REMARKS AT THE TAX STAMPS FORUM

HELD AT THE RADISON BLU HOTEL NAIROBI

TUESDAY 8TH MAY 2018

Distinguished foreign delegates to the Tax Stamp Forum led by Ms. Nicola Sudan, Regional Director, Reconnaisance International, our local partners, business leaders, Ladies & Gentlemen.

I am pleased to welcome you to this important event being held in Africa for the first time. Kenya and more specifically Kenya Revenue Authority,

feels honoured to have been selected to host this prestigious event, of which we have continued to be strong participants. Indeed Kenya Revenue Authority has not only participated in past Tax Stamp Forums – we have also been selected as winners including as overall winner of the Best Tax Stamp programme award in 2014.

Over the next two days, important exchanges will take place touching on the latest developments in tax stamp technologies and how these can be leveraged to help Governments and society at large address challenges associated with counterfeit trade in products that pose risks to society and to tax revenues. It is clear from recent experiences across the world, that digital technologies provide Governments, businesses and

society generally, with potent tools that can help combat retrogressive practices including illicit trade and tax evasion. Tax stamps constitute an important component in this digital revolution by not only providing visual evidence of authenticity, but also by offering easy to use authentication mechanisms that can readily empower the general public to join public enforcement initiatives.

Ladies and Gentlemen,

Let me highlight the strides Kenya has made in the utilization of tax stamps in the fight against illicit trade and tax evasion. Tax stamps were first introduced in Kenya in 2003 initially covering tobacco products alone. In 2007, coverage was extended to wines and spirits, a sector that

had hitherto presented major challenges in tax management but also in the form of public health risks associated with illicit alcohol. The interventions in the alcoholic drinks industry have possibly had the most impact particularly in terms of public appreciation of the benefits of tax stamping. We upgraded our programme in 2013 by introducing track and trace capability through our Excisable Goods Management System (EGMS), which enables production level monitoring of manufacturer operations, plus field authentication of tax stamps. Lately we have been experimenting with smart phone based authentication so as to rope in the wider public in enforcement activities, but the outcomes of this last aspect are still work in progress. Implementation of EGMS has been

pivotal in sealing loopholes and delivering consistent growth in excise revenue, besides deterring the proliferation of illicit alcohol production.

Ladies & Gentlemen,

The measures that Kenya has taken especially in relation to tobacco control are in line with Article 15 of the WHO Framework Convention on Tobacco Control (FCTC), as it relates to the elimination of illicit trade in tobacco products, including smuggling, illicit manufacturing and counterfeiting and the implementation of national laws to support enforcement.

Kenya has also taken leadership in coordinating African countries during the negotiation of the FCTC Protocol and provided technical support in

this area to many Parties. In 2014 and 2015 respectively, Kenya won international awards from the Global Tax Stamp Forum and the WHO in recognition of the ground breaking initiatives implemented through our EGMS platform, which we plan to continue upgrading in order to meet emerging challenges.

Ladies & Gentlemen,

There are a number of lessons we have learnt here in Kenya in the use of tax stamps that I would like to share with you as part of the deliberations and which I hope may serve as useful experience for other developing countries. First, is the observation that while tax stamp technology is now well developed, however its effectiveness especially in combating tax

evasion, depends to a large measure on the extent to which, such technology is infused into other tax compliance processes. There is need therefore to look at tax stamp systems not in isolation but as part of the holistic process of addressing tax compliance, and hence as part of the wider technology infrastructure built to support tax compliance. The present practice where tax stamp systems are developed as standalone platforms, may not in the long run effectively deliver the kind of holistic solutions required for tax administration. After all, detecting evasion of excise taxes without having commensurate interventions to address other tax streams equally affected is not only narrow minded but also possibly as well self-defeating. There is therefore a case for strong partnerships between existing tax system developers and those involved in

developing tax stamp systems, in order for full value to be delivered to customers.

The second point is that implementation of tax stamp programmes without requisite development of enforcement capacity will lead to less than optimal results. In our case, building of enforcement capacity has not moved at the pace expected and hence the results achieved have not been as impressive as would have been desirable. I would therefore challenge tax stamp providers to place more emphasis on providing holistic solutions that include integrated technology platforms and organizational process and human capital development initiatives. This observation goes in tandem with my earlier comments regarding the

need to avoid the tendency to market tax stamp programmes as standalone, but instead as integrated solutions that deliver results beyond excise tax management.

Thirdly, because of the nature and impact of excise taxation, schemes to control illicit trade and tax evasion will almost always result in significant resistance from those affected by such controls. This probably explains why the implementation of tax stamp systems almost always brings about significant controversies globally including through sabotage schemes hatched by business cartels. There is value therefore in tax stamp solution providers investing more in public education, jointly with Government and progressive elements within the business community.

Going forward Kenya Revenue Authority intends to deepen its relations with key players in the excise product control chain including the WHO through the FCTC Protocol which calls for implementation of global track and trace systems for tobacco products. We will continue to play leading roles globally including through sharing of expertise in international forums across the world. We also intend to continue active participation in global tax stamp discourse especially through programmes such as this, which are run through Reconnaissance International and the International Tax Stamp Association.

Finally, Ladies & Gentlemen, let me conclude my remarks by wishing you all fruitful deliberations and an enjoyable stay in Nairobi. Despite the not

too hospitable weather, it's my hope that you will find opportunity to see a little bit of our city and those courageous enough, a drive into our game parks to enjoy closer views of our famed wildlife.

J. K. Njiraini, CBS
COMMISSIONER GENERAL - KRA