



The Future of Taxation in Kenya

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Some Challenges



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Q & A



Introduction to Taxation in Kenya

Uphold public interest

Taxation in Kenya



- Standard tax regime covering:
 - ✓ Income
 - ✓ Consumption
 - ✓ Transactions
- Evolution from Ministry of Finance Departments to Agency
- Shift from assessment to self assessment



Taxation in Kenya

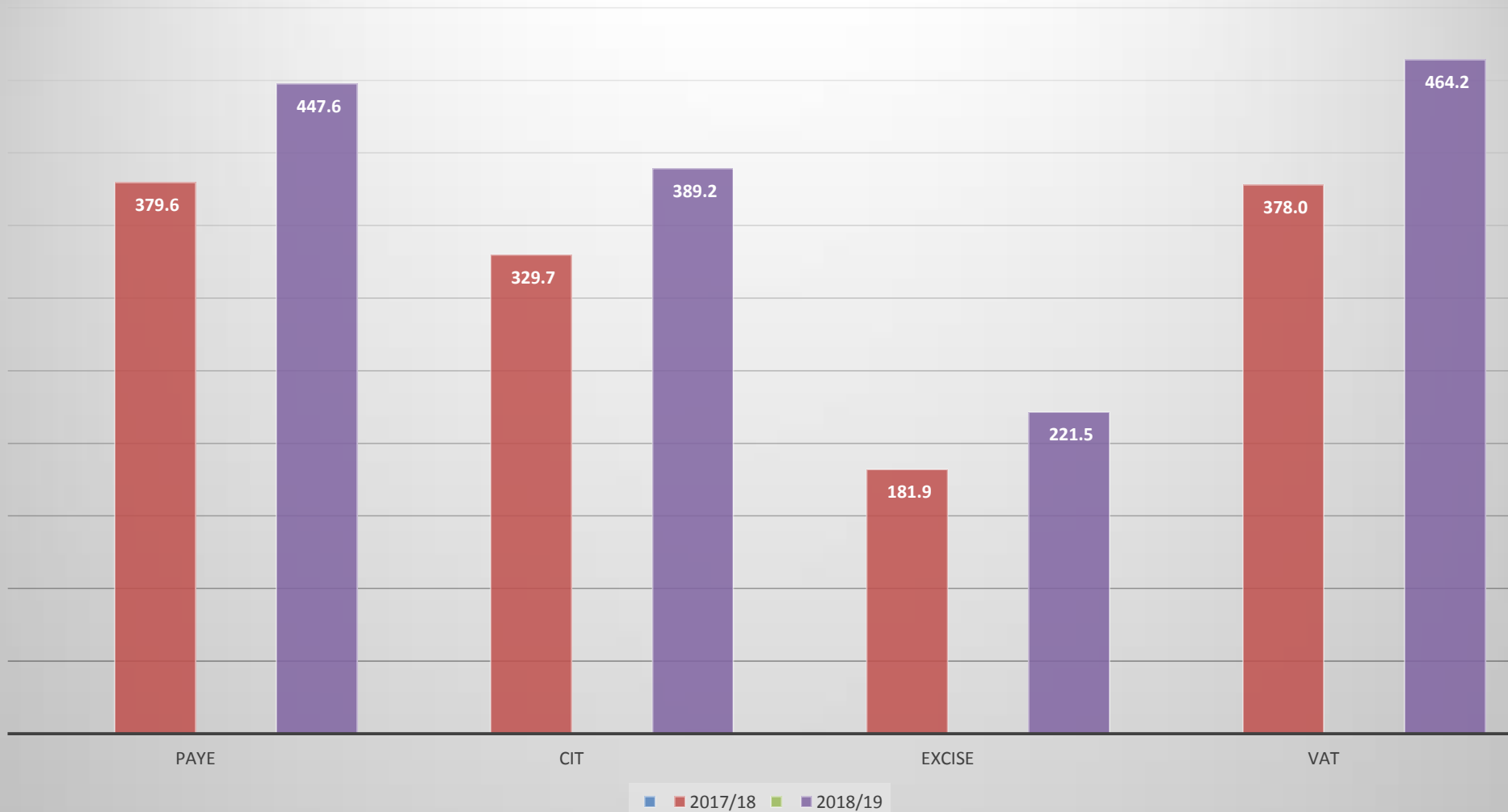


- Revenue make up in Kenya:
 - ✓ Income tax - PAYE and CIT
 - ✓ VAT
 - ✓ Customs
 - ✓ Excise duty
 - ✓ Others (eg levies)

Taxation in Kenya



Taxes (KES billion)



Taxation in Kenya: canon of equity?



- Mix of progressive and **regressive** taxes
- Kenya's tax base:
 - informal sector
 - real estate
 - self assessment: registered vs filers
- Focus on income or consumption?

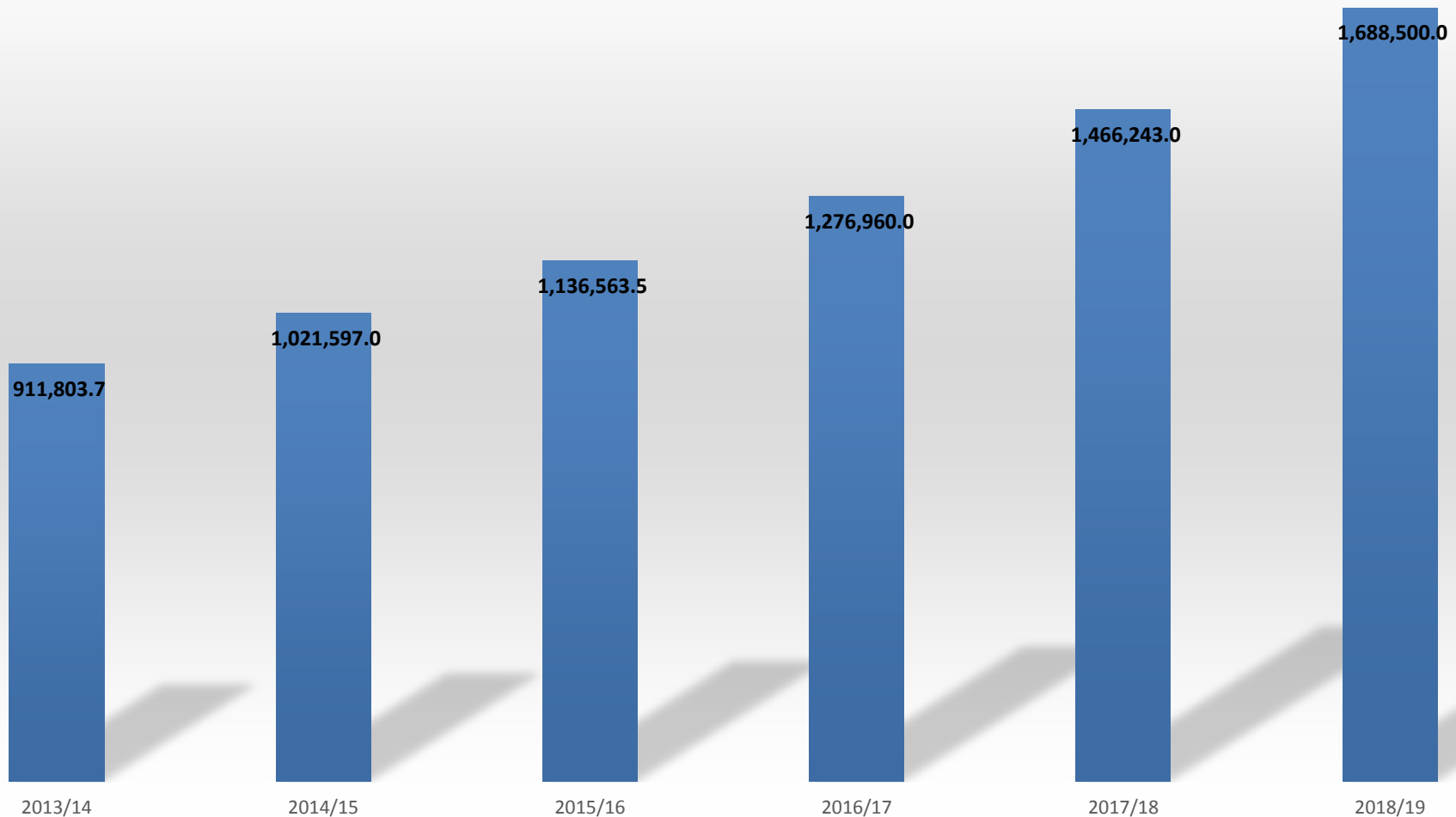
Why?



Taxation in Kenya: canon of equity?



Tax (KES billion)



Taxation in Kenya: canon of equity?



- Tax incentives:
 - do they matter?
 - contradictory?
 - are some a subsidy?
- Race to the bottom - incentives or lower tax rates?





The future of taxation in Kenya

Uphold public interest

Outlook...



- Modernization:
 - ✓ Income Tax Bill, 2018
 - ✓ Presumptive income tax to expand tax base?
 - ✓ Excise Duty Act, 2015, VAT Act, 2013,
 - ✓ Updated procedural laws: Tax Procedures Act, 2015, Tax Appeals Tribunal Act, 2015

Outlook...



- Updated DTAs:
 - ✓ Model DTA
 - ✓ DTA and Bilateral Investment Treaty Negotiation Policy
- WHVAT reduction?
- EGMS for all excisable goods manufacturers

Outlook...



- Regional Electronic Cargo Tracking System
- EAC Regional customs valuation system
- Full roll out of *iCMS* in May 2018
- System integration: IFMIS/*iTax*/*iCMS*/e-Citizen/MoFA
Protocol Management System
- Pre-arrival Customs Clearance (Sec 24 EACCMA)

Outlook...



- Blue channel for compliant taxpayers
- Increased duty on Illuminating Kerosene
- VAT on white fuel w.e.f 2 September 2018
- KRA wins at TAT are fully executable
- KRA has appealed the High Court decision on CGT/Stamp Duty payment tie

INTERACTIVE SESSION

