

KENYA'S TAXATION SYSTEM

ICPAK- South Africa Chapter Seminar

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Wednesday 27th August 2019, @The Capital Hotel Group

KENYA'S TAX STORY



Taxation in Kenya has always existed -

BEFORE 1897

Taxation in Kenya started way before colonial rule, however this was mainly informal.



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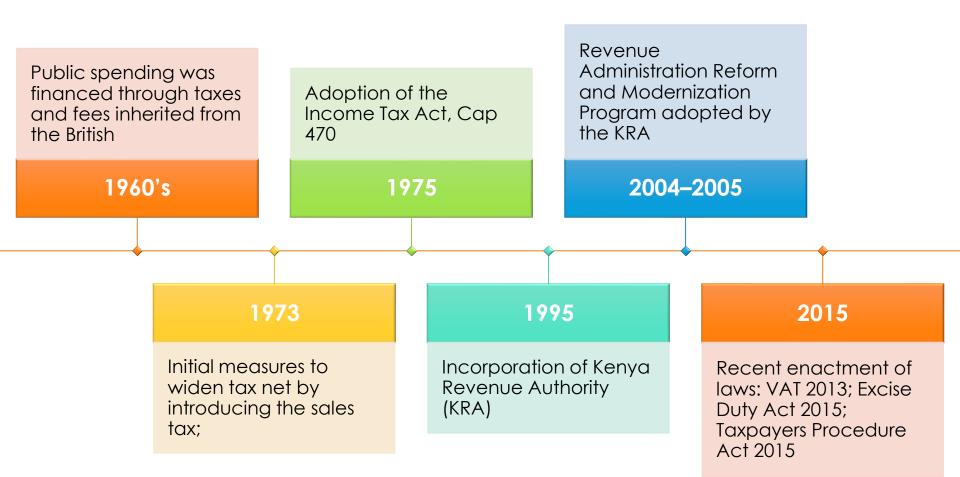
POST 1897

1897 was the year Kenya was annexed from the Imperial British East African Company (IBEACO) to the Crown.

- They immediately introduced Direct taxation 1900's: Kenya adopted its first tax laws
 - 1. The Hut Tax
 - 2. Land Tax

HISTORY OF TAXATION





DEVOLUTION OF POWER & RESOURCES





NATIONAL GOVERNMENT



CONSTITUTIONAL STIPULATED TAXES



National Government	County Government
Income Tax	Property Rates
Value- Added Tax	Entertainment Tax
Custom Duties and any other duties on imports and exports	Any other tax authorized by an Act of Parliament
Excise Tax	

NATIONAL GOVERNMENT RELATED TAXES









VALUE ADDED TAX

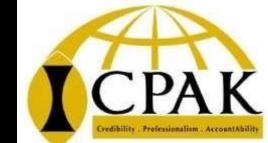


EXCISE DUTY



CUSTOMS

COMPARISON OF TAX RATES



ACROSS TE	IE REGION	Credibility : Professionalism : Account Ability				
	Corporation	Personal				
Country	Tax	Income Tax	VAT			
Kenya	30	30	16			
South Africa	28	45	14			

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Kenya	30	30	16
South Africa	28	45	14

30 30

Tanzania

18 Uganda 30 40

18 Ghana 25 30

22.5 14 Egypt 22.5 Ethiopia 30 35

Excise Duty





Charged on specific goods and services manufactured locally or imported, on varying rates specified in the Excise Duty Act 2015



Excisable goods & services---mostly considered to be luxurious, addictive, goods having negative effects & those that have low price elasticity

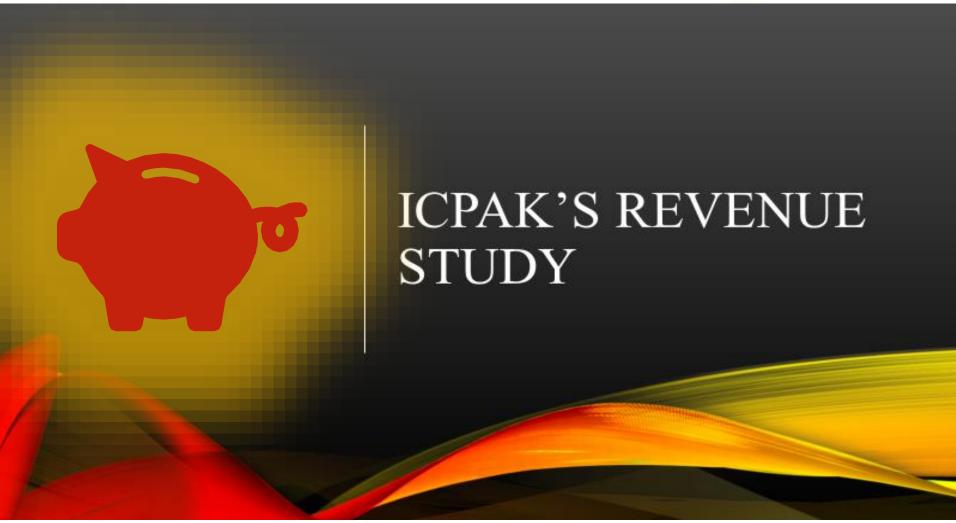


Examples, Finance Act 2018 saw an increase of duty for telephone & internet services from 10% - 15%



Goods subject to Excise Duty - bottled water, cigarettes, alcohol e.t.c





TAX REVENUE TRENDS



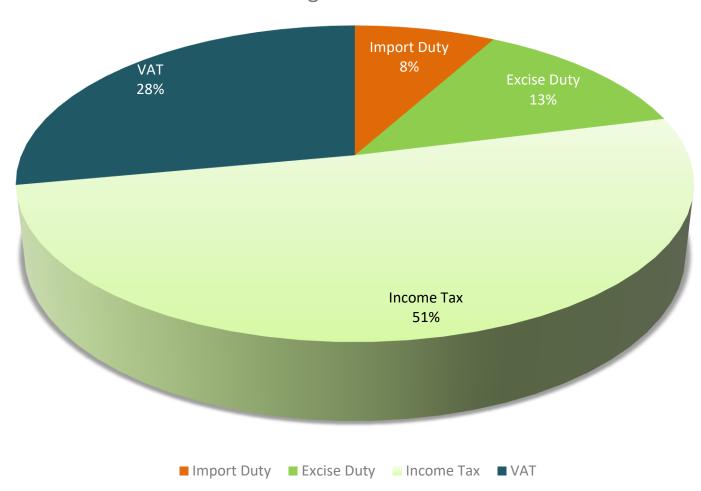
TAX REVENUE TRENDS FY 2013-2018



Tax Revenue Trends



Percentage to Tax Revenue



Tax as Percentage of GDP Trends

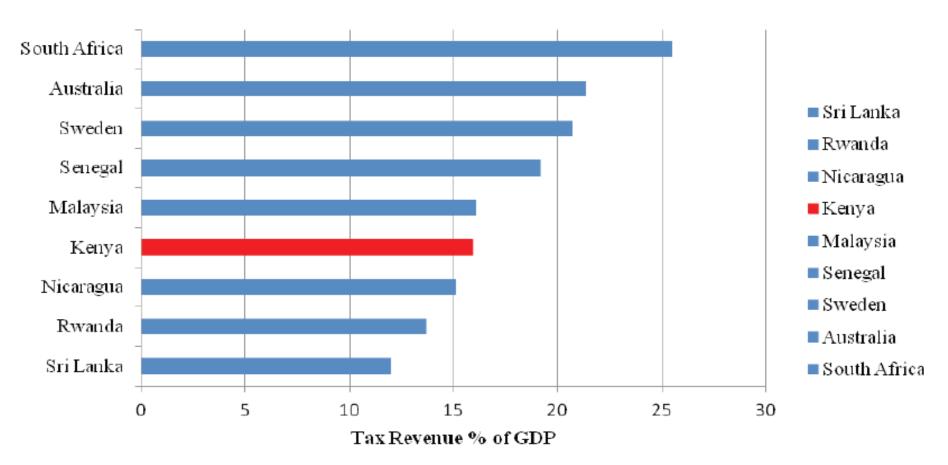


	2016/17	2017/18	2018/19		2019/20			
			Rev.					
	Act	Prel. Act	Budget	BROP'18	BPS'19	BPS'18	BROP'18	BPS'19
OTAL REVENUE	18.6	17.3	18.5	185	18.3	19.0	18.3	18.3
rdinary Revenue	17.1	15.5	16.7	16.7	16.5	17.4	16.5	16.5
Income tax	8.2	73	7.7	7.7	7.7	8.4	7.7	7.8
Import duty (net)	1.2	1.1	1.4	1.4	1.2	1.2	13	1.2
Excise duty	2.2	1.9	2.3	23	2.1	2.2	23	2.1
Value Added Tax	4.4	4.1	4.3	43	4.3	4.6	4.2	4.4
Investment income	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.3
Other	0.8	0.9	0.9	0.9	0.8	0.8	0.8	0.8
Railway Development Levy	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Ministerial and Departmental Fees (AiA)	1.3	1.6	1.6	1.6	1.5	1.3	1.6	1.6

Tax as Percentage of GDP Trends



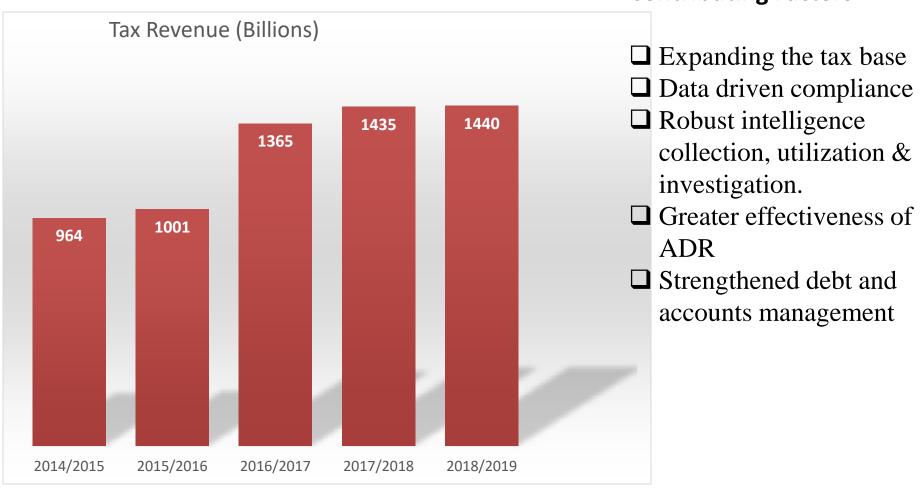
Tax Revenue to GDP Ratio



TAX REVENUE 2014- 2018



Contributing Factors



ICPAK STUDY- RESEARCH FINDINGS



 $\begin{array}{c} 1 \\ \hline \end{array} \longrightarrow \begin{array}{c} 2 \\ \hline \end{array} \longrightarrow \begin{array}{c} 3 \\ \hline \end{array} \longrightarrow \begin{array}{c} 5 \\ \hline \end{array}$

Kenya's revenue portfolio is significantly driven by tax revenue & that the primary contributor to tax revenue is income tax.

Direct taxes therefore drive the tax revenue structure of the country Efforts should be made to diversify the sources or revenue and widen the tax base. The analysis of the performance of various taxes indicated that overtly, there has been an increase in collection of taxes in the country.

The growth of tax revenue falls short of the ever ambitious growth in public expenditure.





OWN SOURCE REVENUE FOR COUNTY GOVERNMENTS

County Related Taxes





Property rates;



Entertainment taxes;



Charges for services they provide;



Vehicle Parking fees



Trading licenses a



Liquor licensing, Outdoor advertising,

County Related Taxes



OCD4	2013/14		2014/15		2015/16		2016/17	
OSR category	Kshs M	%						
Business permits	364	1.2%	3,517	9.6%	4,299	12.0%	5,061	14.8%
Property-related revenue	3,805	12.5%	5,428	14.9%	6,203	17.4%	4,835	14.1%
Vehicle parking fees	303	1.0%	2,983	8.2%	3,851	10.8%	4,176	12.2%
Health facility operations/serv.	202	0.7%	2,382	6.5%	2,455	6.9%	3,775	11.0%
Natural resource revenue	1,520	5.0%	1,850	5.1%	1,711	4.8%	1,931	5.6%
Cesses	77	0.3%	976	2.7%	1,279	3.6%	1,213	3.5%
Market/trade centre fee	1,028	3.4%	1,002	2.7%	965	2.7%	1,045	3.1%
Housing	39	0.1%	809	2.2%	1,752	4.9%	983	2.9%
Other unclassified receipts	-	0.0%	1,834	5.0%	2,728	7.6%	887	2.6%
External services fees	21	0.1%	209	0.6%	23	0.1%	527	1.5%
All other OSR sources	23,175	75.9%	15,542	42.5%	10,456	29.3%	9,767	28.6%
Grand Total	30,533	100%	36,532	100%	35,723	100%	34,200	100%
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OSR CHALLENGES











Absence of revenue policies and legislation at sub national level

Multiplicity
of
subnational
fees and
charges

Challenges related to financing of urban areas and cities

Weak capacity of revenue forecasting and analysis



Recent Reforms in Tax Administration

iTax



☐ iTax- The KRA, introduced an online platform, iTax, for filing & paying income tax;

☐ In 2018, the iTax platform saw 5.73 million taxpayers registered on iTax compared to 4.2 million enrolled the previous year.



Dispute Resolution



- 1) Following issuance of an objection decision a taxpayer is expected to;
 - a) file an intention to appeal the commissioner's decision at the Tax Appeal Tribunal (TAT) within thirty (30) days.
 - b) file a Memorandum of Appeal and Statement of Facts, within fourteen (14) days.
- 2) If the Taxpayer is not satisfied with the decision at TAT, the he/she can appeal to the High Court
- 3) At any of the stages indicated above, the taxpayer may seek leave of the TAT/Court to engage in the Alternative Dispute Resolution process.

Tax Appeals Tribunal



Tax Appeals Tribunal: This was established through the Tax Appeals Tribunal Act.,2013.

☐ It is responsible for hearing and determining appeals filed against any tax decision made by the KRA before any appeal can be made to the High Court..



Alternative Dispute Resolution



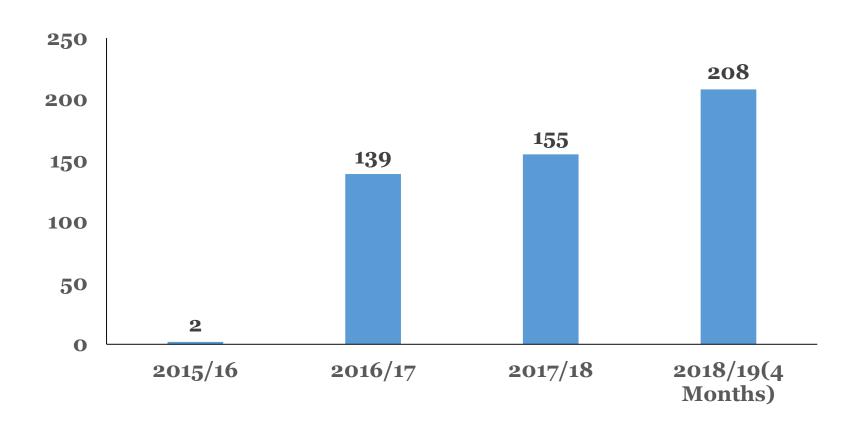
❖ Alternative Dispute Resolution Mechanism :- introduced in 2015

- 1) It is an alternative method of handling tax disputes outside the;
 - a) Judicial process (Courts of law)
 - b) Quasi Judicial Process Tax Appeals Tribunal (TAT)
- 2) It is a mechanism that expedites the resolution of tax disputes.

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Tax Disputes Received Through ADR





Ease of Doing Business – Taxation

Paying Taxes



Indicator	Kenya	Sub-Saharan Africa	OECD High Income	Best Regulatory Performance
Payments (Number per Year)	25	37.4	11.2	3 (Hong Kong)
Time (Hours per year)	179.5	280.6	159.4	49 (Singapore)
Total Tax and Contribution rate (% of profit)	37.2	46.8	39.8	26.1 (32 economies)



Thank you

