Press Statement on Public Finance and Tax During the Premier Public Finance and Tax Conference, Mombasa -25th-27th September 2019

Introduction

ICPAK welcomes you to our 2019 edition of the Premier Public Finance and Tax conference here in Mombasa. The conference comes at a time when the country is still having a candid discussion relating to accountability and efficient utilization of tax revenue. Consequently, the Institute of Certified Public Accountants of Kenya (ICPAK) has organized the 6th Annual Tax Convention, themed “Taxation and Public Finance – Consolidating the Gains in a Digital Market Place” which run from today 23rd to 27th September 2019. I would like to focus my attention to three critical areas namely; taxation, public finance and amendments to the Accountants Act.

Review of Taxation Laws (Income Tax Law)

Taxation is the largest source of government revenue in Kenya. In our analysis, income tax contributes approximately forty percent (40%) to the total tax revenue. Over the last few years, Kenya has experienced a reform in its tax system that has involved policy, legal and administrative reforms aimed at modernizing and simplifying the administration of tax in Kenya. We have seen the enactment of the Value Added Tax Act 2013, Tax Procedures Act 2015, Excise Duty Act 2015, Tax Appeals Tribunal Act 2015, adoption of Alternative Dispute Resolution (ADR) framework and the review of the Income Tax Act among other reforms.

However, Income Tax law remain unchanged to date despite urgency of realigning this law to the realities of times. The continued delay in enactment of Income Tax Bill. This matter has been pending since 2017/18. It is imperative that Parliament prioritizes this to define income, widen the tax base and modernize the regime to global standards. The Institute is of the view that there is need to review and rewrite so as to simplify the Income Tax Statute. This will ease compliance for taxpayers and enhance efficiency in revenue administration. Ultimately, all factors need to be appropriately considered to ensure that the design facilitates an enabling environment for business while promoting economic growth, realizing the Big Four Agenda and Vision 2030.

Division of Revenue Bill

The country witnessed long drawn tussle over the passing of Division of Revenue Bill between the National Assembly and the Senate. The Institute is concerned with the ongoing tussle pitting the National Assembly and the Senate over the Division of Revenue Bill 2019. The wrangles led to financial distress in a number of counties. To avert future stalemates, the Institute proposes the following

1. That the country develop a predictable and consistent revenue growth factor to determine the growth of the equitable share.
2. That the National Assembly to expedite consideration and adoption of Auditor General reports.
3. That there is a need to strengthen Intergovernmental relations structures such as the Summit, which is made up of the President and in his absence is chaired by Deputy President and all 47 County Governors, and Intergovernmental Budget and Economic Council (IBEC). It is worrying that the Summit has not met in a longtime, yet the Act provides that it should meet at least twice in a year. We implore the Intergovernmental Relations Technical Committee (IGRTC) Secretariat to urgently convene a Summit meeting to resolve the current impasse.
4. That parties to the dispute resolution procedures laid down by the Constitution and the Intergovernmental Relations Act, 2012. The Institute calls for consensus building among all players such as the National Treasury, Council of Governors, Parliament and Commission on Revenue Allocation (CRA).

Management of Public Finances

The recent media reports on differences between the Mombasa County Government, and Senate's Finance Committee over signing of County's Financial Reports by a non-ICPAK member is a matter that requires national introspection and attention. Despite its potency, the requirement to having County finance bosses being the members of Institute is a serious *lacuna* lurking in the Public Finance Management (PFM) Act of 2012 and other related public finance management statutes and regulations in Kenya. The recent conversation pitting Senators on one hand and Mombasa county mandarins is an eye opener to the legislators, policy makers and advocates of integrity and accountability.

Proper regulation of the profession is essential for enhanced accountability and governance at national and county levels. It is against this backdrop that the Institute is calling on national and county governments to ONLY engage professionals as defined by Section 4(2) (a) of the Accountants Act for obvious reasons. Firstly, such professionals will be operating within regulated environment with attendant consequences for noncompliance of professional standards and ethos. Secondly, these professionals will be at ease while interpretation and reporting financials using financial templates issues by the National Treasury, ICPAK, Public Accounting Standards Board and International Reporting Standards. ICPAK therefore calls on counties to hire professional accountants and internal auditors registered and regulated by ICPAK.

Conclusion

As we are all aware, the tax regime and public finance must be designed to facilitate an enabling environment for business that would eventually promote economic growth. We therefore advocate for wide consultations amongst all stakeholders to agree on substantive policy issues that would enhance equity and eliminate hurdles, graft and distortion for the good of all citizens.

CPA Rose Mwaura

ICPAK Chairman