



# TAX SEMINAR- NORTH RIFT

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Presentation by:  
**Nickson Omondi**

## Big Four Agenda and Digital tax

# Agenda



- Viability of the government's Big Four Agenda:
- Taxation of cryptocurrencies
- Tax identity theft and scams
- Implementation of digital tax
- Tax controversies and clarification

# Agenda



- Kenya Vision 2030 was launched in 2008 as Kenya's development blueprint covering the period 2008 to 2030. It was aimed at making Kenya a newly industrializing, “middle income country providing high quality life for all its citizens by the year 2030”.
- The Big 4 Agenda seeks to increase the GDP contribution of the sector to 15 per cent by 2022.

# The Big Four Agenda



- Food security
- Affordable housing ; The national affordable housing project targets to build at least 500,000 new homes in the next two years.
- Universal healthcare; In 2018, the government launched the Universal Health Coverage (UHC), targeting to provide all 47 million citizens with affordable healthcare by 2022.
- Manufacturing

# Group Work



Big Four Agenda	Increase taxes?	Alternative sources of funding (3)	Opportunities for tax practitioners (2)	Any Tax exemptions that can be availed? (3)
Food Security				
Affordable Housing				
Universal Healthcare				
Manufacturing				

# Cryptocurrencies



*bitcoin*



*Ethereum*



*Ripple*



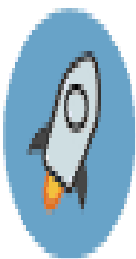
*Bitcoin Cash*



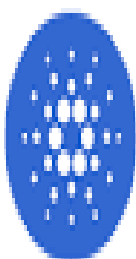
*Litecoin*



*EOS*



*Stellar*



*Cardano*



*neo*



*IOTA*

**PUBLIC NOTICE CAUTION  
TO THE PUBLIC ON  
VIRTUAL CURRENCIES  
SUCH AS BITCOIN**

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**CENTRAL BANK OF  
KENYA DECEMBER 2015**

# Cryptocurrencies

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- Satoshi Nakamoto invented and released the tech in 2009 to digitally and anonymously send payments between two parties.
- Cryptocurrencies are essentially just digital money, digital tools of exchange that use cryptography and the blockchain technology to facilitate secure and anonymous transactions.
- Mining, Block chain technology and distributed ledger.

# Cryptos Contd.



- Taxation has a major impact on the return that any investment generates.
- Taxation is still ambiguous coz its new.
- Many countries do not consider cryptocurrencies to be a real currency. This is because as per their definition legal currencies can only be issued by central banks.
- However, they do acknowledge it can be a means of payment is exchanged for other goods and services Hence treated as a barter transaction and can be exempt.
- Cryptocurrency can be, used for end use as well as for investment purpose. Hence, taxation of cryptocurrencies needs to be done on a case by case basis by understanding the specifics.



# Cryptos Contd.



- In some cases, they have been treated as highly speculative investment akin to gambling and simply left out of the taxation ambit
- In other cases, the tax authorities check the status of the seller and treat it a business income chargeable to tax.
- In some cases, cryptocurrencies to be foreign currencies. Hence, businesses are asked to account for them accordingly and profits and losses arising because of this assumption should be booked based on principles defined under the Generally Accepted Accounting Principles (GAAP)

# Tax identity theft and scams



- This happens when someone steals your personal information to commit **tax** fraud.
- It can also occur when one uses personal information to extort funds from yourself.

# *Cases of tax identity Theft*

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- Taking advantage of dormant Pin details more so personal pins.
- Getting information on how much arrears one has for purposes of extortion including Cyberbullying and name trolling.
- Using your PIN for transactions which yourself isn't aware of such as imports, register shady deals, tenders, Open bank accounts, property registration, vehicle registration etc.
- Declare false returns and seek refunds- This is done earlier on filing.

# Implementation of digital tax

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Finance Act, 2019 amended section 3 of the income tax to introduce tax on income accruing through a digital market-place would be considered as income.

The digital market-place has been defined as the platform for exchange of goods and services.

# *Issues around digital economy*

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- Retailers allow customers to place orders online, gather and analyse data to provide personalized service and advertising, logistics such as tracking of vehicles and cargo across continents., driverless long-haul vehicles, remote diagnosis in healthcare and non-traditional (blogs) broadcasting and media industry.
- Its an economy on its own such as e-commerce, online payment services, app stores, online advertising, cloud computing, participative networked platforms and high-speed trading, cryptocurrencies etc.

# *Digital Economy*



- Others issues including Internet of Things (IoT) which is an increased dramatic increase in networked devices, virtual currencies (bitcoin), advanced robotics and 3D printing which has the potential to bring manufactures closer to consumers,.
- Altering where and how value is created within manufacturing supply chains and characterization of business income, the sharing economy (allowing peer to peer) sharing of goods and services, increased access to governmental data and re-enforced protection of personal data.

# *Digital Tax*

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Given its part of the sources of income chargeable, we await the commissioners guide on how to tax the income.

Other jurisdictions have utilized;

- Digital tax in France
- India's equalisation levy
- Other issues concern indirect taxes on digital services.

# Tax controversies and clarification

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- VAA and the deductibility of input tax which has not been remitted to KRA.
- The definition of the word “Paid”
- Consumption and Export of services.
- Investment deductions outside Nairobi, Kisumu and Mombasa
- Mutuality, BOSA and FOSA operations
- Property transfer- Business or CGT?



Thank you

Thank you!

THANK YOU!

Thank you for your attention!