



Government Revenue – Key Insights on Tax Administration, Strategies, and Enablers

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Outline



- KRA Tax Revenue Performance
- Tax Policy and Administrative Reforms
- Key Strategies Currently Pursued by KRA
- Impact of Covid-19
- Looking ahead – key drivers

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KRA Tax Revenue Performance 1995/96 -2019/20



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Key Tax Policy and Administrative Reforms over Time



Tax Policy Reforms

- Excise Duty Act 2015
- Tax Procedures Act 2015
- Rental Income Tax Provisions
- Digital Service Tax Provision
- Betting, Gaming & Lotteries Tax Provisions

Administrative Reforms

- iTax
- Services - Huduma Centres and iTax Service Centres
- Integrated Customs Management System (iCMS)
- Implementation of the Payment Gateway
- Customs scanners
- Real estate taxation

Impact of Covid-19 – Global Economic Trends/ Forecasts



1.

Global merchandise trade volumes declined by **14.3%** (quarter on quarter) in the 2nd quarter of 2020 (World Trade Organisation (WTO))

2.

African Development Bank (AfDB, 2020) projects Africa's GDP to contract by **3.4 percent** in 2020

3.

WB project 2020 growth for EAC region to reduce to an average of **2.9 percent** down from about **6.0 percent** in 2019

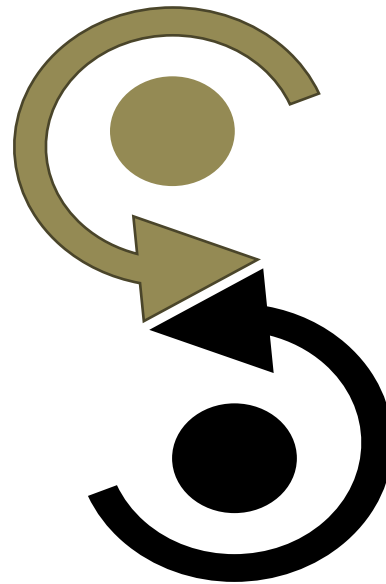
4.

The National Treasury projects the economy to grow by about **2.6 percent** in 2020 and about **5.3 percent** in 2021

Economic Impact of COVID-19

Shrinking Tax Base

Disrupted economic activities and firm production.



Decline in tax collection

Decline in employment levels as firms cut down on production, temporarily shut down, or downsized in response to declining economic activities.

Impact of Covid-19 – Kenya (cont..)



Tax Policy & Legislative Changes

VAT

Corporation
Tax

PAYE

Tax Exempt
Income

VAT - **16% to 14%**

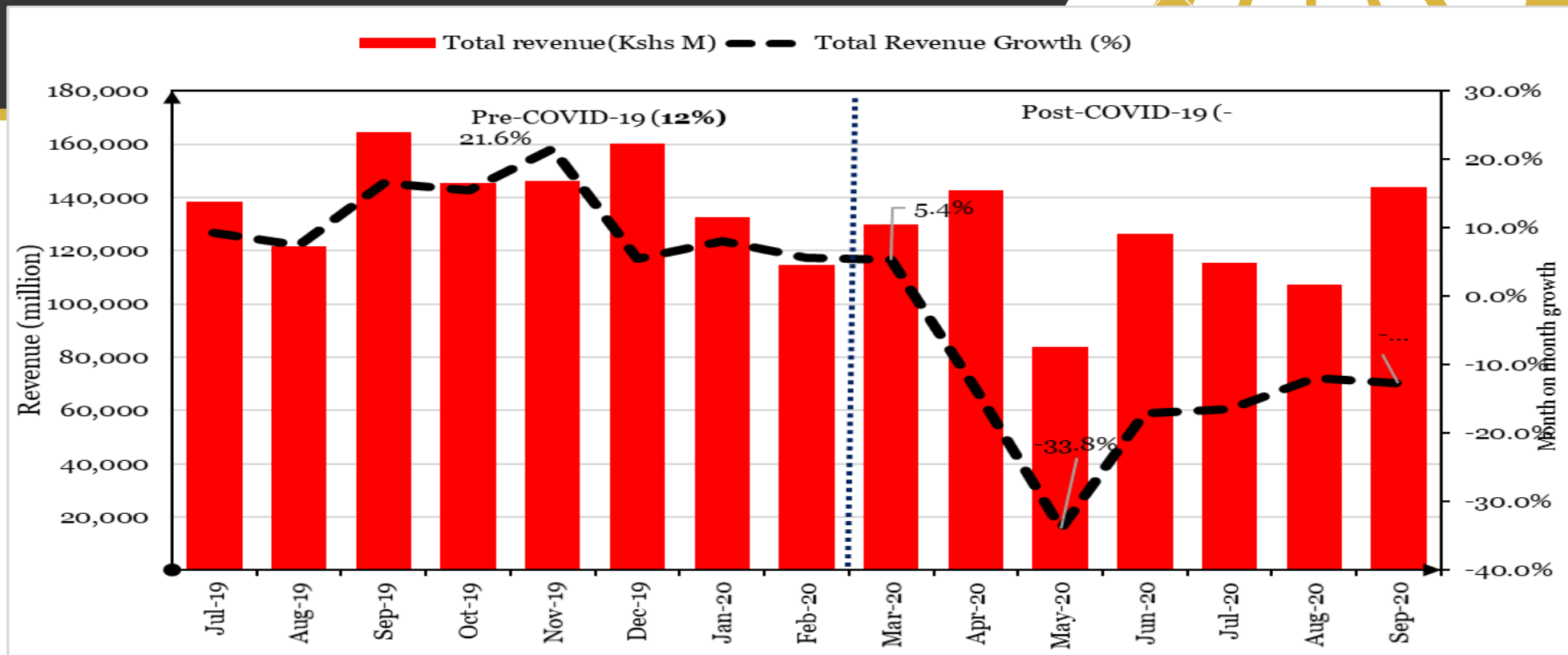
Corporation Tax -
30% to 25%

PAYE - top marginal
rate **30% to 25%**

Exempt income -
Kshs. 24,000 per
month

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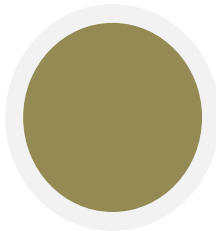
Revenue Performance - Pre and Post COVID-19



- May-2020 revenue declined by **33.8%**, lowest in history of KRA
- Resulted from adverse effects of Covid-19 pandemic characterised by **declining import volumes, lay-offs, leave without pay and reduced business** due to measures put in place to mitigate the Covid-19 pandemic as well as policy interventions for recovery

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Category	July -Sept 2019	July -Sept 2020
Overall	424,688 m	366,622 m
Growth	11.4%	-13.7%



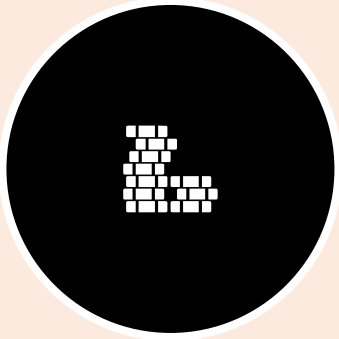
Pre-COVID-19 average growth rate: **+11.2%** (July 2019 - Feb 2020)

Post-COVID-19 average growth rate: **-15.2%** (March – June 2020)

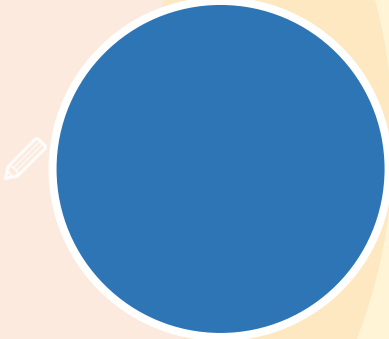
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KRA Response to COVID-19 – For Sustainability and Revenue Growth

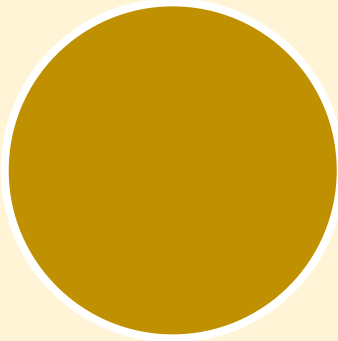
**SERVICE
DELIVERY**



**TRADE
FACILITATION**



**REVENUE
COLLECTION**



KRA Response to COVID-19 – Service Delivery



Remodeled ways of work –
online

Alternative Dispute
Resolution (ADR) - Virtual

Contact Centre/online
channels, social media

Some face to face support -
border posts

Limited walk-in service with
adherence to social
distancing guidelines

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Implementation of EAC Administrative Guidelines on Covid-19

Multi-agency Task Force in place on Health and Covid-19 challenges

Waivers for customs warehouse rent for delays caused by/related to Covid-19

Paperless operations - Optimization of technology for virtual processing of customs documents

Utilization of scanners to minimize human intervention in cargo verification



Fumigation of high risk cargo

Implementation of directive suspending importation of second hand clothes

Expedited clearance of critical supplies

Extended warehousing period for all products in the bonded warehouses whose clearance was impacted by Covid 19



Expedited refunds payments for low-risk taxpayers

Optimization and strengthening of technology - iTax, ICMS

Enhanced alternative dispute resolution

Utilization of third party information to scale up compliance

LOOKING AHEAD – KEY DRIVERS



Profit Shifting and Base Erosion (BEPS)-
annual revenue Loss
\$240B
(OECD)

Tax Base Expansion

Digital Services Tax (DST) –
Africa: \$180B by 2025 and
\$712B by 2050
(Google/IFC)

Technology as Enabler

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LOOKING AHEAD – KEY DRIVERS



**National
Tax
Policy**

**Data-driven
compliance**

Simplification

**Integrity -
iwhistle**

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**Visit the Kenya Revenue Authority Head Office, Times Tower Building,
the nearest Regional office, Support Centres or Huduma Centres.**

**If you need help to locate our office nearest to you,
visit our website www.kra.go.ke for information**



**+254 20 4999999 or +254 711 099 999
from Monday to Friday between 6.30 am and 6.30pm**



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Kenya Revenue Authority



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If we do not honour our promise:

Write to: cic@kra.go.ke

If you are still dissatisfied:

Contact: The Commissioner General on cg@kra.go.ke