ENHANCING TAX ADMINISTRATION FOR ECONOMIC SUSTANABILITY

6TH ANNUAL TAX SUMMIT

CONFERENCE REPORT

4th and 5th November, 2020

ANNUAL TAX SUMMIT 2020 TAXPAYERS' MONTH

KENYA REVENUE AUTHORITY

SUMMIT STATISTICS

1st Jan 2021
date which DST (Digital Service Tax) will come into effect in Kenya at rate of 1.5% of gross transactional cost.

2.5%
growth of the Kenyan economy as projected by the National Treasury in 2020

3 to 1%
reduction of TOT rate by Kenya to cushion taxpayers against Covid 19 .

4.5%
projected fall in Global GDP according to OECD projection during theCOVID-19 pandemic period.

5.2 billion
KRA's FY 2020/2021 first quarter deficit

5.6%
Kenya's average economic growth rate from 2015-2019

Kshs
8.73 billion
Kshs Transacted via Mpesa from customer to government compared to Kshs 994Billion B2B.

8.25%
CBK base lending rate lowered from 8.25% to 7.25% during the COVID-19 period.

Over **900**
participants attended the summit.

10.8%
Average growth of the ICT sector over the last 5 years.

11 days.
Demurrage free days at the ports increased from 4 to 11 to cushion importers and other actors against Covid 19

1.2 billion
USD of taxes collected by African countries through ATAF guidelines & technical support during the past four years.

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Acronyms

ADR	Alternative Dispute Resolution
ATAF	African Tax Administration Forum
BPR	Business Processes Re-engineer
COVID-19	Novel Corona Virus discovered in 2019
CS	Cabinet Secretary
DST	Digital Service Tax
EAC	East African Community
EITI	Extractive Industries Transparencies Initiatived
FDI	Foreign Direct Investment
FIRS	Federal Inland Revenue Service
GDP	Gross Domestic Product
ICMS	Integrated Customs Management System
ICT	Information Communication and Technology
IMF	International Monetary Fund
KPLC	Kenya Power and Lighting Company
KRA	Kenya Revenue Authority
MODCC	Mining Observatory Data Control Centre
NTSA	National Transport and Safety Authority
OECD	Organisation for Economic Cooperation and Development
PPE	Personal Protective Equipment
RECTS	Regional Electronic Cargo Tracking System
SARS	South Africa Revenue Service
URA	Uganda Revenue Authority
WHO	World Health Organization

Introduction

This report summarises the proceedings of the 6th Annual Tax Summit (the Summit) held on 4th to 5th November, 2020 under the theme Enhancing Tax Administration for Economic Sustainability convened by Kenya Revenue Authority (KRA).

Background

The Summit is a dialogue platform for exchange of ideas, knowledge, insights and solutions to support efficiency and effectiveness in tax administration. The specific objectives of the summit include the following:

1. Developing new areas of partnerships in driving revenue collection agenda.
2. Shaping taxation policy by providing a platform for input by stakeholders.
3. Developing innovative insights to deal with revenue bottlenecks.
4. Generation of new knowledge and insights for tax and customs administration.
5. Strategic input for fostering a facilitative tax environment for economic growth.
6. Monitoring and evaluating results of the tax summit since inception.

The forum was established in 2015 and has since been convened on an annual basis, bringing together various stakeholders and focusing on different subject matters relating to tax and customs.

The 6th Annual Tax Summit was held on 4th and 5th November 2020. In line with the theme 'Enhancing Tax Administration for Economic Sustainability', the Summit sought to dialogue on how revenue administrations can reengineer their processes for sustained revenue collection amidst the current global health pandemic. This year, the Tax Summit introduced a knowledge sharing session exclusive for African Revenue Administrators to enable exchange of ideas to drive revenue collection and service delivery.

The Summit provided a platform for discussion of three key topics namely; Digitalization and Revenue Mobilization in developing economies – Conversations we can't afford to ignore, Innovative approaches to sustain economies in the COVID-19 era – The next normal and Navigating COVID-19 – Insights for sustained revenue collection and service delivery (a knowledge sharing session exclusive for African Revenue Administrators).

Participation and structure of the Summit:

The Summit brought together over 900 participants from across the world representing government agencies, civil society, academia and the private sector. (A list of the summit keynote speakers, panellists and moderators is provided in Appendix 1). It was held over a two-day period comprising the opening session, three plenary sessions and the closing ceremony. The Summit was hosted as a hybrid event that involved both in-person and virtual participation. Participants engagement was achieved through a Question and Answer session and through the deployment of polls during the sessions.

The overall event Moderator was Ms. Yvonne Okwara a Senior News Anchor at Citizen TV – Royal Media Services.

Opening ceremony

Opening remarks by KRA Commissioner General Mr. Githii Mburu

In his opening remarks, Mr. Githii Mburu highlighted the platforms and pillars that KRA had implemented to enhance revenue administration. Despite the challenges caused by the COVID-19 pandemic, KRA had been resilient due to some of the strategies adopted. The pillars he highlighted were:

Technology: KRA adopted the I-Tax, iCMS, RECTS, Centralized Cargo scanners and the M-Service app systems, which had played a key role in the reduction of tax evasion and simplified tax compliance. The systems in place had come in handy during the COVID-19 pandemic since taxpayers continued receiving services with minimal contact with KRA officers.

Third party data: The Government has allowed the KRA system to integrate into third party databases and enabled information sharing, which have provided the administration with more information for revenue mobilisation. The Kenya Power and Lighting Company (KPLC), Registrar of Lands and the National Transport and Safety Authority (NTSA) databases have enabled the administrative body to have a wholesome view of taxpayers.

Facilitation: In accordance with the 7th Corporate plan, KRAs tax administration approach had evolved from enforcement to taxpayer facilitation. Under this approach, KRA was looking to foster compliance through building trust with stakeholders.

Stakeholder engagement: Stakeholder engagement is a key pillar to the KRA business process aimed at building strong relationships and fostering trust which is vital for tax and revenue compliance. This pillar is bearing fruit not only as a form of enhancing effective relationships with taxpayers but also in providing new ideas and innovations useful for improving the tax environment.

Alternative Dispute Resolution: The Alternative Dispute Resolution (ADR) mechanism has matured and there is an increased use of the framework by taxpayers with commendable results. This is a demonstration of trust by taxpayers that the administrative body is willing to engage and resolve disputes outside the lengthy and costly court process.

The Commissioner General remarked that his expectations for this year's summit were deliberations that would generate ideas and sharing of experiences on approaches that could be deployed to further enhance tax administration. This would be achieved through panel discussions focusing on:

1. Revenue administration under the current COVID-19 circumstances and
2. Opportunities for harnessing the digital sector for sustained revenue collection and economic development.

He emphasized on the importance of localizing global approaches to taxation of the digital sector that would be explored at the Summit to fit each tax jurisdiction.

In conclusion, he wished for a successful engagement that would yield new fundamental concepts that would become pillars of various countries towards achieving economic sustainability during the COVID-19 times.

Opening remarks by KRA Board Chairman AMB. Dr. Francis Muthaura

Amb. Dr. Francis Muthaura reiterated the importance of the Annual Tax Summit as a platform for engaging stakeholders and members of the public on tax matters. The Summit offered a perfect opportunity for fruitful engagements that would inform important decisions on tax administration in Kenya and beyond.

The Board Chair noted that KRA was key in the growth and development of the economy. KRA as a tax administration body would have to strengthen revenue performance in order to support the development agenda and the goals set by Kenya. In line with this, KRA was seeking to remodel tax processes to ease compliance so that it could offer support to the government agenda in relation to domestic resource mobilization.

Reforms implemented within KRA to ease and improve resource mobilization were yielding fruit as evidenced in the record collections for the financial year 2019-20 amounting to 1.606 Trillion, which was a 1.7% increase from 1.580 Trillion the previous year.

As the Board Chair, he reiterated the commitment of KRA to provide efficient services to all taxpayers through the theme of building trust through facilitation to foster compliance with tax and customs legislation. The belief of the authority is that facilitation yields better chances of compliance as opposed to enforcement and it had undergone transformation to bolster revenue mobilisation including:

- Aligning its work practices to technological innovation as a means of enhancing compliance.
- Refocusing customer interaction through redesign of its service delivery approach.
- Reformation of most of its enforcement processes to align with the accepted tax risk management standards where action is driven by data based evidence. He noted that these approaches had opened up wider opportunities for revenue mobilization and enabled efficient utilization of internal resources.

The Chair highlighted the importance of the Summit in reaching resolutions that would be key in informing KRA's next course of action towards improvement of tax administration in Kenya. He concluded the speech by urging various stakeholders to take advantage of the opportunities offered by the forum to share insights, experiences and innovations on ways to enhance tax administration through remodelling the tax administration processes.

Opening Remarks by the Cabinet Secretary National Treasury and Planning Hon (Amb). Ukur Yatani

In his opening remarks, the Cabinet Secretary (CS) commended Kenya Revenue Authority (KRA) for successfully planning and hosting the 6th Annual Tax Summit in the wake of COVID-19 as well as proactively engaging stakeholders through a virtual platform. The CS expressed that the Summit was being held at a time when the Country was striving to fight the effects of the COVID-19 pandemic while keeping the economy afloat. The pandemic had had an unprecedented effect on the global and local economy, with the country's GDP diminishing by 5.7% in the second quarter of 2020 a rate lower than other economies in the world.

The CS highlighted that the Government had instituted various tax measures during the pandemic period to cushion those undesirably affected by the pandemic. These measures included:

- 100% tax relief on individuals earning up to Ksh. 24,000 per month
- Lowering the highest individual tax bracket from 30% to 25%
- Lowering the corporate tax rate from 30% to 25%
- Adjustment of Turnover tax (TOT) rate from 3% to 1%
- Lowering the standard VAT rate from 16% to 14%

Furthermore, the Government had enhanced liquidity by guaranteeing payment of all pending bills by both the County and National Governments as well as ensuring approval of all pending VAT refunds. These measures have guaranteed the liquidity of small businesses that transact with the Government. He also stated the measures undertaken by the Central Bank of Kenya (CBK) to lower the base lending rate from 8.25% to 7.25% as well as the reserve ratio from 5.25% to 4.25%, introduction of the cash transfer program and implementation of the second stimulus package by the national government which injected 0.5% into the GDP and employment programs such as *'Kazi Mtaani'*.

On the other hand, the CS expressed the need to execute policy revisions and present new measures that would enhance revenue mobilization. These measures included:

- A review of tax incentives and exemptions to mitigate revenue loss. In the year 2018, the country lost KShs. 535.9 billion being 6% of the GDP in revenue to exemptions and incentives compared to a global average of 2%.
- Introduction of a comprehensive taxation framework for the digital economy. The digital sector had experienced a continuous growth of 10.8% and it was projected to grow exponentially with the continual diffusion of internet access. Due to growth in ICT penetration, business establishments were continuously shifting to the digital marketplace and consequently, KRA as a tax administrator had to adopt measures to mitigate loss of revenue. To this effect, the CS affirmed that the Digital Service Tax (DST) would take effect

in January 2021. His assurance was that since DST was developed through stakeholder consultation, it would not be punitive to taxpayers. He also reiterated that DST would be key in revenue mobilization through tax base expansion and creation of a fair business environment.

- Provision of a competitive and fair business environment that would ensure ease of doing business in Kenya. In order to achieve this, the CS proposed automation of all government services to reduce the time and cost of accessing the same. Furthermore, he recommended restructuring of policies to offer an effective framework for compliance to tax and customs requirements by businesses.

Finally, the CS recapped that the goal of Kenya as a nation was to achieve a rating of top 50 or less in the global rating of ease of doing business. With these remarks, the CS declared the Summit officially open.

Plenary Session One: Digitalization and Revenue Mobilization in Developing Economies – Conversations we can't afford to ignore.

The conference began with a discussion about digitalization and revenue mobilization in developing economies especially in light of the COVID-19 pandemic and its effects on businesses and revenue collection. A summary of the main points is provided below:

Keynote Speakers

Mr. Joseph Mucheru, Cabinet Secretary, ICT, Kenya.

Mr. Pascal Saint-Amans - Director, Centre for Tax Policy and Administration (OECD)

Discussants

1. Mr. Stephen Chege, Chief Corporate Affairs Officer, Safaricom
2. Mr. Mukesh Shah, KRA Board Director
3. Ms. Kendi Ntwiga, Country Manager, Microsoft
4. Eng. Leonard Ithau, KRA Board Director
5. Mr. Raphael Kamoto, Director, Strategic Partnership, Planning, Monitoring & Evaluation, ATAF
6. FCCA Rispah Simiyu, Commissioner Domestic Taxes, KRA.

Key Points

- There is need for an effective taxation framework to guide on taxation of the digital economy given the recent development in the sector.
- COVID-19 has proven that digitilisation is the future of service delivery. There is need for government agencies to be ready to embrace the challenge.
- Revenue agencies have embraced technology and should continue leveraging on enhanced technological interventions and stakeholder collaboration to exploit opportunities in the digital market space.
- The proliferation of investments by multinational enterprises in developing countries like Kenya is laudable. As such, there is a need for the multinational enterprises to contribute to the growth of the countries they are deriving their incomes from by paying a fair share of taxes.

Keynote Address and Panel Discussion

The keynote speakers recognized the steps that Kenya has taken over the years by embracing the use of technology. It was observed that Kenya was among the first African countries to embrace the Organisation for Economic Co-operation and Development (OECD)'s crack down on tax avoidance in light of base erosion and profit shifting by multinationals. As a result, Kenya hosts one of the tax academies put up by OECD to train tax investigators, administrators and law enforcement officers. This has enabled Kenya to effectively tackle emerging tax issues such as transfer pricing, base erosion and profit shifting. This has been achieved by utilising OECD's open banking initiatives that enable information sharing through an automated information sharing framework.

It was also observed that currently Kenya has established the following pillars for growth in the ICT sector;

1. Digital Government - The presence and use of digital services and platforms to enable public service delivery. The completion of the National Optic Fibre Backbone Infrastructure (NOFBI) which aims to enhance universal access to affordable ICTs countrywide,
2. Digital Business - development of a robust marketplace for digital trade, digital financial services and digital content,
3. Infrastructure - the availability of affordable, accessible resilient and reliable infrastructure,
4. Innovation-Driven Entrepreneurship - the presence of an ecosystem that supports homegrown firms to generate world-class products and services which help to widen and deepen digital economic transformation,
5. Digital Skills and Values - the development of a digitally skilled workforce that is grounded on sound ethical practices and socio-cultural values. The government has integrated youth in the development programs to tap into their innovative and creative energies. Elaborate plans are being made to bring all the youth-targeted programs under a single contact to facilitate youth involvement in development programs and empowerment to create and expand job opportunities.

These pillars are geared towards supporting government projects such as the Universal Health Care (UHC) by digitalization of the medical records and process, the Huduma Number project to enhance government service delivery, and effective property mapping to enhance revenue mobilization by broadening the tax base among others.

The role of the private sector in supporting KRA in its taxation mandate was also highlighted. Fintech businesses have a lot of data collected from online transactions. If this data is shared with KRA it will provide an opportunity for KRA to determine whether all tax due has been paid or not. Safaricom as a key telecom company in Kenya gave evidence of how it has played its role in ensuring tax compliance. It has a pre-qualification policy framework in place which ensures that all of its potential business partners are tax compliant. It encouraged all private firms to set up policies that ensure all of their business partners in their supply chain are tax compliant and ensure they declare correct business transactions.

The panellists observed that technology is an enabler and equalizer when it comes to economic growth of a country if well managed. For instance, in Kenya, 75% of the population is composed of the youth who are the drivers of the digital economy. As a result, by enhancing user experience and simplifying taxation, this segment can be effectively tapped thereby boosting revenue mobilization. Applications that are user friendly should be developed specifically for this segment of the economy which will go a long way in supporting revenue collection.

KRA brought forward the specific steps which it has taken towards taxing the digital economy and enhancing revenue mobilization. It was noted that effective 1st January 2021, the Digital Service Tax (DST) law will come into effect that requires all online businesses to pay tax at the rate of 1.5% of the gross transactional value. To avoid double taxation, non-residents will pay DST as a final tax while residents and non-residents with a permanent establishment will offset it against their income tax payments.

In user experience enhancement and tax administration simplification, KRA has developed mobile apps like M-Service that can be used easily by users with limited tax knowledge and IT skills. KRA, through its transformation agenda, is working towards transitioning to a service oriented organization. It has enhanced staff training on customer management, enhanced staff capacity in preparation for DST through staff training, technical forums and collaborations with other organisations such as The African Tax Administration Forum (ATAF), The Organisation for Economic Co-operation and Development (OECD) and International Monetary Fund IMF.

It was noted that:

- Tech companies dealing with final consumers should allocate part of their residual profits to the countries of operation even if they have no permanent establishment or physical presence since profits must be taxed where they accrue.
- Digital taxation is not a one size fits all, and countries should adopt incremental steps in taxation of this sector in collaboration with key stakeholders.
- There should exist a global minimal tax in order to address concerns about taxation of the digital economy and avoid global tax competition.
- There is a need for Kenya to rethink tax incentives and tax holiday policies in order to seal revenue gaps and evaluate their effectiveness.

Recommendations

The following recommendations were suggested;

No.	Implementation Area	Recommendations
1.	**Strategic partnerships**	• KRA should leverage on big data generated by Companies in the digital sector to enhance its tax-base. Care should be taken to ensure adherence to data protection laws and avoid abuse of data. • To seal loopholes in revenue mobilisation, Tax administrations should cooperate with international bodies like the African Tax Administration Forum (ATAF) and the Organisation for Economic Cooperation and Development (OECD) to collectively address pain areas such as Base Erosion and Profit Shifting (BEPS), treaty shopping and other tax-related crimes which account for a substantial loss of revenue.
KCB Diaspora Last Expense	**Implementation Area**	**Recommendations**
2.	**Enhance service delivery**	• KRA should continue to simplify tax administration processes especially for Small and Medium Enterprises (SMEs) to enhance compliance within the sector E.g. Through opening up its Application Programming Interface (API). • KRA should develop applications that are user friendly targeted at the informal sector. Focus on enhanced user experience shall enhance the success of revenue collection initiatives.
3.	**Policy**	• There is a need to formulate a tax policy framework that gives business start-ups time to grow before they are subjected to taxes. This shall in the long-run encourage business growth and in turn revenue mobilisation.

Panelists of Session 1 during the Tax Summit proceedings.

Plenary Session Two: Innovative Approaches to Sustain Economies in the COVID-19 Era – The Next Normal

The session focused on how to sustain economies in the wake of the recent COVID-19 pandemic outbreak. The panellists echoed the economic impacts of the pandemic world over which have resulted into a drastic decline in revenue collection due to contraction of revenue streams.

Keynote Speakers

1. Dr. Mukhisa Kituyi – Secretary General United Nations Conference on Trade and Development, (UNCTAD)

Discussants:

1. Mr. Marcio Verdi, Executive Secretary Inter-American Centre of Tax Administrations
2. Ms. Susan Mudhune, KRA Board Director
3. Ms. Li Xiangming, International Monetary Fund (IMF)
4. Mr. Peter Hurst, Bill & Melinda Gates Foundation
5. Mr. Edwin Makori, Institute of Certified Public Accountants of Kenya (ICPAK)

Key Points

- Kenya should develop and implement long term recovery models from the COVID-19 pandemic that include business continuity plans to ensure consistent provision of essential services and adopt technology to build resilient systems.
- KRA has put in place various measures during the COVID-19 pandemic period such as:
  - Speeding up the process of refunds payment to increase cash flows for businesses
  - Constant communication/engagement with taxpayers and other stakeholders
  - Implementation of tax relief measures spelt out in the Tax Laws (Amendment) Act, 2020
- Alternative Dispute Resolution (ADR) is key in revolutionising and speeding up resolution of tax disputes.
- As conventional business models shift to the digital market place, there is a need for policy makers to swiftly come up with policy frameworks not only to align to the shift but also keep up with it.
- Despite the difficulties posed by the COVID-19 pandemic, it is important to take stock of lessons learnt and take advantage of the opportunities created.

Keynote Address

The keynote speaker gave a brief analysis of the effects of the COVID-19 pandemic and its consequent challenges. This highlighted that pre-existing economic conditions had been exacerbated by COVID-19 and the conditions constrained the choices to be made to ensure survival. Key challenges mentioned were; the global scramble for new resources, decisions to sustain livelihood or economies, debt servicing by developing countries, the decline of foreign direct investments and the rise of global nationalism.

It was also noted that there was competition to destination markets. The possibilities of automation and robotics had already disrupted the global networks, including value chains and service chains. This has consequently affected industrial policies worldwide impacting mostly the developing countries.

Dr. Mukhisa Kituyi giving his Keynote address

Panel Discussion

The panellists discussed measures that had been put in place to support taxpayers. Before embarking on this, it was highlighted that it was crucial to understand the risks and challenges that taxpayers were experiencing. It was also observed that it is critical that tax administrations are more service oriented and foster better communication and interactions with taxpayers. Some of the measures that had been put in place to support taxpayers were extension of return filing deadlines, deferral and rescheduling of payments, remission of penalties and interest, enhanced payment plans, faster refunds, targeted tax reductions for low income earners, solidarity surcharge, strengthening of crisis management and close monitoring of large taxpayers.

KRA on its part, has embraced Alternative Dispute Resolution (ADR) and adopted an open-door policy for taxpayers and stakeholders . There was general consensus among panellists that there should be collaboration between revenue administrators and stakeholders to simplify tax collection. On innovative approaches to tax collection, it was pointed out that availability of digital financial services reduced contact during the pandemic. Consequently, there is generation of payments and other financial data that if harnessed could help track and facilitate compliance monitoring therefore non-state actors have a role to play in revenue mobilization. The data could also be used to analyse consumer behaviour; for instance, it was indicated that most of the money borrowed through mobile platforms over the COVID-19 period went into consumption.

The panellists suggested measures that tax administrations can take to incentivize digital transactions. These measures included fiscal incentives to merchants, subsidies to retailers as well as lotteries for both consumers and merchants. The use of cash could be disincentivised by offering less favourable treatment on cash payments and disallowing the deduction of business expenses if they are paid for in cash.

Kenya needs to begin the social bargaining process between the Government and businesses. It was stated that the missing component between easing tax payment processes and tax reforms is trust between the revenue administrations and taxpayers.

It was noted that:

- The Government of Kenya should come up with clear policies informing preferential treatment in negotiations and assume best practices to address industrial recovery and attract global resilience-seeking investors in order to stem the decline of Foreign Direct Investments (FDI).
- Kenya should be ready to compete in quantity and pricing of products that target the local and regional market. The non-competitive aspect and inefficiencies ailing Kenya should also be addressed.
- The government needs to put in place measures pertaining cross-border digital interactions to support the growth of the digital economy, hence collectible taxes. These measures may include adopting a digital producer mind-set rather than being digital consumers. China for example uses WeChat rather than WhatsApp as a chatting application. The result of this is that China has successfully implemented taxation across the WeChat platform.
- Kenya should develop and implement long term recovery models from the COVID-19 pandemic that include business continuity plans to ensure consistent provision of essential services and adopt technology to build resilient systems.

Recommendations

The following recommendations were suggested;

No.	Implementation Area	Recommendations
1.	***Strategic partnerships***	• Embrace and utilise data from organisations such as the Mining Observatory Data Control Centre (MODCC) and Extractive Industries Transparencies Initiative (EITI) to create transparency in the extractive industry thereby discouraging illicit financial transfers. • Develop capacity and competency in collaboration with other revenue authorities in different areas (taxable goods and services) to align emerging trends such as digital marketplaces with revenue mobilisation efforts. • Use third party data sources to monitor taxpayer accounts and ensure compliance through system integration to acquire a 360^0 view of taxpayers.

No.	Implementation Area	Recommendations
2.	***Adaptation to changing trends***	• Review and simplify tax codes and tax laws as often as necessary to adapt to emerging trends and address arising gaps. • Expand the Tax Base on existing and new revenue streams by developing avenues to tax sources of income of non-resident establishments such as e-commerce platforms that acquire data and monetize it (taxing value created from Facebook, Google, etc.) by enjoining international communities.
3.	***Policy***	• Introduce fiscal and tax policy measures to ensure that: • Multinational enterprises pay taxes commensurate to the income derived from the countries they invest in. • Data monetised by multinational enterprises is shared appropriately with source countries. • Enact instruments of law to audit financial outflows and enjoin the international community to close down holding offices to deter these flows.

Conclusion

It was noted that there is no place where the pandemic ends and recovery begins therefore, innovatively expanding the tax net while keeping priorities on recovery is key.

Plenary session three: Navigating COVID-19 – Insights for Sustained Revenue Collection and Service Delivery

The summit provided an opportunity for the respective African Revenue Authorities/Agencies to share measures they are implementing to sustaining revenue collection and service delivery during the COVID-19 pandemic era and beyond.

Keynote speaker

Mr. Logan Wort, Executive Secretary (Chief Executive Officer) at African Tax Administration Forum (ATAF)

Panellists

1. Mr. Githii Mburu, Commissioner General, KRA
2. Mr Sanya Gbonjubola, - Director Tax Policy and Advisory, Federal Inland Revenue Service, Nigeria
3. Mr. Nathaniel Mabetwa, Regional Director, Gauteng North Operations, South African Revenue Services
4. Mr. John Musinguzi, Commissioner General, Uganda Revenue Authority

Key Points

- Domestic revenue mobilisation coupled with broadening of the tax-base must take centre stage as tax administrations focus on the recovery cycle of the economy.
- Technology is the main gateway to enhance taxpayer compliance and engagements.
- Tax Administrations should embrace use of data analytics and inter–governmental, inter country collaboration especially for trade facilitation.
- The COVID-19 pandemic has presented tax administrations with new opportunities which will require reskilling and retraining of tax officials for enhanced tax administration.
- Economic recovery post COVID-19 pandemic will be determined by factors such as tax policy measures and efforts of tax administrators.

Keynote Address and Panel Discussion

African economies have endured a tough first half of the year 2020. As a result, the continental cumulative growth has dwindled, and the road to recovery remains tentative. Some of the worst hit sectors include transport, trade, tourism, and hospitality among others. Overall, economic impacts of the pandemic remain uncertain as noted by the keynote speaker. Apparently, the pandemic is expected to result in an upsurge of poverty levels across Africa, putting more strain to the already scarce resources. Additionally, it is projected that the global Gross Domestic Product (GDP) is likely to fall by 25% in the current financial year and that of Africa could shrinkby up to USD 445 Billion.

The anticipated GDP growth for countries that majorly rely on foreign aid could be negatively impacted partially due to unpredictable recovery timelines for donor countries/organizations. Despite the hardships, Africa is doing comparatively well in managing the pandemic compared to other regions of the world. Moreover, the East African region has proved to be the fastest growing region in the continent. The region has however, experienced a series of hardships, for instance, the locust infestation amid the COVID-19 pandemic, which have continued to cripple the pace for the region's economic growth. Therefore, the East African Community (EAC) should work together and pursue avenues that will aid in rebuilding economies of the respective member countries and Africa as a whole.

The pandemic has reshaped the role of revenue administration agencies/authorities across Africa both on the economic and social welfare fronts. For instance, majority of revenue administrations across Africa have taken charge to support and improve relief incentives such as donating Personal Protective Equipment (PPE) and other equipment towards conforming Africa's response to World Health Organization (WHO) guidelines on COVID-19 prevention and management.

The pandemic has shed light on the vital role of Information and Communication Technologies (ICT) in tax administration. The WHO guidelines discourage physical gatherings, which has prompted revenue administration bodies to opt for virtual approaches to handling taxpayers. Thus, governments that have invested in technology have had an easier time coping with the changes prompted by the pandemic. Unfortunately, revenue authorities with poor ICT infrastructure have suffered and their operations such as revenue collection, tax compliance, client engagement and stakeholder relations have been drastically affected. An evaluation of the role of ICT in tax administration reveals that effective ICT infrastructure has been quite useful over the last 7 months- enhancing compliance while mitigating the impact and restrictions of the COVID -19 pandemic.

In a post COVID-19 environment, domestic resource mobilization is going to take centre-stage (huge financial resources needed) in enhancing stable revenue collection and supporting Sustainable Development Goals (SDGs). The potential sources of tax post-COVID would include but not be limited to; broadening corporate income tax bases through the extractive and multinationals sectors (transfer pricing), property taxation and implementation of the Digital Service Tax and ensuring compliance in the target segments.

Kenya's Experience

The Commissioner General noted that the average economic growth rate for Kenya from 2015-2019 was 5.6%. However, due to the pandemic, the National Treasury projects a 2020 growth of 2.5% while World Bank has a growth projection of 1.5%. Revenue performance in the current financial year remains unknown but economic recovery from the pandemic will be largely dependent on tax policy and tax administration measures implemented post the pandemic. The Kenya Revenue Authority (KRA) had recorded a deficit of Kshs. 5.2B in first quarter of 2020/2021 financial year, a decline in revenue realized in Q1 compared to the same period over the previous FY. In the FY 2019/20, the worst performance was recorded in the month of May 2020 that had a deficit of Kshs. 50 Billion, representing a revenue decline of 33.8% being lowest in the last decade. This was largely attributed to the lock down and cessation of movement.

KRA adopted various policy changes and tax administration measures to ensure business continuity in service delivery and keep taxpayers afloat in terms of liquidity while enhancing the levels of compliance. Service delivery was enhanced to include appointment based customer engagements, adoption of virtual Dispute Resolution mechanisms, directing more customer traffic to online channels and focussing more on relationship management to ensure all taxpayer needs are attended to.

Several initiatives were under taken to facilitate trade across borders, among them implementation of EAC administrative Guidelines on COVID – 19, facilitation of returning residents and their goods, adoption of paperless operations and waiving customs warehouse rent for delays occasioned by the pandemic. In addition to this, the authority embraced the use of high-tech scanners to minimise human intervention, fumigation of high risk cargo and suspension of the importation of second hand clothes. Over the last five months, the Authority facilitated its staff to work remotely to ensure adherence to the Ministry of Health requirement of social distancing to reduce the rate of COVID -19 infections. There had been vibrant communication to staff to keep them informed of any development within and outside the Authority. Enhanced alternative dispute resolution mechanisms, data driven compliance, system integration and optimization of non-traditional revenue streams i.e. the taxation of the digital economy are measures the authority embraced to ensure efficiency in revenue mobilization.

The Commissioner General noted that the outlook for the Kenyan economy was positive. However, this depends immensely on expediting dispute resolution, validation of taxpayer declarations to ensure that taxpayers remain compliant amidst the instability brought about by the pandemic and focusing on the digital marketplace to enhance revenue collection.

South Africa's Experience

South Africa was the hardest hit by the COVID-19 pandemic in the continent having recorded 19,599 deaths since the onset of the pandemic. Patient recovery rate stood at 90.2%. The South Africa Revenue Service (SARS) was not an exception given 703 staff tested positive for COVID-19 with 9 fatalities. The organisation took steps to ensure staff were well protected. The revenue service had recorded a decline of 18% (117 Billion rand) in overall revenue collection compared to a similar period in the year 2019. There was an upsurge of liquidation by 11%, a decline in employment tax by 11.6% and domestic VAT by 6.7 % due to scaling down and closure in the manufacturing sector as well as job losses in various sectors of the economy.

Initial digitization of most of SARS operations came in handy during the pandemic, this effectively ensured timely service delivery to the taxpayer while protecting staff well-being. More than 70% of the service staff were working remotely as noted by the SARS representative. Virtual engagements were implemented to reduce walk in customers to service premises. Where this could not be avoided, the respective taxpayer visits were appointment based. Improved Taxpayer education through the 'Bring your own device' initiative where clients would visit branches with laptops and use SARS network to self-serve. The Turn-around time improved since e-Channels speed up interaction and information sharing at all levels of stakeholder and customer engagement.

To enhance tax administration, SARS plans to utilise big data and third party data to triangulate taxpayers' transactions (what people are declaring and what they actually own). It shall also focus on the growing informal economy which is cash-based, by looking at increasing taxes in that sector. Other key initiatives planned include improving IT system security and building staff capacity in the areas of forensics, data analysis, risk analysis and IT security.

For planning purposes, the SARS representative highlighted that the organisation had designated three scenarios to recovery post COVID-19; the immediate (5.4% GDP contraction), medium term (12% GDP contraction) and long term (16.1% GDP contraction).

Nigeria's Experience

Nigeria's economy was negatively impacted by a gloat (downward pricing) in the international market for petroleum products which was worsened by the COVID -19 pandemic. The Federal Inland Revenue Service (FIRS) had a slowdown in its operations especially in the locations outside the main cities; attributed mainly to the poor network infrastructure and power accessibility. Locking down some of its offices, the revenue service opted to use daily press releases to engage taxpayers and keep them updated. The lockdown resulted in increased focus on virtual engagements, suspension of tax audits and taxpayer visits, extended deadlines on return filing and payment, waiver on penalty and interest accrued over the pandemic period. The revenue service adopted cashless payment modes to ensure payment compliance which called for Business Processes Re-engineering (BPR) to enable operations over virtual platforms. The Nigerian Government provided lockdown passes to FIRS senior officials to facilitate coordination of office operations during the lockdown.

Technology plays a key role in tax administration and revenue mobilization, currently FIRS considers having alternative ways of doing business which include embracing remote working initiatives, facilitating use of digital space and staff skill development. The service envisions a

100% transformation of its manual processes over the next one year which calls for a huge investment in technology infrastructure and stakeholder engagement in the migration process.

Uganda's Experience

The Uganda Revenue Authority (URA), just as other African countries, implemented operational changes amidst the COVID-19 pandemic. The Authority's focus was on staff and taxpayer safety which they addressed by allowing staff to work in shifts and remotely to reduce congestion in the work environment. Several measures were employed to ensure effective service delivery, enhanced business continuity and trade facilitation in order to achieve the desired levels of tax compliance and realize the specific revenue targets. URA surpassed its targets by 1.3% during the pandemic period and looks forward to improving its tax to GDP ratio to 20%. It highlighted that URA looks to adopting various technologies in the future including the use of drones for monitoring cargo and use of electronic receipting systems.

It was noted that:

- Tax Administrations should foster regional and continental cooperation to enhance their success. This can be achieved through benchmarking, action learning and information sharing.
- Countries should aim at reducing tax expenditure coupled with adequate investment in tax administration in order to increase respective country's tax to GDP ratio to at least 20%.

Recommendations

No.	Implementation Area	Recommendations
1.	***Strategic partnerships***	• 'Tap' into the digital economy by engaging respective stakeholders to enact legislation to guide DST collection in the jurisdiction where the income was generated.
2.	***Policy***	• Implement the global minimum tax charge.

Closing Ceremony

Closing Remarks by the Commissioner General of the Kenya Revenue Authority Githii Mburu.

In his closing speech, the Commissioner General urged tax administrators and stakeholders to effect the recommendations emerging from the deliberations of the Summit and highlighted that the deliberations would be progressed as lessons learnt and a good foundation for policy development.

The Commissioner General appreciated Kenyans for the resilience they had shown during the pandemic and urged them to continue complying with MOH rules to help combat the COVID-19 pandemic and build up the economy. He further encouraged the public to be compliant in paying taxes in order to help in the government's development agenda.

He thanked the KRA team for facilitating the Summit despite the challenges caused by the pandemic and reiterated the importance of investing in tax administration, which had enabled the authority to have the necessary technology for hosting a virtual summit. He also thanked the team that had supported the Summit behind the scenes including the moderator, the media, and the technical team.

Closing Remarks by the Chairman of the Kenya Revenue Authority Ambassador Dr. Francis Muthaura.

The Board Chair started his closing speech by acknowledging that the Authority was already adopting a new way of doing things by posing a comparison between last year's Summit, which was held physically, and this year's Summit held virtually. He noted that the Summit had been a tremendous engagement with global participation from panellists all around the world joining in virtually. He further noted the importance of the Summit to KRA as an administration body for receiving feedback from various stakeholders that is key in policy formulation.

He highlighted on the importance of the Summit especially in the face of the pandemic as a forum for articulating how African tax jurisdictions had dealt with the pandemic and assured all stakeholders involved that the fruitful discussions, ideas and proposals raised had been well received. He emphasized on the ideas and comments raised under digitalization and revenue mobilization and assured that they would be put under serious consideration.

The Chair noted that participants in the Summit had highlighted the role of technology for service delivery and commended KRA for integrating technology in service delivery. He further noted that KRA had taken note of all concerns raised on DST that was to be effected starting from 1st January 2021. He assured stakeholders that the ideas raised on exemptions for the informal sector and tax holidays for start-ups had been well received for consideration.

The Board Chair pledged that KRA would keep working to make paying of taxes easy, fast and efficient. He lauded KRA for introduction of the M-Service app that would boost compliance for DST and other tax obligations through use of a mobile app. He emphasized KRA's commitment to keep working under the service delivery model, fast tracking refunds and ensuring that the ADR framework was efficient and effective for dispute resolution. He closed by reaffirming KRA's resolve to collaborate with both private and public stakeholders to achieve higher revenue mobilization.

Closing Remarks by Ms. Betty Maina, CS Trade, and Industry

The Cabinet Secretary (CS) began her speech by appreciating KRA for hosting an informative forum on global issues with global participation. She highlighted that the theme, "Enhancing Tax Administration for Economic Stability," was vital for raising awareness in both the Government of Kenya and the private sector. She reiterated that:

1. The strategic objective of her ministry was to expand exports capacity and increase production driven by the industrial plan and the big 4 agenda. She noted that there were key strategic agreements in place between Kenya and other countries. E.g., the free trade areas to be launched in January 2021 within the region and negotiations to increase trade between Kenya and countries such as the U.S and the U.K.
2. On e-commerce and digital economies, she noted that economies needed to embrace digitalization to optimize trade and take advantage of the existing global digital markets. She noted that there was an export market for value added products, and that despite the pandemic, there was a notable growth in exports.

3. The penetration of digital platforms for businesses in Kenya should be exploited further to offer a digital transformation to the market to facilitate trade for developing partnerships with the private sector to grow revenue. She posited that benefits accrued from trade facilitation and stakeholder engagement in growth of the private sector spilled over to growth of revenue.
4. The COVID-19 relief measures granted to Kenyans by the Government had played a vital role in sustaining businesses, allowing more cash flow to SME's and businesses during the pandemic.
5. SME's had adopted resilient models including integrating digital tools in their operations to operate on a digital platform that had facilitated their continued growth amidst the COVID-19 pandemic.

In her final remarks, she thanked KRA for the role they had been playing in business facilitation and urged businesses to formalize their operations so that they could enjoy the services of the authority as a trade facilitator. She also applauded Kenyan businesses for agility and encouraged them to adopt digitalization for resilience in the face of the pandemic and post COVID-19.

Appendices

Appendix 1 – List of Keynote speakers, Moderators and Panellists

Keynote Speakers

1. Mr. Githii Mburu, Commissioner General, Kenya Revenue Authority
2. Mr. Joseph Mucheru, Cabinet Secretary, ICT, Kenya.
3. Mr. Pascal Saint-Amans - Director, Centre for Tax Policy and Administration (OECD)
4. Dr. Mukhisa Kituyi – Secretary General United Nations Conference on Trade and Development, (UNCTAD)
5. Mr. Logan Wort, Executive Secretary (Chief Executive Officer) at African Tax Administration Forum (ATAF)

Panellists

1. Mr. Stephen Chege, Chief Corporate Affairs Officer, Safaricom
2. Mr. Mukesh Shah, KRA Board Director
3. Madam Kendi, Country Head, Microsoft
4. Eng. Leonard Ithau, KRA Board Director
5. Mr Raphael Kamoto, Director, Strategic Partnership, Planning, Monitoring & Evaluation, Africa Tax Forum (ATAF)
6. FCCPA Rispah Simiyu, Commissioner Domestic Taxes Department, KRA.
7. Mr. Marcio Verdi, Executive Secretary Inter-American Centre of Tax Administrations (CIAT)
8. Ms. Susan Mudhune, KRA Board Director
9. Ms. Li Xiangming, International Monetary Fund (IMF) East AFRITAC Center Coordinator
10. Mr. Peter Hurst, Bill & Melinda Gates Foundation
11. Mr. Edwin Makori, CEO, Institute of Certified Public Accountants – Kenya (ICPAK)
12. Mr. Sanya Gbonjubola, - Director Tax Policy and Advisory, , Federal Inland Revenue Service, Nigeria
13. Mr. Nathaniel Mabetwa, Regional Director, Gauteng North Operations, South African Revenue Services
14. Mr. John Musinguzi, Commissioner General, Uganda Revenue Authority

Moderator: Ms. Yvonne Okwara, Senior News Anchor, at Citizen TV – Royal Media Services

Appendix 2 – Key Recommendations from 2020 for Action

No.	Implementation Area	Recommendations
1.	***Strategic partnerships***	• KRA should leverage on big data generated by Companies in the digital sector to enhance its tax-base. Care should be taken to ensure adherence to data protection laws and avoid abuse of data. • Seal loopholes in revenue mobilisation by cooperating with international bodies like the African Tax Administration Forum (ATAF) and the Organisation for Economic Cooperation and Development (OECD) to collectively address pain areas such as Base Erosion and Profit Shifting (BEPS), treaty shopping and other tax-related crimes which account for a substantial loss of revenue. • Embrace and utilise data from orgainisations such as the Mining Observatory Data Control Centre (MODCC), Extractive Industries Transparencies Initiative (EITI) to create transparency in the extractive industry thereby discouraging illicit financial transfers. • Develop capacity and competency in collaboration with other revenue authorities in different areas (taxable goods and services) to align emerging trends such as digital marketplaces with revenue mobilisation efforts. • Use third party data sources to monitor taxpayer accounts and ensure compliance through system integration to acquire a 360^0 view of taxpayers. • 'Tap' into the digital economy by engaging respective stakeholders to enact legislation to guide DST collection in the jurisdiction where the income was generated.
2.	***Enhance service delivery***	• KRA should continue to simplify tax administration processes especially for Small and Medium Enterprises (SMEs) to enhance compliance within the sector E.g. Through opening up its Application Programming Interface (API). • KRA should develop applications that are user friendly targeted at the informal sector. Focus on enhanced user experience shall enhance the success of revenue collection initiatives.

No.	Implementation Area	Recommendations
3.	***Policy***	• Formulate a tax policy framework that gives business start-ups time to grow before they are subjected to taxes. This shall in the long-run encourage business growth and in turn revenue mobilisation. • Introduce fiscal and tax policy measures to ensure that: • Multinational enterprises pay taxes commensurate to the income derived from the countries they invest in. • Data monetised by multinational enterprises is shared appropriately with source countries. • Enact instruments of law to audit financial outflows and enjoin the international community to close down holding offices to deter these flows. • Implement the global minimum tax charge.
4.	***Adaptation to changing trends***	• Review and simplify tax codes and tax laws as often as necessary to adapt to emerging trends and address arising gaps. • Expand the Tax Base on existing and new revenue streams by developing avenues to tax sources of income of non-resident establishments such as e-commerce platforms that acquire data and monetize it (taxing value created from Facebook, Google, etc.) by enjoining international communities.

Acknowledgements

Hosts

1. Hon. (Amb) Ukur Yatani, EGH, Ag. Cabinet Secretary, National Treasury and Planning
2. Amb. (Dr)Francis Muthaura, Board Chairman, Kenya Revenue Authority
3. Mr. Githii Mburu, Commissioner General, Kenya Revenue Authority
4. Dr. Mohamed Omar, Commissioner, Strategy, Innovation & Risk Management, KRA
5. Dr. Fred Mugambi, Commissioner, Kenya School of Revenue Administration, KESRA
6. Ms. Grace Wandera, Deputy Commissioner, Marketing & Communication, KRA

Tax Summit Committee	Rapporteuring Team
1. Ms. Beatrice Mundia	1. Mr. Alex Maina Kithaka
2. Ms. Diana Akivaga	2. Ms. Monica Githuba
3. Ms. Jeddy Ochuodho	3. Mr. Ephraim Atandi
4. Ms. Sheila Aduvagah	4. Mr. Danny Mumina
5. Mr. Dolton Nzano	5. Ms. Christine Micheni
6. Ms. Maximilla Onyango	6. Mr. Paul Asuma
7. Mr. Rading Kwaje	7. Ms. Grace Mwasya
8. Ms. Sharon Kirai	8. Ms. Winfred Mwaniki
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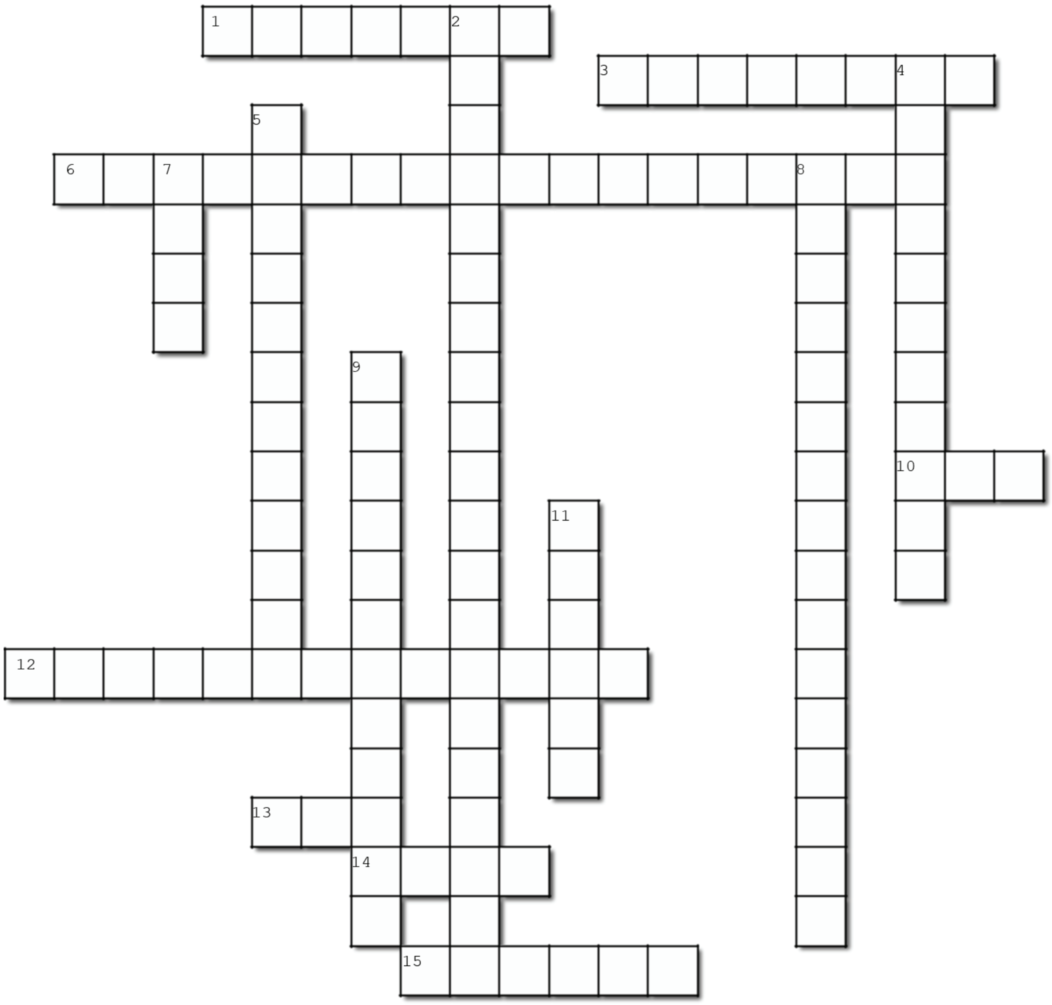
	12. Mr. Erick Wabwire
	13. Mr. Memba Samuel
	14. Ms. Nelly Kimani
	15. Ms. Sheila Otieno
	16. Ms. Faith Kidullah
	17. Ms. Diana Korir
	18. Mr. John Maina
	19. Ms. Faith Nthale

6TH ANNUAL TAX SUMMIT - KNOWLEDGE CHALLENGE

Complete the crossword puzzle below



cross	Down
1. to give money back 2. field that treats ways to analyze, systematically extract information from data sets that are too large 3. tax rate aims to make sure that taxpayers will not be able to benefit from their relocation to tax havens 4. that which tax rate of 1.5% on the gross transaction value 5. a country's tax code designed to encourage a particular economic activity by reducing tax payments 6. a consumption tax placed on a product whenever value is added at each stage of the supply chain 7. Founded: August 2008 Headquarters: Pretoria, South Africa 8. is a Chinese multi-purpose messaging, social media and mobile payment app developed by Tencent.	1. simple, open platform bringing government buyers and digital sellers together 2. a temporary reduction or elimination of a tax 3. use of financial measures and tax planning to reduce the size of a company's taxable profits in a country 4. economic organization with 37 member countries, founded in 1961 5. price which is paid for goods or services transferred from one unit of an organization to its other units situated in different countries. 6. tax payable by small businesses whose gross sales does not exceed or is not expected to exceed Kshs. 5 million per year. 7. to refrain from claiming or insisting onto relinquish

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