

8TH ANNUAL TAX SUMMIT REPORT

2022

**Now & Beyond:
Enhanced Service Delivery to
Improve Tax Compliance**



**KENYA REVENUE
AUTHORITY**

Tulipe Ushuru, Tujitegeme!

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Acronyms

AfDB	Africa Development Bank
AfCFTA	Africa Free Continental Free Trade Area
AWS	Amazon Web Services
BCOCC	Border Control and Operations Coordination Committee
CBSs	Community Based Systems
DPA	Data Protection Act
EAC	East Africa Community
FTAs	Free Trade Areas
GVC	Global Value Chain
HS	Harmonized System (HS)
IBM	Integrated Border Management
ISO	Intelligence and Strategic Operations
KAA	Kenya Airport Authority
KDF	Kenya Defence Forces
KEBS	Kenya Bureau of Standards
KEPHIS	Kenya Plant Health Inspectorate Service
KMA	Kenya Maritime Authority
KRA	Kenya Revenue Authority
KPA	Kenya Ports Authority
MOUs	Memorandum of Understandings
NIS	National Intelligence Service
OSBP	One Stop Border Post
SMEs	Small and Medium Enterprises
UNODC	United Nation Office on Drugs and Crimes
UK	United Kingdom
WCO	World Customs Organization
WTO	World Trade Organization

Why the Summit?

The purpose of the Summit is to bring together actors from various Tax Administrations, as well as other key stakeholders (private sector, policy experts, think tanks, academia, media and civil society) to deliberate on solutions to various policy, institutional, legal, and administrative challenges facing tax administrations in Africa.

The Summit is also a public participation platform aimed at enhancing discussions with stakeholders and providing feedback on the status of implementation of interventions, solutions and ideas to resolve challenges and improve tax and customs administration practice.

The Objectives of the Tax Summit:

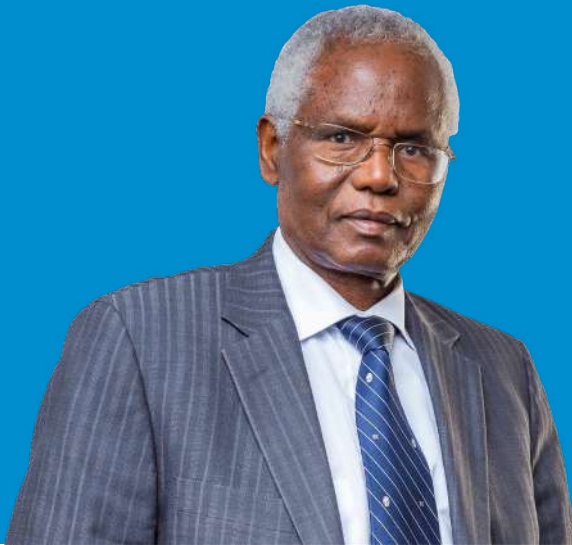
To improve African tax systems by sharing ideas, innovations and strategies successfully implemented in other jurisdictions.

To enhance the capacity of tax officials on the continent by interactions through networking, knowledge exchange and collaboration.

To create a platform for tax policymakers and tax administration officials on the continent to collaborate on improving tax policy decisions that will positively enhance Domestic Revenue mobilisation.

*The summit was attended by more than **4,542 delegates** virtually and audience from over 67 countries across the globe represented.*

The Tax Summit was moderated by Ms. Wageni Wambaa – Manager, Marketing and Communication Department, Kenya Revenue Authority.



AMB. Dr. Francis Muthaura , MBS EGH,
Former Board Chairman
Kenya Revenue Authority

Opening Ceremony:

Remarks Amb. Francis Muthaura, MBS, EGH, Former Kenya Revenue Authority Board Chairman:

This year's summit, dissects the subject, "**Now & Beyond: Enhanced Service Delivery to Improve Tax Compliance**". The theme alludes to the need for tax administrations to create a pleasant customer environment that will foster a tax compliant culture to enhance voluntary compliance.

Customer Centralism - In the private sector, customer segmentation is easily attainable. Tax administrations on the other hand have the obligation to serve diversified customers. KRA serves large, medium, micro and small taxpayers whose needs are different from each other. It is therefore imperative for the tax administration to develop policies and adopt the right strategies that respond to the needs of the various customer segments. Hence our journey to rebrand KRA to KRS.

Technology: To enhance tax compliance KRA is adopting modern technologies such as artificial intelligence, machine learning, electronic invoicing, and block chain. Part of the strategy also includes putting in place measures to integrate with strategic partners to facilitate acquisition of third party data.

“

When a customer is treated with courtesy and respect, then they do more than they are expected to.

”

AMB. Dr. Francis Muthaura , MBS EGH,
Former Board Chairman - Kenya Revenue Authority



FCPA Githii Mburu, MGH, CBS,
Former Commissioner General
Kenya Revenue Authority

Opening Ceremony:

Remarks FCPA Githii Mburu, MGH, CBS, Former Commissioner General, Kenya Revenue Authority:

I welcome all the Taxpayers and Stakeholders to this summit whose main aim is to bring in experts and policy makers to engage on pertinent issues that affect taxes through open dialogue and to develop practical solutions to various economic and tax challenges.

The theme of the 8th Annual Tax Summit is “**Now & Beyond: Enhanced Service Delivery to Improve Tax Compliance**”.

Service delivery: Service delivery is the most effective way of addressing tax payers’ non-compliance through quality and efficient tax services.

To improve tax compliance, there is a need to have proper services to taxpayers, which will in turn be reflected in increased voluntary taxpayer compliance hence the focus to transform to Kenya Revenue Services (KRS), with a focus of improving service delivery and enhancing compliance.

Stakeholder Engagement: The Authority has implemented an open-door policy and a robust stakeholder engagement

plan as the backbone of structured engagements to help tackle key tax issues. Progressively, KRA has enhanced its service delivery and technology has played a key role in improving the services. The use of technology reduces the burden of manual tasks by automating processes and improving speed and accuracy of services.



At KRA, a taxpayer remains our ultimate customer and their gratification is the primary motivation towards transforming our processes to make them easy and simple for them to comply and meet their tax obligations.



FCPA Githii Mburu, MGH, CBS, Former Commissioner General, Kenya Revenue Authority.

Plenary 1: Enhancing Risk-Based Compliance: Achievements, Challenges & Prospects

Tech for VAT Compliance: TIMS in Kenya & Other Best Practices:

Keynote Speaker: Mr. Pranab DAS,
Director Compliance and Facilitation,
WCO Affairs Department of the International Monetary Fund

Discussants

1. **Mr. Mukesh Shah** - Former Board Member, Kenya Revenue Authority
2. **FCCA, CS Rispah Simiyu (Mrs.) Advocate, EBS** - Ag. Commissioner General, Kenya Revenue Authority
3. **Jean-Louis Kaliningondo** - Deputy Commissioner General, Rwanda Revenue Authority
4. **Mr. Swalehe Byarugaba** - Deputy Commissioner Operations, Tanzania Revenue Authority
5. **Jean Guy Africa** - Director, Regional Coordination, AfDB

Preamble

KRA is currently rolling the Tax Invoice Management System (TIMS) as a key strategy for enforcing implementation of the VAT (Electronic Tax Invoice) Regulations, 2020 to enhance VAT tax head. According to the Africa Tax Administration Forum's (ATAF) African Tax Outlook, 2021, VAT accounted for 26.3% of total tax revenue and contributed to about 2% to the Gross Domestic Product (GDP) in 2020.

This calls for concerted efforts to lift the VAT revenue due to its vitality to the economy. TIMS comes in to plug this gap, by riding on digitization of commercial transactions to supply real-time data on purchases and supplies of goods and services. This manages the risks of missing-trader activities which aid tax evasion and accords the taxman a 360 degree view of all sales and purchases, thus strengthening tax compliance. Other expected benefits include: economic analysis & prediction based on accurate data, improved ability to forecast revenue collection, good governance in the field of taxation, improve ease of doing business climate, authentic VAT refunds payments, enhanced revenue collection, reduction of VAT Fiscal Fraud and timely transfer of VAT Fiscal Data.

This session part A, seeks to showcase Kenya's experience in implementing this- ground-breaking technology-driven approach in enhancing VAT compliance, and is also keen to learn from other countries that have championed best practice in the same – especially Rwanda & Tanzania etc.

Keynote Address

Mr. Justin Zake

Unit Chief, TADAT Secretariat Fiscal Affairs
Department of the International Monetary Fund

Enhancing Risk Based Compliance should be premised on good practices espoused by the Tax Administration Diagnostic Assessment Tool (TADAT) framework that provide an objective assessment of the strengths and weaknesses of key components of a country's system of tax administration with reference to nine Performance Outcome Areas (POAs). The assessment results show the extent of reform required and the relative priorities for attention. The 9 POAs are: Integrity of the Registered Taxpayer Base, Effective Risk Management, Supporting Voluntary Compliance, On-time Filing of Declarations, On-time Payment of Taxes, Accurate Reporting in Declarations, Effective Tax Dispute Resolution, Efficient Revenue Management and Accountability and Transparency.

- a. Activities of a tax administration are interrelated and should be looked at holistically – enhancing risk-based compliance management tools should interact and support/is supported by other functional areas both intra-agency and externally. A tax administration that focuses reform efforts mainly on specialist/functional areas may not deliver a positive rounded experience for: The taxpayer the tax administration itself other stakeholders and Domestic revenue mobilization in general.
- b. Digitalization on its own may not enhance compliance. Responses from taxpayers and other functional areas must be invoked to make the experience (intra organizational and taxpayer-wise) successful. Success and value to all stakeholders should be measured multi-dimensionally – pulse or using other surveys internally and externally. Co-creation by intra-agency and external stakeholders yields better compliance.

“ Co-creation by intra-agency and external stakeholders yields better compliance. ”

Justin Zake

Summary of Discussions

Through technology, tax administrations have streamlined tax operations to broaden tax bases and cushion tax evasion which has consequently increased tax collection. The Kenya Revenue Authority, has recognized technology-driven revenue strategy and has implemented online platforms such as i-Tax, Integrated Customs Management System (i-CMS), Customer Relationship Management System, Cargo Scanner Management Solution and Excisable Goods Management System among others as strategic instruments to improve tax compliance and minimizing operation costs.

Information technology has increased productivity in the organization, as well as help staff from different departments in the organization to communicate without necessarily having to meet in person, enabled the employees to meet deadlines for daily operations as well as prioritize their work in terms of need.

IT has allowed employees to access information via a touch of a button and the automated systems have reduced the work of printing personal and business information. KRA is keen on ensuring all staff members are educated and trained appropriately in order for them to operate effectively and meet their deadlines.

Today, taxation-related services are among the most developed e-government services all over the world. At the same time, e-taxation services are among those most used by clients in many countries, sometimes even because clients are forced to use them. For instance, the e-Europe measurement reports indicate that year after year the services included in the income-generating cluster (income and corporate tax, social contributions for employees, value-added tax (VAT), customs declarations) were and remain the most developed.

The future of our nation is bright and we will go a long way now and beyond and Automations are making compliance easier. Service delivery and the customer experience is key and taxpayers should be listened to attentively and responded to effectively and efficiently to enhance compliance. It is noted that 92% of taxpayers are compliant and it is the 8% who need encouragement to be complaint. Full compliance cannot be achieved with digitalization alone, service delivery is key. KRA aims to bridge the existing VAT gap which will increase the tax revenue to an extra Kshs. 300 billion and this can be achieved through TIMS system as the next tool. It is envisioned that through efficiency and enhancements in VAT collection a reduction in VAT tax rate may be possible as it has been done in other countries.

KRA is doing about 27% to the tax revenue and 4% VAT to the GDP and TIMS will enhance VAT compliance with simplified return filing (pre-population), tax refunds and Visibility of information (Invoice data) either real time or near real time to taxpayers and KRA officials. KRA has successfully on boarded over 35,000 thousand VAT registered taxpayers who transmit invoices (68-70% of LTO and MTO taxpayers are already on board).

The Rwanda Revenue Authority has made great strides in technology application on revenue mobilization as Rwanda implemented e-invoicing in 2013 and did an upgrade in 2017 to provide more details for transactions done. Growth in registered taxpayers moved from 3,000 to 30,000.

This made it easier and enabled Rwanda to develop better compliance management and improve capacity a develop software that works with Microsoft windows, Android and taxpayers own unique software's that integrates to work together and send invoicing data to Rwandan Tax Administration. Currently, Rwanda envisions a rebate incentive program where it gives back 10% of VAT collected to taxpayers as an incentive to be acquiring invoices in all their transactions and has intent to introduce machine learning and artificial intelligence to show the correlation of inputs and the sector in which the taxpayer operates in.

The Tanzania Revenue Authority has also implemented their own technology based tool for VAT revenue mobilization which was conducted in 4 phases, i.e.

1st phase (1997)-manual, 2nd phase (2010)-electronic with a physical device which captured sales without purchases, 3rd phase (2011)-semi automation where they monitored purchases and production by introducing QR code which also helped taxpayers know when the invoices were valid and 4th phase (current)-E-filing which validates all the invoices and can detect a valid from an invalid invoice and this has enabled VAT performance to contribute to 30% of total revenue in the last year (2021). E-filing is already in use by petrol stations and super markets and is currently being rolled out to small taxpayers. The interest of the Government is VAT to be the greatest contributor to tax revenue, tax payers to feel free to file their returns and the Government to be keen on addressing the taxpayers' problems.

“ Full compliance cannot be achieved with digitization alone, service delivery is key. ”

Mukesh Shah

Key Highlights

1. Activities of a tax administration are interrelated and should be looked at holistically-enhancing risk-based compliance. Management tools should interact and support/is supported by other functional areas both intra-agency and externally.
2. Digitalization on its own may not enhance compliance responses from taxpayers – other functional areas must be invoked to make the experience (intraorganizational and taxpayer-wise) successful.
3. Success and value to all stakeholders should be measured multi-dimensionally – pulse or other surveys internally and externally
4. Resistance to change –integration of change within may face some form of resistance from taxpayers.

Key Recommendations

- **Co-creation by intra-agency and external stakeholders yields better compliance: A coordinated approach will be required to boost VAT compliance such as internally Customs and Domestic Taxes Department, externally partner government agencies e.g. KEBS & KPA etc.**
- **Mirror lessons from the regional authorities Rwanda and Tanzania in implementation of the TIMs to promote greater revenue mobilization strategies and other opportunities for a smooth transition and beneficial process.**

Key Statistics

1. 92% of taxpayers are compliant, it's the 8% who need encouragement to be compliant.
2. Through implementing TIMS KRA aims to bridge the existing VAT gap which will increase the tax revenue to an extra Kshs. 300 billion.
3. KRA is doing about 27% VAT collection of the total tax revenue which is about 4% VAT to the GDP.
4. KRA has successfully onboarded over 35,000 VAT registered taxpayers who transmit invoices (68-70% of LTO and MTO taxpayers).
5. On implementing the e-invoicing in 2013 and the upgrade in 2017 Rwanda managed a growth in registered taxpayers from 3,000 to 30,000.
6. In Tanzania VAT contributed 30% of the total revenue in the year (2021).

Data & Analytics to Drive Tax Compliance

Discussants

1. **Ms. Yvonne Wafula**, Chief Manager Corporate Data Office, KRA.
2. **Mr. Shadrack Anyuo**, Snr. Solution Architect Amazon Web Services
3. **Brian Nyangena**, Institute of Mathematical Sciences, Strathmore University

Preamble

The Assesment, in Part B of plenary one was seeking to investigate the place of data analytics in combining tax technical knowledge, big data, and new technologies such as visualization tools to generate insights and deeper understanding of tax compliance behaviour and responses. Leveraging on data and analytics will help KRA make smarter, real-time decisions to improve business performance and drive compliance strategy.

KRA aims to adopt modern technologies such as artificial intelligence, machine learning, electronic invoicing, and block chain to ease integration with strategic partners, thus facilitating acquisition of 3rd party data to support and enhance tax compliance.

The Authority envisages that with increased digitization of the economy and more online access to KRA services, there will be increased exposure of KRA systems to cybercrime hence data and information security will also be crucial guarding the integrity of taxpayer to strengthen compliance.

The data age has brought about unique challenges to tax administration. Some of them include: Pervasive automation. The ways of doing business are becoming more complex by the day. With the complexity in business, complexity in taxation grows. As a tax administration, we continue to get insights into the data available to drive compliance and also improve our performance and get value for the work we do.

As we seek to be a data driven organization, data being our raw material, we must focus on the quality, whether it is fit for purpose and the security. We have a big push towards improve the data culture in the organization. Appreciating the fact that it is one thing to bring in a technology, one thing to bring in a capability but a whole other conversation about having your people move along with you, understand what data can do for them, how relevant the data is to them and how to ensure that we maintain the quality and trust.

Our core focus as an organization are on three main areas; data quality & security management data literacy & culture and data availability.

Summary of Discussions

This session, was seeking to investigate the place of data analytics in combining tax technical knowledge, big data, and new technologies such as visualization tools to generate insights and deeper understanding of tax compliance behaviour and responses. Leveraging on data and analytics will help KRA make smarter, real-time decisions to improve business performance and drive compliance strategy.

KRA aims to adopt modern technologies such as artificial intelligence, machine learning, electronic invoicing, and block chain to ease integration with strategic partners, thus facilitating acquisition of 3rd party data to support and enhance tax compliance. The Authority envisages that with increased digitization of the economy and more online access to KRA services, there will be increased exposure of KRA systems to cybercrime hence data and information security will also be crucial guarding the integrity of taxpayer to strengthen compliance.

The data age has brought about unique challenges to tax administration. Some of them include: Pervasive automation. The ways of doing business are becoming more complex by the day. With the complexity in business, complexity in taxation grows. As a tax administration, we continue to get insights into the data available to drive compliance and also improve our performance and get value for the work we do. Target as much as possible to bring in the revenue we are required to collect as a tax administration. As we look into the data, we are faced with a number of questions; there is a challenge of how do we manage the data? Do we have the right data? Is it relevant? Is it of the right quality? What are the issues surrounding it?

With the growing data there is an upcoming legislation to ensure data protection and data privacy. As a tax administration, KRA is keen on addressing the above on a day to day basis as this opens the risk for litigation in case we are non-compliant. KRA has two building blocks as we address these issues;

It is important to have key support structures that are looking forward and within the institution to advice investments in data. As we seek to be a data driven organization, data being our raw material, we must focus on the quality, whether it is fit for purpose and the security. We have a big push towards improve the data culture in the organization. Appreciating the fact that it is one thing to bring in a technology, one thing to bring in a capability but a whole other conversation about having your people move along with you, understand what data can do for them, how relevant the data is to them and how to ensure that we maintain the quality and trust.

It is very critical for the staff and various teams within the organization to understand the role they play in ensuring that the data that comes into our system is fit for use and can inform decision making. Our core focus as an organization are on three main areas; data quality & security management data literacy & culture and data availability.

“ Success is when opportunity meets preparedness. ”

Brian Nyagena, Institute of Mathematical Sciences, Strathmore University.

Key Highlights

1. With the growing data there is an upcoming legislation to ensure data protection and data privacy.
2. As an organization, KRA has a very structured approach on how we manage our data and information assets and the structures surrounding it with key enablers.
3. Our core focus as an organization are on three main areas; data quality & security management data literacy & culture and data availability.

Key Recommendations

- **Creation of support structures that are looking forward and within the institution to advice investments in data.**
- **Focus as an organization should be: data quality & security management data literacy & culture and data availability.**
- **Alignment of data initiatives to be implemented with the organization’s goals.**
- **Tax administrations should use data to improve customer experience by segmentation of customized services, using of real and near real time analytics to improve service delivery.**

Plenary 2: Scaling the Tide: Customs Administration in the Globalized Age:

Keynote Speaker: Mr. Pranab DAS,
Director Compliance and Facilitation,
WCO Affairs Department of the International Monetary Fund

Discussants

1. **Peter Njonjo** - CEO, Twiga Foods
2. **Jean Guy Africa** - Director, Regional Coordination, AfDB
3. **Lilian Nyawanda** - Former Commissioner, Customs & Border Control, KRA
4. **Ms. Flavia Busingye** - Ag. Director, Customs & Trade, EAC
5. **Alban Odhiambo** - Senior Director Trade Environment, Trademark East Africa

Preamble

The role of a Customs Administration in the globalized age is to facilitate revenue collection and the fight against commercial fraud and illicit financial flows. It also contributes to reducing unfair competition and creating transparent and predictable conditions for trade, whilst facilitating legitimate business that will in turn contribute to economic growth. Customs also safeguards the global supply chain by facilitating the safe movement of goods while applying appropriate risk management approaches - including during pandemics and wars.

By facilitating legitimate trade, Kenya customs operates within a transnational context, and as such it has been an important instrument of driving and fostering regional integration – especially within the East African Community (EAC). It has therefore been hailed as one of the strategic cogs for powering international trade and defining transnational economic relations.

The 8th Summit highlighted the prominence of customs in bolstering recovery of value chains disruptions in Africa, largely occasioned by global factors e.g. COVID19 and Russia/Ukraine conflict.

This was assessed in the context of customs operations within the Africa Free Continental Free Trade Area (AfCFTA). How can AfCFTA, both at operational and policy levels, fast-track this recovery – both immediately and in the future? What are the mechanisms in place, and what needs improvement for this to be achieved? Which stakeholders – together with customs - should be involved? What are the low hanging fruits? What are the successes so far? What are the challenges? And is the AfCFTA properly equipped to foresee and mitigate such disruptions?

The discussions also focused on the role of customs in strengthening integrated border management to enhance legitimate trade. How to build on the gains and experience to better build a more business-friendly environment within Kenya, the EAC region, and Africa at large.

Summary of Discussions

The framework that governs border coordination at the EAC level is not a size fit all because there are different dimensions but at the regional level, the policy framework are picked from the Customs Management Acts, which implements the Common Custom Union protocol established in 2004. The community embarked on establishment of common border points by looking at the international practices like the WTO trade facilitation agreements that relates to coordination of borders, the customs management act that provides for clearance of goods across the border and the most recent being the OSBP that is the acts that manages the operations of the border. These acts bring about the establishment, operation and coordination of the borders by different agencies. The policy itself is cutting across because there are laws that relates the adjacent borders that affects the operations of the OSBP.

The framework that has enabled EAC to establish the committee to deal with operations of the border are;

1. Inter-agency cooperation
2. National committees
3. Regional Committees
4. The Council

There are about 13 operating OSBP that operates at different working hours, the most important aspect is ensuring alignment of the working hours' policy to ensure smooth clearance of goods and movements of people. The WCO Safe framework that provides for the supply chain particularly looking at the borders' single custom territory, the interconnectivity is all anchored in the regional laws. A border is continuous and not a geo-localized place that limits procedure or systems to this confined location that is not sustainable.

Infrastructure set up to facilitate trade will not help create the kind of efficiencies and connectivity needed to facilitate trade as long as the understanding of a border is a geo-localized position where all actions takes place. The mind-set should move to where the consignment is; that is the border. The idea should shift to the new dispensation from talking of OSBP to NO STOP BORDER POST with sharing of information, procedures, intelligence and finding mechanism of resolving disputes a container should not be stopped at a border unless the reason is to identify that this consignment crossed this border on this day.

Private sector does not need a situation where a truck waits for formalities for two days at a border. The two days in terms of the value of that truck or the business is losing by two days spent being static because a truck only makes money when it is on motion, is revenue loss to that business which trickles down to taxes lost to the government, it has ripple effect across the board.

Does AfDB plays an active role in Border Management in creating a borderless Africa for trade of persons and goods? AfDB interventions in border management are embedded in the regional infrastructure program particularly in the transport area. The ultimate goal of any road to move goods and people will not be achieved if elements of soft infrastructure is not included in the projects.

Activities included in Transport infrastructure projects will focus on;

1. Customs Modernization
2. Utilization of Intelligence based risk management.
3. Post clearing audit systems
4. Enhance cooperation in partnership
5. Adoption and automation of digital technologies
6. Promote a culture of integrity and professional knowledge based culture
7. Establish cost effective dispute settlements mechanisms.
8. Establish legal frameworks that would allow engagements, for example, not all borders in Africa have OSBP Acts (One Stop Border Posts Acts).
9. Challenges facing Integrated Border Management

The AfDB specializes in infrastructure particularly transport. The regional transport infrastructure can only succeed with Customs involvement early enough and embed with it all the required elements e.g. Integrated Border Management systems. Africa is highly integrated into the global economy but in the wrong way i.e. It is integrated into lower value added tasks and activities. The share of Africa's total trade with the world is 80%-90%, primarily exporting to the rest of the world while in contrast; Africa's total trade represents only 3%. Africa's experience with GVCs has resulted in very limited structural transformation. AfDB has invested close to 10 billion dollars and has an active portfolio of about 10 billion dollars in Transport, energy, water in the EAC. In Kenya alone, since 1967, AfDB has invested close to 5 billion dollars.

Bad impacts on sovereign debt situation of most African countries e.g. close to 22 African countries are on either debt distress or high risk of debt distress. The AfDB launched a Covid-19 response facility to provide billions to countries in terms of emergency finances, Africa emergency food production facility to provide resources needed to countries to help cope with the shocks.

1. Measures recommended to recover include:
2. Resolve the debt situations e.g. the G20 Common Framework for Debt Treatment.
3. Level of awareness of opportunities needs to go down to SMEs (Small & Medium Enterprises).
4. Plugging regional infrastructure gaps – free movement of people and goods to sustain trade.
5. Better supply chains mapping and sequencing – Understand patterns to know where opportunities are.
6. Trade facilitation.
7. Providing access to finance to SMEs.
8. Develop reforms to enable us capitalize on opportunities.

Role of Integrated Border Management in facilitating Legitimate Trade

There are initiatives in the border like the One Stop Border Post. In these border points, there is a coordinated approach where goods clear at one point, Paper work and clearance duplication removed. The IBM has three pillars:

1. Intra – service cooperation – cooperation within the same agency Example KRA has different departments with customs being the lead but other departments like ISO, Investigation and enforcement work together, coordinate so that activities are not in competition but to ensure borders are protected and trade is facilitated.
2. Inter – service cooperation – this is cooperation across different agencies. Kenya has different agencies that take a whole government approach. There are more than twenty agencies managing our borders. They have come together, for the land borders KRA is the lead agency, the air the KAA being the lead and to the port is the KPA. However, the coming together of the agencies' like the Kenya Police, NIS, KMA, KEPHIS, KDF, and the Immigration has seen concerted efforts and a coordinated approach in handling border issues.
3. International cooperation – There are several partner agencies and development partners that KRA works with. For example, Trademark UNODC, WCO, the United States Customs and Border protection, Interpol among others all are development partners who help in this process.

The border coordination and cooperation came through a legislation that is border control and operations coordinated committee (BCOCC) established through security laws amendment act of 2014 giving the BCOCC the power to operate. In terms of levels, there is the:

1. The Border Management Secretariat, which is the executive level of the different agencies.
2. Border Management Committees on every border points where there is cooperation.

The border coordination and cooperation came through a legislation that is border control and operations coordinated committee (BCOCC) established through security laws amendment act of 2014 giving the BCOCC the power to operate. In terms of levels, there is the:

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Practical steps or projects funded to facilitate growth to the economy both in short run and the long run and the practicalities of the prior adjusted models to facilitate smooth export systems:

Some of the practical projects are the OSBP, IBM framework, Customs digitalization and modernization like the new Integrated Customs Management System, Setting up new KRA Data Centre.

Some of the steps to build virtual borders and seamless borders is already happening. This will happen sooner than later; it is a reality. One of the flagship project that has been running in the last three years is the called Trade Logistics Information Pipeline. The idea is to connect the systems, the processes and procedures to share information with destination markets. For example, the Kenya, UK markets; whatever is cleared by KRA here in Kenya is considered as good as already cleared in the UK Market, it will not be subjected to additional border rigorous procedure in UK.

The expansion of EAC is beneficial from the expanded market in industrialization and opportunities, industrializing and promoting the manufacturing sectors through incentives to curb the increasing prices. Thus there is need to curb the high rising rate on inflation specifically on food and local sectors to sustain growth across Kenya and the EAC, which has been stagnating by developing the transport sector and harmonizing procedures at the border to enhance movement of foodstuff from one area to the other.

Challenges facing the prospect of Integrated Border Management (IBM) in EAC

1. Non-tariff barriers caused by multiple agencies that are at the different borders.
2. Porous borders that usually create threats and insecurity with the partner states affecting movement of goods across the border.
3. Single Customs Territory has not managed to eliminate inefficiencies caused by current borders which still cause delays due to the requirements imposed by one country regarding documentations, and all the efforts put in place is lost; thus making the consignment to take long to clear.
4. State relations, some partner states have misunderstanding resulting to some of the borders being closed.
5. Multiple government agencies that implement different and conflicting regulatory policies. Local authorities near borders sometime imposes certain levies that may affect the cross border trade by passing the authority where it is not relevant.
6. Lack of facilities and limited personnel, the remoteness and limited infrastructure for the borders to operate smoothly.
7. Work on the border frameworks, creating connected corridors.
8. Africa Continent can continue to rely on AfDB to make sure the whole of Africa benefits from AfCFTA.
9. Develop the transport sector and harmonize procedures at the border to enhance movement of foodstuff from one area to the other.
10. Sourcing imports of basic commodities from neighbouring countries to manage forex, creating avenues for affordable inputs as well as Coordination among African countries on comparative advantage is a significant opportunity to make impact in our operations
11. Apart from looking at movement of food between countries, there is also the need to look at movement of food within a country now that there are technology solutions that provides visibility on where the demand is.

Key Highlights

1. The framework that governs border coordination at the EAC level is not a size fit all because there are different dimensions.
2. A border is continuous and should not be taken to be a geo-localized place that limits procedure or systems to this confined location. The idea should shift to the new dispensation, from talking of OSBP to NO STOP BORDER POST.
3. There is need to create value chain in Africa to support Africa's economies as they grow to become competitive. Smaller farmers sit with inventory, having nowhere to sell their rice yet we spend forex (USD) to import where we would potentially pay in local currency.
4. Private sector does not need a situation where a truck waits for formalities for two days at a border the two days translates to revenue loss to that business and which trickles down to taxes lost to the government, it has ripple effect across the board.

5. Africa is highly integrated into the global economy but in the wrong way i.e. It is integrated into lower value added tasks and activities.
6. The bond, rather collaboration of the Government of Kenya and the private sector is necessary to capitalize on AfCFTA is clearly working; Kenya is ready for AfCFTA.
7. There is need to resolve the debt situations and crisis in Africa, close to 22 African countries are on either debt distress or high risk of debt distress.

“ Customs should be present in all conversations, to be agile and adaptable and to be responsive to the needs of customers and stakeholders. ”

Lilian Nyawanda, Former Commissioner Customs & Border Control KRA

“ There is need to guarantee that society will be protected, trade will be facilitated, and taxes will be collected and so will statistics. This are the ingredients to do better. ”

Alban Odhiambo Senior Director Trade Environment,
Trademark East Africa

Key Recommendations

- **Need to build virtual borders and seamless borders to connect the systems, the processes and procedures to share information with destination markets.**
- **Digitization of customs administrations to gear up to new challenges in order to better participate in the globalized international economy and trade and reap the benefit of globalization.**

Key Statistics

1. World trade today is 40 times in volume 300 times in value of the level it was in the 1950s.
2. The share of Africa's total trade with the world is 80%-90%, primarily exporting to the rest of the world while in contrast Africa's total trade represents only 3%. to the world
3. AfDB has invested close to 10 billion dollars and have an active portfolio of about 10 billion dollars in Transport, energy, water in the EAC. In Kenya alone, since 1967, AfDB has invested close to 5 billion dollars.
4. 22 African countries are on either debt distress or high risk of debt distress.

Public Lecture Transformation on Stilts: Towards Tax Administration 3.0:

Keynote Speaker: Professor Rex Arendsen,
Leiden University Professor on Social and Historical Context of Tax Law

Moderator: Dr. Fred Mugambi,
Commissioner Kenya School of Revenue Administration

Impact of Administrative Innovation

The journey to Tax Administration 3.0 has three stages: Pre-Bureaucratic age, bureaucratic age, and post-Bureaucratic age.

The Society as is, is at a bureaucratic age which is marked by central control and power because industrial revolution information is available. However, if we are to move towards Tax Administration 3.0 we need to get to the Post-Bureaucratic age which focuses on people control and power because of information revolution, transparency, choice and accountability. Basically, in the post-bureaucratic age, people are empowered by Information technology.

The Pre-Bureaucratic age existed in the middle Ages. For instance, one would arrive in the market place of a large town, say in a European City and their goods would be measured, the amount due calculated and the person would pay the tax on the spot. It was a direct levying system.

However, due to massive growth of economic transactions, we developed into the bureaucratic age. In this age, the elements of; goods & services, tax data and money were split up, unlike in the pre-bureaucratic age where they were interdependent. The effect of the split of these tax elements was that it led to existence of a lot of tax gaps in that there was too much time lapse between assessing the tax liability and collection which then allowed the taxpayer to cheat by moving profits and evading taxes.

Tax Administration Business Model

In the bureaucratic age it has been contested that rules are the main element in tax administration, however, for us to move to tax administration 3.0, data has to be the main element.

Without proper data, a proper tax administration process cannot be executed.

- **Taxpayer Ecosystem Perspective**

This perspective has four main elements; the taxpayer, events, data and tax base. In this model, the taxpayer produces data which is tax relevant.

In the bureaucratic age it has been contested that rules are the main element in tax administration, however, for us to move to tax administration 3.0, data has to be the main element.

Without proper data, a proper tax administration process cannot be executed.

- **Legal Perspective**

This model relies on the same elements except that in the legal perspective, events is replaced by rules. The rules define who a taxpayer is, what the tax base is and the data to be collected.

- **Conceptual Taxation Model**

When the two models are brought together, they bring rise to the Conceptual Taxation Model, which may also be referred to as the engine of Tax Administration. If this model is properly executed, then perhaps there will be no need for taxpayer services. This is because if the engine runs properly, tax administration is executed seamlessly.

Impact of Digital Technologies

Digital Technologies have impacted tax administration in the following ways;

- There is omnipresent computational power and data
- Availability of instant services and answers
- Autonomous, intelligent decision making
- New digital business models/ platforms

Today's model is more geared towards "data to the rules" while the beyond model leans more towards "rules to the data".

TAX ADMINISTRATION 3.0 Setting the Stage-Burning Platform

The current digital tax administration instruments are losing their effectiveness in the following ways;

- The current service offerings and enforcement tools lack the ability to narrow tax gaps substantially.
- There is heavy reliance on voluntary compliance which widens the scope for errors and failure to take care.
- The difficulty of making further substantial reductions in compliance burdens.

The current system further faces the following challenges;

- Changing societal expectations about government processes.
- Accessing and using information in the light of changing work patterns, changing business models and digital assets.
- Privacy, security and transparency concerns around the use.

Building Blocks of Tax Administration towards Tax Administration 3.0

In working towards tax administration 3.0, what we call the 'beyond', the start point is assessing and identifying the tax administrator's level of maturity. Upon identifying the tax administrator's maturity, the next question is whether or not the tax administrator should continue digitalization or move on to digital transformation. Embracing capacity building and knowledge sharing is key.

The overall start point is;

- a. **Digital Identity;** Creation of digital identity or the use of digital identity
- b. **Taxpayer Touchpoints;** Types of taxpayer touchpoints thus accessible services
- c. **Data Management;** Availability and standards hence data security and privacy
- d. **Tax Rule management and application;** Tax rule development the assurance of tax rule implementation.
- e. **New skill set;** HR strategy and function, Skills development and workforce planning.
- f. **Governance frameworks;** Strategy setting or governance mechanisms.

The analysis suggests that tools seem ready but people need attention. Key transformation drivers like tax rule management and governance framework are lagging behind.

- The next steps to be taken towards tax administration 3.0 are;
- Determine your starting position. Conduct maturity model self-assessment, assess internal and external capabilities.
- Design your domestic digital strategy. Digitalization or digital transformation, aim for balancing scores, consider the human factor.
- Implementation. Peer to peer assistance, FTA tax administration without borders, involve external stakeholders.

Conclusion:

- Tax administration is not only about running the administration but engaging with taxpayers to create the right attitude towards payment of tax. Customer feedback is key. Citizens own the tax administration.
- To build an effective and efficient service delivery, we need to create a satisfied taxpayer.
- Digital transformation is your first step.

Highlights of Key Recommendations:

- Tax administrations need to move to a rules to the data system as opposed to data to the rules.
- Need to work towards tax-inclusive networks instead of hierarchical bureaucracy.
- Need to embrace complexity instead of fighting the complicatedness.
- Current service offerings and enforcement tools by Tax administrations need to have the ability to narrow tax gaps substantially.
- Tax Administrations should conduct maturity model self-assessments to assess internal and external capabilities as practical steps towards tax administration 3.0.

S/No.	Area of discussion	Recommendations
1.	Tech for VAT Compliance: TIMS in Kenya & Other Best Practices.	<ul style="list-style-type: none"> • Co-creation by intra-agency and external stakeholders yields better compliance: A coordinated approach will be required to boost VAT compliance such as internally Customs and Domestic Taxes Department, externally partner government agencies e.g. KEBS & KPA etc. • Mirror lessons from the regional authorities Rwanda and Tanzania in implementation of the TIMs to promote greater revenue mobilization strategies and other opportunities for a smooth transition and beneficial process.
2.	Data & Analytics to Drive Tax Compliance	<ul style="list-style-type: none"> • Creation of support structures that are looking forward and within the institution to advice investments in data. • Focus as an organization should be: data quality & security management data literacy & culture and data availability • Alignment of data initiatives to be implemented with the organization's goals • Tax administrations should use data to improve customer experience by segmentation of customized services, using of real and near real time analytics to improve service delivery.
3.	Scaling the Tide: Customs Administration in the Globalized Age	<ul style="list-style-type: none"> • Need to build virtual borders and seamless borders to connect the systems, the processes and procedures to share information with destination markets. • Digitization of customs administrations to gear up to new challenges in order to better participate in the globalized international economy and trade and reap the benefit of globalization.
	Transformation on Stilts: Towards Tax Administration 3.0	<ul style="list-style-type: none"> • Tax administrations need to move to a rules to the data system as opposed to data to the rules. • Need to work towards tax-inclusive networks instead of hierarchical bureaucracy. • Need to embrace complexity instead of fighting the complicatedness. • Current service offerings and enforcement tools by Tax administrations need to have the ability to narrow tax gaps substantially. • Tax Administrations should conduct maturity model self-assessments to assess internal and external capabilities as practical steps towards tax administration 3.0.

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