

Tax Risk Management Concepts

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TABLE OF CONTENTS



Introduction



Tax Risks



Managing Tax Risks



Q & A

Introduction

BY LAW
WE MUST
COLLECT TAX

Introduction



“Historically, tax risk management and tax internal controls were a bit of a black art, not necessarily even understood by those in the tax function, let alone those outside...” – *Tax Risk Management, PwC*

Tax Risks



- Transactional risk
- Operational risk
- Compliance risk
- Financial accounting risk
- Reputational risk
- Portfolio tax risk

ABC of Managing Tax Risks



- Understand your business - any special circumstances?
- Understand why taxation - tax is a cost to be managed
- What are your obligations?
- Due dates?



ABC of Managing Tax Risk



- Confirm compliance with obligation by due date
- Maintain evidence of compliance
- Be in the know - recent developments and their likely impact
- Understand KRA

Tax Risk Mgt Stakeholders



- Shareholders and investors
- Revenue Authorities
- Board of Directors
- Auditors
- Other sector regulators
- Other business units



Common tax query triggers



- Filing - tax returns
- Tax deduction - WHT
- Tax payment - PAYE
- Notification of particulars - Changes
- Compliance with legal requirements -
issuance of pay slips, TP policies

Tax Obligations



- Garnishee payments - Agency
- Disclosures - audit information
- Registrations - VAT registration
- Import declarations



Common tax query triggers



- Industry risk profile - excisable products
- Failure to file tax returns
- Failure to make payments
- Third party comparison data - input VAT claims
- Digital signature?

Common tax query triggers



- Industry trends:
 - Bad debt provisioning for banks
 - margins out of the norm
- Lifestyle audits and big data
- Information exchange & international developments eg UK Disclosure of Tax Avoidance Schemes (DoTAS)

Managing Tax Risks...before



- Compliance does actually pay...brand!
- Rigorous tax control environment - eg have tax returns been filed on time?
- Regular independent review of tax operations
- Risk appetite - assess tax impact prior to deploying new products or entering into transactions

Managing Tax Risks...before



- Update relevant tax policies for example, TP Policy
- Understand potential tax impact of new regulatory frameworks eg IFRS 9 for banks, effective 1 January 2018
- Continuous learning - no substitute for this!
- Influencing policy

Managing Tax Risks...after



- Voluntary self disclosures
- Engage KRA on tax findings...preliminary findings
- Consider alternative dispute resolution
- Ensure expeditious conclusion of tax audits
- Use tax audit findings as a basis for enhanced compliance on a go-forward basis

INTERACTIVE SESSION

