that competitive tax patterns, simple and clear regulatory schemes and strong protection of property rights attract investment, thus Kenya must commit to continue pursuing this path to realize growth in revenue collection.

REMARKS BY MR JOHN NJIRAINI COMMISSIONER GENERAL- KRA

Commissioner General observed that best learning is acquired from those operating in similar environments and encouraged African tax administrations to continue engaging in forums such as the tax summit. He noted that Africa can still learn from developed nations but emphasis was needed in learning from African counterparts since they faced similar challenges thus solutions were bound to be unique.

He noted that most developing nations have weak regulatory regimes with weak financial accountability which made tax administration hard. When experiences from such nations, particularly from Africa, get shared knowledge is transferable because of existence of similar environments. He therefore called for more forums to share the pan-African tax dialogue.

Mr. Njiraini emphasized the need for Africa to innovate own solutions as they helped build confidence in Africa and the African people. He lauded KRA's innovations and reported that such homegrown solutions were fundamental in not only building confidence but also helped in tax administration.

He singled out collaboration as a key propeller of development as it aids in transfer of knowledge and expertise. He reported that KRA had established strong collaboration networks in Africa and globally with institutions such as the global forum for tax information exchange (G20 and OECD led initiative), CIAT-Inter-American Center of Tax Administrations, universities such as Stanford, WCO and many more. He appreciated the coming on board of ITIC as this increased KRA's collaboration network.

Mr. Njiraini recommended research as a key field for collaboration, particularly in areas that would provide solutions to tax administrations such as the SME sector and e-commerce. He noted that the traditional approach to taxation of the SME sector has not worked for KRA and research on it would unlock the stalemate. Further, he acknowledged that e-commerce posed a real challenge to tax administrations globally and a solution could only be realized through sharing of knowledge and insights through partnerships and global cooperation.

Commissioner General closed his remarks by thanking organizers of the summit, the partners and particularly ITIC and attendees for having fruitful deliberations on the three-day event. He noted that Kenya is a peaceful country and encouraged guests to enjoy their stay in Nairobi.





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