TAX News
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Stakeholder engagement FY 2019/2020 round up

The world is fighting a global pandemic-Covid 19 which has adversely affected the global economic activities resulting to a historic economic drop thus destabilizing public finances and tax revenue erosion.

The measures put in place to slow the spread of the corona virus have had a significant impact on the Kenyan economy. The experience has created the need to reflect on modernity's to rebuilding the country and a platform to reflect on disaster management preparedness.

During the Financial Year 2019/2020, KRA held a total of 108 engagements with an array of stakeholders drawn from the various sectors of the economy aimed at implementing Tax Laws while addressing taxpayer concerns.

Following the government directive on public gatherings in view of the prevailing COVID-19 epidemic, KRA proceeded to put on hold all planned physical stakeholder engagements and events effective 13th March 2020. Needless to say, KRA has continued to leverage on technology and hold meetings and engagements through online platforms to ensure business continuity.

Hon. Amb. Ukur Yatani, Cabinet Secretary, National Treasury and Planning (C) with Commissioner General Mr. Githii Mburu and KRA Southern Region staff during an Executive visit to Mombasa Port.



Revenue

KRA collects Kshs. 1.6 Trillion in 2019/20 financial year

KRA collected Kshs. 1.6 trillion against a target of Kshs. 1.7 trillion in the 2019-2020 Financial Year. The impressive achievement came in the backdrop of difficult circumstances occasioned by COVID-19, which led to revenue decline of 20.9% in the last quarter (April - June 2020) following revision of tax rates to cushion Kenyans against the effects of the pandemic.

The government put in place a raft of fiscal measures through Tax Laws (Amendment) Act, 2020 targeting both individuals and business entities to cushion Kenyans from the economic effects of COVID – 19 epidemic. These include, but not limited to reducing VAT rate from 16% to 14%; adjusting the PAYE top marginal rate from 30% to 25%; 100% tax relief for persons earning below Kshs. 24,000 per month; lowering the corporation tax rate to 25% from 30%, among others. KRA's revenue target for the 2020-2021 Financial Year is Kshs. 1.7 trillion, which means that KRA needs to grow revenue by 7.1% over the collections realized in 2019-2020 Financial year.

Stakeholder engagements



National Transport & Safety Authority (NTSA) Director General Mr George Njao and KRA Leadership during an Engagement at Times Tower

Mr. Nick Nesbitt Chairman, KEPSA, addressing Stakeholders during the 5th Tax Roundtable held in Nairobi.





Stakeholders follow proceedings at the Moyale Onestop-Border Post (OSBP) during a visit by the National Treasury Cabinet Secretary, Amb. Ukur Yatani.

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Service delivery and tax compliance

KRA pays a record Kshs. 25 billion in Refunds

Over Kshs. 24.6 billion in VAT refunds had been paid for the Financial Year 2019/2010, in the mid of corona virus. KRA paid Ksh. 14.1B in VAT claims in the 2018/2019 Financial year. VAT refunds claim numbers and values have remained high following the introduction of refund on excess credit arising from withheld VAT late last year. Withholding VAT refund claims of Kshs. 8 billlion is in process of payment.

KRA has sought an enhancement of monthly VAT refunds allocation from the current Kshs. 1.2 billion to Kshs. 3 billion from the National Treasury to help cope with the increasing number and value of claims. A green channel framework has been implemented for low risk VAT refund claimants to fast track processing of VAT refunds.

Taxpayer Collaboration Preventative Measures

To enhance physical & social distance between staff and taxpayers, taxpayers were advised to reduce physical visits to all KRA offices and use online services where possible.

Where verification of documents is required, taxpayers are advised to send those documents electronically through the contacts provided.

In cases where taxpayers must visit a KRA office, measures have put in place to ensure safety of both the taxpayers and employees as guided by the Ministry of Health.

While at KRA offices, taxpayers are required to use hand sanitizers, maintain social distance of 1.5 meters and follow all Government advisories on COVID -19.

Mitigation by Customs & Border Control

Investment in technology by KRA paid off during the outbreak of the Covid-19 pandemic. The Regional Electronic Cargo Tracking System (RECTS) offers real time monitoring of cargo along the Northern Corridor while the Integrated Customs Management System (ICMS) significantly reduces the time taken to clear goods.

Clients were encouraged to lodge documents through Single Window platforms and scan and email the necessary documents to relevant KRA officers. Pre-arrival clearance was encouraged for cargo coming through our borders to eliminate delays. Furthermore, physical verification was restricted to only high-risk cargo targeted by the KRA scanners.

All goods cleared under Single Customs Territory (CST) framework were put on RECTS to be verified at destination.

KRA also enhanced the usage of K9s at every entry point to ensure prohibited goods did not access the country.

Applications for approval of waivers, Customs warehouse rent, extension of transit period, and Certificate of Conformity (CoC) were all processed through email.

Implementation of the Excisable Goods Management System (EGMS)

KRA rolled out a system for affixation of excise stamps on non-alcoholic beverages for goods manufactured after 13th November 2019. The affected commodities include water, juices, energy drinks and soda.

This followed a series of stakeholder sensitisations countrywide, which targeted manufacturers, importers, retailers and distributors from different companies and business associations. The main objective of EGMS is to prevent production of illicit products and create a fair trade environment. Imported goods will be fixed with excise stamps within five days of importation while those manufactured locally will be affixed at the production facility before being released to the market.

COVID- 19 Intervention Measures by KRA

KRA released 396,000 litres of ethanol which had been seized at the Port of Mombasa, to the Kenya Pipeline Company (KPC) to facilitate production of alcohol-based sanitizers in government's effort to contain and prevent of the Coronavirus Disease (COVID-19).

The ethanol had been seized after being misdeclared as different products to circumvent the laws governing the restriction in the importation of ethanol in the country. KPC is expected to implement an accountability framework and liaise with oil industry players who have expressed willingness to produce the sanitizers for free distribution to the general public. The World Health Organisation (WHO) has recommended the use of alcohol-based sanitizers as one way of preventing the spread of the Coronavirus Disease (COVID-19).

Executive engagements



Commissioner General, Mr. Githii Mburu (C), Commissioner Legal Services and Board Coordination Mr. Paul Matuku during a courtesy call meeting with Chief Justice Hon Justice David Maraga, on matters of mutual interest at the Judiciary Offices.



Newly appointed Safaricom CEO Mr Peter Ndegwa during a courtesy call on the KRA CG at Times Tower.

ICPACK Board with KRA Leadership at Times Tower.



Taxpayers' Month Activities



Awardees during the 2019 Taxpayers' day award ceremony held in Nairobi with H.E the President Uhuru Kenyatta at a Nairobi hotel.

Hon. Amb. Ukur Yatani, Cabinet Secretary, National Treasury & Planning with Amb. Francis Muthaura, KRA Board Chairman , Board of Directors and senior KRA management during the launch of the Taxpayers' Day celebrations at Times Tower Nairobi.





Participants following the deliberations during the 5th Annual Tax Summit at the Kenyatta International Conference Centre (KICC), Nairobi.

Key tax legislative changes

KRA Appointed as the Principal Revenue Collector for Nairobi County

This is pursuant to the Gazette Notice No. 1609 of 2020 which appointed KRA as the principal agent for the overall revenue collection under Article 5.5 for a period of 24 months with effect from 16th March 2020.

Tax Laws (Amendment) Act 2020

On 25th April 2020, the President assented to the The Tax Laws (Amendment) Act that amends various tax legislations to give effect to the Presidential Directives of 25th March 2020 meant to cushion Kenyans against the economic effects of the Covid-19 pandemic.

The presidential directive saw the reduction of personal income tax top rate (PAYE) from 30% to 25%. A 100 % tax relief was granted for persons earning gross monthly income of up to KShs. 24,000. As a result of the amendment, Resident Corporation Income Tax (CIT) rates were revised downwards from 30% to 25%. The Micro, Small and Medium Enterprises (MSMEs) were not left out as the turnover tax rate applicable to the sector was reduced to 1% from 3%.

In addition to this, the VAT rate was reduced from 16% to 14%, effective 1st April, 2020.

Tax Regulations stakeholder submissions

In accordance to Constitution of Kenya, 2010, the FY 2019 /2020 KRA successfully conducted public participations on various Tax regulations, which include; The Value Added Tax (Electronic Tax Invoice) Regulations, 2019, Excise Duty Regulations 2019, The Tax Procedures (Alternative Dispute Resolution) Regulations, 2019 and Tax Procedures (Tax Agents) Regulations, 2019.



Finance Act 2019 Nairobi Region sensitisation at the Convention Centre, Time Tower.

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KRA settles tax disputes online

Individuals and organisations having tax disputes with KRA can now have their contentions heard and resolved online during the ongoing Covid-19 pandemic.

Taxpayers and Agents can connect with KRA from their offices or homes via video teleconferencing technology applications such as Zoom, Skype or Google, a move aimed at enusring business continuity towards resolving tax disputes. The platform offers opportunity for disputes to be heard without physically attending ADR sessions.

The online sessions are cost effective and convenient to taxpayers since they cover a larger geographical area with the option of multiple individuals at different locations.

ADR was rolled out in June 2015 to complement litigation by providing timely settlement of tax disputes.

Mr. Eric Wafula appointed Chairman, Tax Appeals Tribunal

National Treasury Cabinet Secretary Hon. (Amb) Ukur Yatani appointed Mr. Eric Nyongesa Wafula to head the Tax Appeals Tribunal (TAT). This appointment is for a period of five years with effect from 12th May 2020.

Filing of 2019 Income Tax Returns

A total of **4.4 million** taxpayers filed their tax returns for the year of income 2019 compared to 3.6 million taxpayers that filed in 2018 year of income, an increase of **25%.** The returns were due for filing from 1st January 2020 to 30th June 2020.

TAX NOTICES

Fringe Benefits Taxes

The market interest rate is 7%. The rate shall be applicable for the period July – September 2020.

Deemed Interest Rate

He prescribed interest rate is 7%. The rate is applicable for the period July – September 2020.

Low Interest Rate

The prescribed interest rate is 7% for the period of six months covering July – September 2020.

- Taxpayers are encouraged to check on their ledgers and email regulatory on Tax matters.
- Our stakeholder engagement team is available for support to all stakeholders through:stakeholder.engagement@kra.go.ke

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