

The future of taxation in Kenya

on the rise

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global perspective

Regulatory pressures have grown and continue to do so

More stringent and onerous reporting requirements

Transformation of revenue authorities with increased commercialism and sophistication

Cross border collaboration on the increase

BEPS a reality

Technology playing a greater role and e-filing a reality

A move to reduce direct taxes and increase indirect taxes

Customs unions and common markets

Tax regimes are becoming more complex

Consistency becoming an issue

Lack of predictability

Increased audits

Max Compliance and Reporting

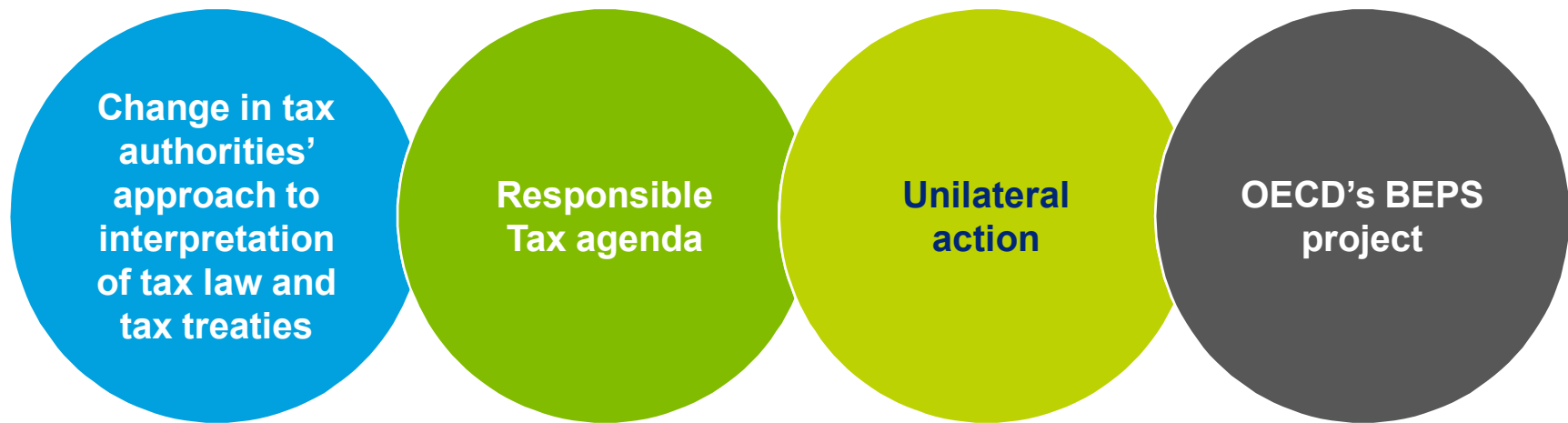
- ” Six themes seem to direct this and this has not changed over the years:
- ” Collaboration
- ” Integration
- ” Efficiency
- ” Confidence
- ” Improvement
- ” Insight

Multinational companies are facing a number of new tax-related challenges



Government deficits and related cut-backs, media attention and activist group interest has resulted in political interest in tax reform

his new global tax environment has resulted in the following actions .



BEPS is part of the bigger picture

Global trends in indirect tax

scope

more indirect taxes in more countries than ever before and with broader tax bases than ever before

rates

direct tax Rates continue to rise, whilst corporate income tax rates decline

pace of change

faster than ever before . driven by globalization, new commercial models and technological change

complexity

arising from new taxes, new business activities, new technology, greater tax bases, digital economy

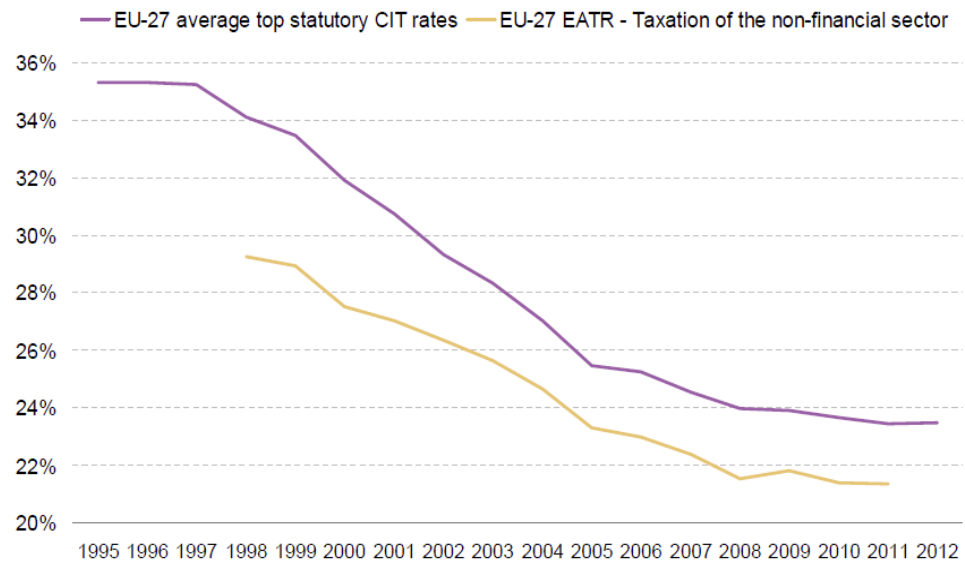
enforcement

drive for revenue and fight against fraud leading to more use of technology and cross-border cooperation

Corporate tax rate competition leads to a shift to indirect taxes

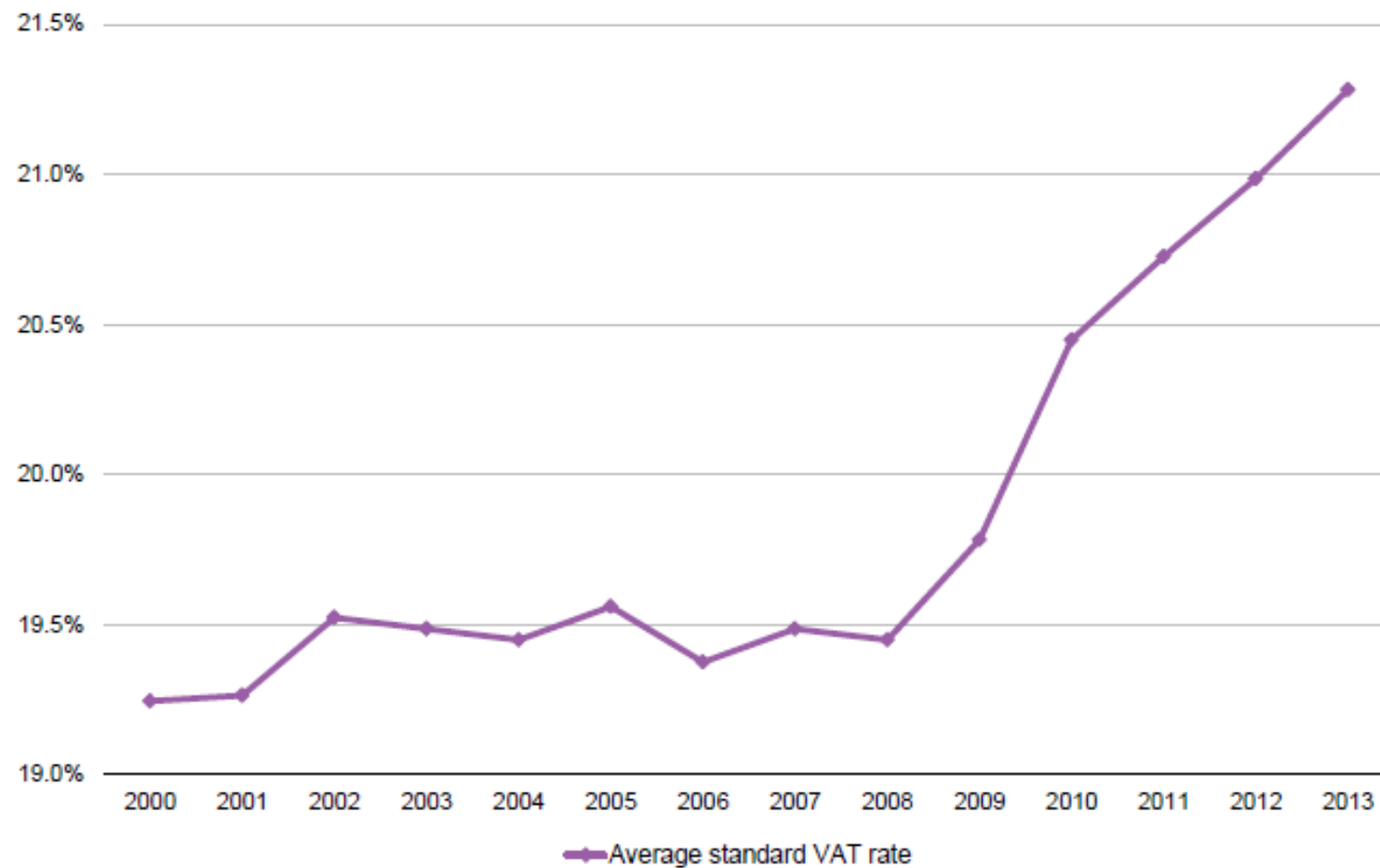


The steep decline in corporate tax rates has stopped, at least for now



Source : EU Commission

What does the global value added tax landscape look like?



Source: Taxation trends in the European Union

At present more widespread

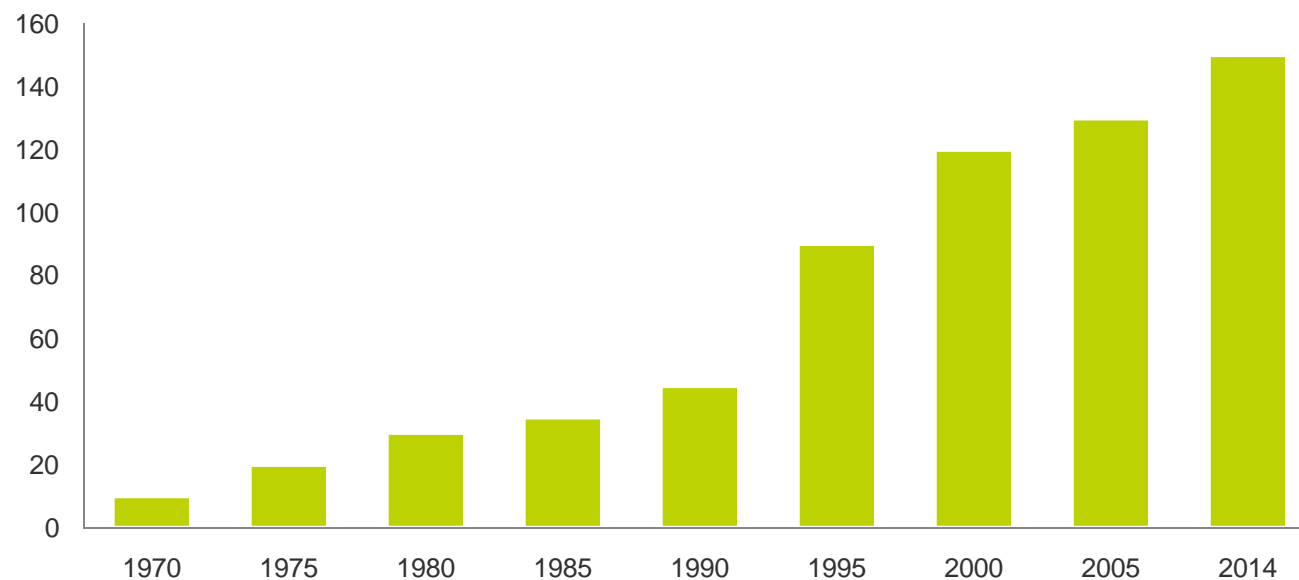
More indirect tax systems than ever before

Broader VAT base . reduced rates up, zero rates and exemptions abolished (notable examples: Kenya, Mexico, Paraguay, South Korea, Tanzania and Tunisia)

New excise taxes aimed at consumer behavior, e.g. environmental taxes and health taxes (sin taxes)

Indirect taxes to generate revenue, e.g. recently-abandoned Hungarian internet tax

Number of VAT systems (1970 to 2014)



Increasing rates

Higher and higher standard rates of VAT . up to 27% in Europe

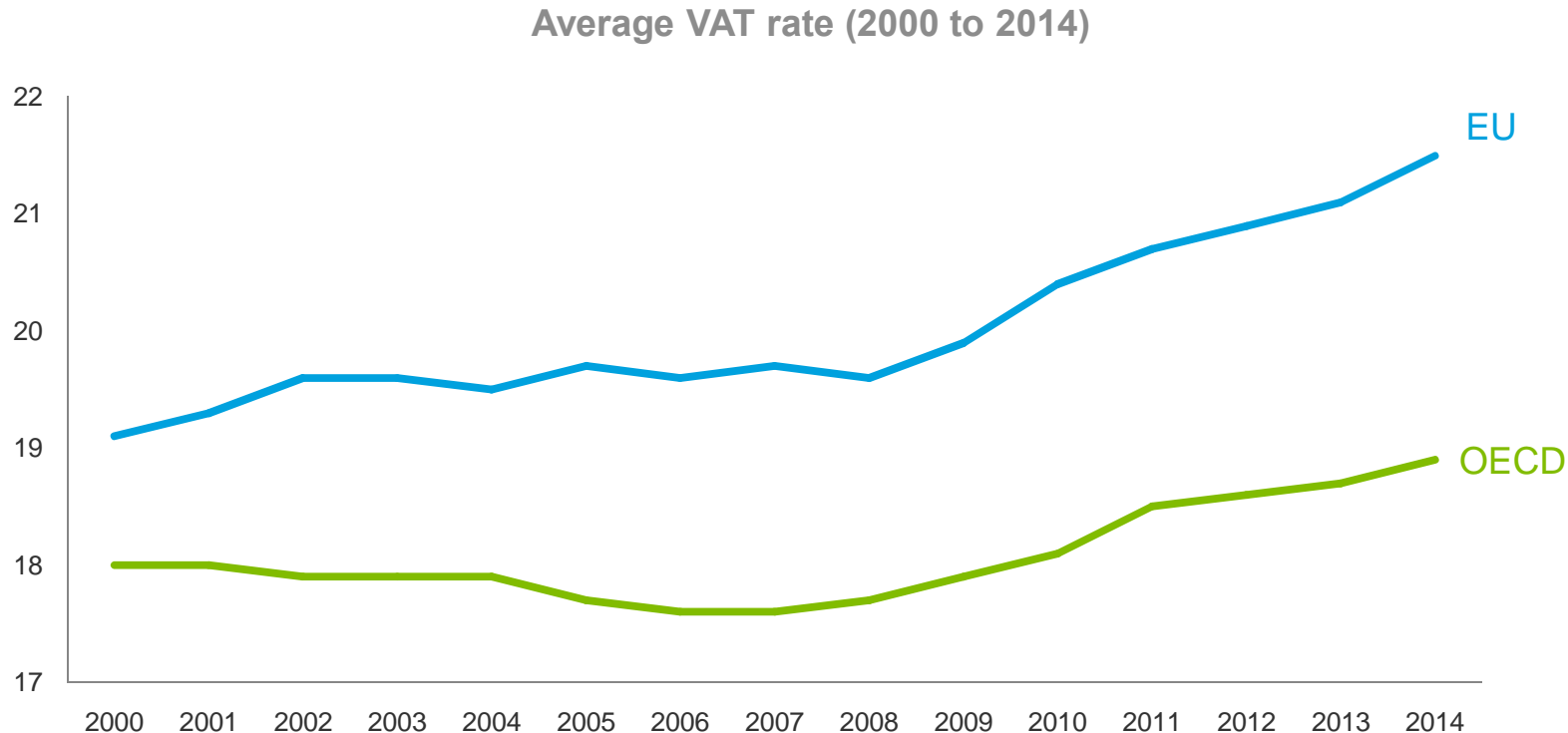
EU average now over 21%, OECD average around 21.3%

Global average duty rate is 14.5%

Huge variances in duty rates (e.g. shoes 0-100%)

Rapid rate rises in Japan (5% to 8% to 10%)

Other notable standard rate increases in Ghana, Honduras, Israel and Morocco



Global trends customs

borderless

GT issues become more and more visible in more countries as export data becomes import data

new rules

drive for revenues leading to more new taxes based on new business models and activities

real time

the use of more technology requiring transaction by transaction real time reporting

data control

you own , the data, you control the data, authorities want your correct data

collaboration

interoperability between customs authorities become more and more the standard

authorities exchange pre dispatch and pre arrival information and data between each being supported by sophisticated technology

What do these trends mean for you?

Assign responsibility for indirect taxes and create reporting structures

Map supply chains and business activities and related indirect tax considerations

Review indirect taxes when entering new markets or starting new activities

Use technology appropriately to manage indirect taxes (e.g. e-filing, ERP, EPOS)

Stay up-to-date

Always be prepared for change!

The economy today

Kenya

A snapshot

Population: 43.2 million

Languages: English, Swahili

Main Economic Activities: Agriculture, tourism
Financial Services and Telecommunications

GDP: \$40.70 billion (2012)

Growth rate: 4.6% (2013)

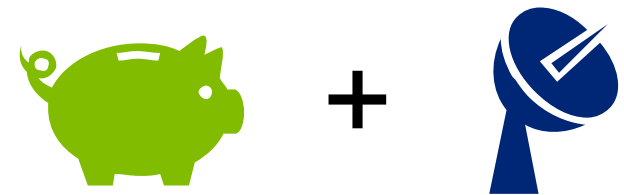
Source: World Bank



Kenya

Growth expected in

- Services Sector: Financial Services and ICT
- Agriculture
- Energy
- Tourism
- Real Estate and Construction



Marriage of Financial services and Telecommunications to spur growth

What needs to be done

- Better governance
- Sustained and impactful economic growth (reaching the bottom of the pyramid)
- Infrastructure development
- Tackle corruption

Kenya

2008: Elimination of 110 business licenses and the simplification of 8

2009: Improvement at the registry and better communication between relevant agencies

2010: Improved access to credit by passing and implementing a law on credit bureaus that will provide a framework for a regulated and reliable system of credit information sharing

2014: iTax and the move to e-filing

The future of taxation in Kenya

Government expenditure rising rapidly but collections not keeping pace

Economy not performing as well as it might

Consumer confidence low

Security / insecurity not helping matters

Short termism

The move to iTax

Old data suspect

Informal sector

VAT refunds

Split of customs from KRA

Devolution

Outdated legislation

E-filing a reality

Capital gains tax . will it increase

More indirect tax . particularly excise on services

County taxation

EAC / COMESA . harmonization

Cross border communication

New excise and income tax act

Environmental taxation

Move away from incentives

Global attention on avoidance schemes

Impact of natural resource revenue

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