

# **THE 3<sup>RD</sup> ANNUAL TAX SUMMIT, 2017.**

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## **STATEMENT BY HON. HENRY ROTICH, CABINET SECRETARY, THE NATIONAL TREASURY**

**29<sup>th</sup> November, 2017 at the University of Nairobi,  
Chandaria Auditorium at 2.00 p.m**

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**The Commissioner General of KRA**

**President of the International Tax and Investment  
Centre,**

**Heads of African Revenue Administration present**

**Senior Government officials present,**

**Heads of corporate bodies present,**

**Distinguished guests,**

**Ladies and gentlemen,**

1. I feel honoured once again to be here with you today during this year's Annual Tax Summit that has now become a tradition as a knowledge sharing platform on tax matters. On behalf of the National Treasury, I thank the Kenya Revenue Authority (KRA), for bringing us together to participate in this very important event-The third Annual Tax Summit.

2. Let me also recognize the International Tax & Investment Center for their immense effort and contribution towards this joint event and also for ensuring that tax coordination within our region is efficient.

3. **Ladies and gentlemen**, let me at the very outset take this opportunity to underscore the critical importance of domestic resource mobilization in supporting high and sustainable growth of our economies. We acknowledge that we ourselves are first and foremost responsible for the growth and development of our economies and for us to attain the goals that we have set for ourselves, it is imperative that we strive to strengthen our revenue performance.

4. For many of our countries, revenue performance remains low at less than 20% of GDP and this will no doubt affect the pace at which we can grow and develop our economies. We therefore have no choice but make every effort to identify measures that we can put in place to turn this unsatisfactory situation around.

5. In the case of Kenya for example, Kenya Revenue Authority collected total revenue amounting to Kshs 1.4 trillion (US\$140 billion) against a target of Ksh 1.46 trillion (US\$146 billion) during the last financial year FY2016/17. The amount collected represents 18.2% of the GDP against a target of 18.9% of the GDP. Compared to the financial year 2015/16, the revenue collection increased by 14.9 per cent.

6. While this performance is commendable, it is clear that at 18.2% of GDP performance, we are still below our full potential and there is need to redouble our efforts. We need to intensify our reform efforts to broaden our tax base, make our tax administration more efficient and transparent, and take advantage of ICT innovations.

7. In the last few years, we have undertaken many reforms that have helped strengthening revenue performance, but as I have just indicated these are not enough. For example, we have reformed most of our tax

laws including the VAT Act, Excise Duty Act and we have now embarked on an overhaul of our Income Tax Act to modernize it. We have also made significant progress in digitizing our tax systems and these efforts are beginning to pay off.

8. For example, we have put in place technological innovations to enhance tax administration including Regional Electronic Tracking System (RECTS), Integrated Customs Management Systems (*iCMS*), *iTax* and Excisable Goods Management System (EGMS).

9. But as I have just said, these are not enough and we need to do more to exploit to the full the power of ICT. We need to ensure that these systems are interconnected in order to make use of the information that these ICT systems generate because I believe that this will go a long way in eliminating tax evasion and bringing every eligible tax payer to the tax net. This, combined with other administrative measures will no doubt help in enhancing our revenue performance.

### **Ladies and gentlemen,**

10. Another area where we need to focus on is e-commerce which remains a challenge, not only in Kenya but globally. The reforms should respond to the external pressure to adopt to the changing business environments that may not have been sustainable.

11. It is important to note that the challenges that face tax administration in Kenya are not much different from many other developing countries. With increasing prevalence of globalization and technology-enabled economic activities, governments all over the world lose billions in revenue every year because of harmful tax practices. This affects both developed and developing

economies and therefore plugging these tax leaks requires both domestic and International cooperation.

**Ladies & Gentlemen,**

12. On the international and regional front, I would like to note that Kenya is a member of regional tax blocs such as Commonwealth Tax Association (CATA), Inter American Centre for Tax Administrations (CIAT) and Africa Tax Administration Forum (ATAF). Kenya also has strong cooperation with the OECD and the United Nations. Additionally, the country is a member of the inclusive framework for the implementation of BEPS recommendations. The relationship with these bodies has provided forums for the country to benchmark its services to international standards.

13. Kenya is cognizant that exchange of information is critical in building efficient tax administrations and assists to protect and broaden the tax base by deterring potential tax avoidance schemes and enhancing revenue mobilization through access to critical information. To this end, Kenya joined the Global Forum on Transparency and Exchange of Information for Tax Purposes in 2010 and committed itself to meet the international standard on exchange of information upon request.

14. To facilitate automatic exchange of information, Kenya is currently undertaking the requisite legal and administrative reviews. We have also embarked on a journey to widen our treaty network not only for purposes of eliminating double taxation and attracting investments, but also to enhance international relationship with other states.

## **Ladies & Gentlemen,**

15. We are aware of understand the rapid advances in the global economy in recent years largely driven by technology. As a result of most these technological advancements, e-commerce has become a key sector of most economies in the world today and this has not only transformed the traditional ways of doing business, but also the relationship between tax authorities and taxpayers.

16. Changes in the tax industry mirror pervasive changes in the society and even globally, including shifts in technology, prevalence of rapid innovation and entrepreneurial activities. On account of these rapid changes, the traditional tax systems, and particularly international taxation arrangements, can struggle to keep pace with globalization and market liberalization.

17. **Ladies and Gentlemen,** as I have just indicated, Kenya is among the first countries in the world to aggressively start building an IT ecosystem in order to ease tax administration while at the same time enabling the taxpayers to comply. In addition to our quest to facilitate taxpayers to comply, it is the challenges of taxing internet and mobile-based transactions that have forced us to identify practical and reasonable ways of applying internationally accepted taxation norms to e-commerce and m - commerce.

18. In this regard, we need to acknowledge that the issue of taxing electronic transactions is complicated by several factors, including pluralities of nations with varying tax systems, which create significant obstacles for compliance. It is therefore our duty to come up with new and feasible taxation methods which will allow consumers and

businesses alike to easily comply with their duties as taxpayers.

19. As I conclude, let me once again reiterate the critical importance of ensuring that we put more effort towards enhancing our revenue performance. This is the only way that we can ensure high and sustainable growth of our economy and thereby raise the welfare our people. I am confident that this summit will provide the opportunity to discuss ways in which we can achieve higher levels of performance.

20. Finally, I wish to commend everyone present today. Let us all take advantage of this opportunity to share insights, experiences and innovations on how to enhance tax administration through the application of technology.

21. Thank you and I wish you a productive interaction in the next three days.

**God Bless You all.**

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