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KENYA REVENUE AUTHORITY

TAX NEWS

H.E President Uhuru Kenyatta and his Ugandan counterpart H.E President Yoweri Museveni commissioned the Busia One-Stop Border Post in February 2018.

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Presidents Kenyatta, Museveni commission Busia OSBP

The OSBP brings together under one roof, all the Government agencies performing border crossing controls procedures, doing away with need for motorized traffic and persons to undergo clearance twice at both sides of the border.

This arrangement is expected to expedite movement, release and clearance of goods and persons across borders, by streamlining border procedures, automation of the border processes and simplification of trade documents, thus contributing to a reduction in transport cost, whilst increasing volumes of transshipment cargo through the Central Corridor.

The Busia OSBP is one of the 15 border posts in the EAC that are being converted from 'two-stop' border posts into OSBPs. 7 of these border Posts namely: Malaba, Busia, Isebania, Namanga, Taveta, Lunga Lunga and Moyale lie on the Kenyan Border, with Busia handling the largest number of informal cross border traders in the EAC.

Since its set up, KRA's revenue collection has grown by over 45 per cent, cargo clearing time has reduced from the initial eight (8) hours to less than one (1) hour, while passenger traffic clearance has reduced from one hour to between two and three minutes. In a month, over 30,000 people and more than 10,000 trucks are cleared at the station.

The OSBP is expected to further boost revenue collection, improve security, as well as improve resource utilization through cross-border cooperation.

Construction of the facility was facilitated by TradeMark East Africa (TMEA) with funding from UK Department of International Development (DFID) and the Global Affairs, Canada at a total cost of $ 12M.

Commissioning of the OSBP is a key milestone in reduction of barriers to trade and improving business competitiveness in the East African Community.

Revenue grows by KShs. 62.5 billion

KRA registered an overall revenue growth of KShs. 62.5 billion for the first half (H1) of the 2017/2018 financial year. The current year's revenue stands at KShs. 712.2 billion, a figure that represents a 9.6 per cent increase from the 2016/2017 financial year's first half (H1) of KShs. 649.7 billion.

This growth has been experienced despite the prolonged electioneering period that saw business investment confidence drop, depression in consumer spending alongside delayed normalization of the Government's fiscal programme which negatively impacted public and private sector tax remittances.

The Kenya Revenue Authority (KRA) attributes this growth to improved compliance enhancement efforts characterized by technological solutions such as the iTax system which provides data about business transactions by persons, entities doing business with government and the top 6500+ of Kenya's largest corporates.

The iTax data is utilized for tax assessments against previously non-registered persons or registered taxpayers whose filings materially differed from the declarations they submitted to KRA. Assessments totaling to KShs. 29.6 billion have been issued and collection efforts are in progress.

However, the economic growth for the period slowed to an estimated 4.4 per cent against the 6.0 per cent projected in Budget Policy Statement (BPS).

The target for H2 is KShs. 798.84 billion and KRA seeks to leverage on an improved business climate for revenue growth, a development expected to lead to a normalized Government fiscal programme and improved business climate.

CRM transforming taxpayer service experience

The Kenya Revenue Authority's drive to transform service delivery to taxpayers has seen many solutions developed. These solutions, particularly technological, have recorded tremendous improvements in revenue collection by ensuring a more client-centric approach to tax compliance.

KRA has leveraged on technology to develop a platform for seamless service delivery and compliance by ensuring that KRA serves taxpayers effectively and efficiently. In light of this, KRA has developed a Customer Relationship Management System (CRM), a platform that provides a 360-degree single view of a taxpayer's interactions with KRA. This platform aims at improving taxpayer satisfaction through consistent service delivery, well-coordinated complaints management framework and eventually an efficient customer service delivery.

Launched in May 2017, CRM has provided solutions by keeping customer interaction history, analyzing customer information and managing information throughout the KRA-taxpayer interaction journey.

Through CRM, taxpayers are able to interact with KRA and forward queries, compliments and complaints through various channels like KRA website, voice calls, emails, social media which leads to faster case resolutions.

*i*CMS, a milestone to trade facilitation

The Integrated Customs Management Systems (iCMS) is a modern, robust and efficient system that runs on the latest technological platforms which seamlessly connects with KRA's internal systems and external stakeholders' systems to achieve faster cargo clearance.

Run by the Kenya Revenue Authority, iCMS enables trade efficiency by increasing speed in the cargo clearance process, reduction of complexities associated with several systems of the automation of manual processes and reengineering of processes.

Implemented in phases, the system aims at improving Kenya's Ease of Doing Business by simplifying processes that enable pre-arrival processing and entrenching a process that will allow Authorized Economic Operators (AEOs) to enjoy greater preferential treatment that previously could not be accorded to them due to limitations of the previous SIMBA system.

Once fully implemented, ICMS shall counter security threats through a robust risk management system that will ensure a secure trade chain, facilitate regional integration by integrating with regional Revenue administrations, and providing for transparency of the cargo as the system eliminates human intervention.

ICD set to revolutionize the freight industry

The newly upgraded inland container depot (ICD) at Embakasi has commenced operations with the standard gauge railway (SGR) ferrying cargo to and from the Mombasa port.

In a bid to encourage uptake of the facility, a three-month promotional period on freight charges has been announced by Kenya Railways Corporation and it shall be running up to 5th April, 2018. During this period, a shipper shall pay 50 per cent less of the normal freight charges.

The Kshs. 21 billion upgraded ICD now can handle about 450,000 units up from 180, 000 units and is expected to cut cargo clearance time to six hours and offer shippers a 14-day cargo retention free period.

An inter-agency working relationship between Kenya Maritime Authority, Kenya Revenue Authority, Kenya Ports Authority and Kenya Railways Corporation has been hatched to facilitate service delivery at the facility.

Five additional scanners have been acquired at the ICD to minimize human intervention in cargo scanning processes. The scanners are integrated with the Integrated Scanner Command Centre in Times Tower to bridge on transparency and accountability.

To ensure security at the ICD for cargo, a 24-hour surveillance system has been set up and rubber-tired cranes acquired. Weighbridges have been constructed to handle the huge cargo expected at the facility.

President Uhuru Kenyatta opening the revamped Inland Container Depot in Embakasi early January.

To ease movement of trucks around the facility, plans are underway to construct three access roads to link the ICD to the Southern by-pass at Ole Sereni, another to link the ICD to Thika Road through the Eastern by-pass while the last one shall link the ICD to Industrial Area through Isuzu East Africa. Dry ports are seen as the defining solutions to the freight industry as the government has resolved to establish more in Naivasha, Eldoret and Kisumu.

KRA steps up fight against illicit trade in excisable goods

KRA has initiated a campaign against illicit alcohol in the Kenyan market. The multi-agency approach will enable the government to close in on those involved in the illicit trade. KRA has also partnered with the Alcoholic Beverages Association of Kenya(ABAK) in stepping up this campaign.

The Authority recently held countrywide sensitizations on identification of illicit alcoholic beverages and tobacco products, whose main aim was to create awareness among the manufacturers, distributors, law enforcement agencies, consumers, and other players in the value chain on the use of the 'Soma Label' application to assess authenticity of tax stamps.

The tax stamps which are applied using the latest track and trace technology provide a key vehicle for protection of the society through minimizing illicit trade in certain excisable goods such as alcoholic beverages and cigarettes. In addition, the stamps are critical in helping the Government seal revenue leakage loopholes associated with illicit trade.

To fight the menace, the Authority has collaborated with government agencies and industry players such us ABAK in conducting the campaign and has stepped up its intelligence networks. The 'Soma Label' App available on google play store has empowered partner agencies, traders and consumers to distinguish between genuine and fake stamps, hence the possibility of identifying illicit alcoholic beverages. Poor detailing on packages, print, spelling errors and inconsistent lettering are signs of illicit alcoholic beverages.

A Market Surveillance Officer scans a bottle of alcohol using the soma label app.

A dedicated Unit, Market Surveillance Office, domiciled in the Authority's Domestic Taxes department is the lead in the campaign against illicit trade on alcoholic beverages. The Unit, headed by a Chief Manager has been strategically positioned to handle matters related to the Excise regime on both alcoholic and nonalcoholic beverages. Through partnership with agencies and stakeholders, it is envisaged that here will be a significant decline on illicit trade of alcoholic beverages.

Government committed to collaborating in facilitating AEOs

Kenya Revenue Authority in collaboration with Kenya Railways Corporation, Kenya Ports Authority, and Kenya Bureau of Standards in the month of February held a high-level inter-agency meeting to deliberate on how best Government Agencies can collaborate to support the Authorized Economic Operators(AEOs) to facilitate faster cargo clearance at the Inland Container Depot, Embakasi.

The Authorized Economic Operator (AEO) Programme is a World Customs Organization (WCO) tool to secure and facilitate legitimate trade. The programme allows Customs Administrations to enter into strategic agreements with operators who meet certain supply chain security standards and best practices, including compliance to Customs laws and regulations. In return, Customs offer the companies tangible trade facilitation benefits.

KRA Commissioner General Mr. John Njiraini addressing Authorized Economic Operators at Radisson Blu, Nairobi. He encouraged freights and logistics companies to join the AEO Program. Front table, middle; Mr. Athanas Maina, Managing director Kenya Railways

All the government agencies involved in cargo clearance committed to ensure a cross board undertaking of the green channel (AEO Program). The green channel automatically clears cargo without human intervention since post-clearance audits are intelligence-based through Integrated Customs Management System (iCMS).

KRA has established a dedicated office to handle AEO concerns in a bid to resolve issues within the shortest time possible.

KRA bans stripping of cargo destined for Zanzibar

The Kenya Revenue Authority (KRA) has banned the stripping of cargo containers at the port of Mombasa before onward conveyance by dhows to various consignees in Zanzibar.

The move is meant to curb sea smuggling where cargo is diverted in the ocean, finding its way into the local EAC market. Stripping involves offloading various small consignments from a single container.As a result of cargo diversion, the volumes of cooking oil destined to Pemba and Ungunja have surpassed the consumption capacity of the two islands. KRA in December 2017, seized edible oil cleared at Old Port in the go-downs of Mombasa, this points towards the diversion emanating from stripping.

Investigations by KRA and Tanzania Revenue Authority (TRA) reveal emerging risks and challenges regarding trans-shipment cargo stripped at the port of Mombasa. TRA has reported increased cases of smuggling adversely affecting Zanzibar islands of Pemba and Ungunja. Kenya through KRA also affirms prolonged risks posed by stripping of cargo at the Port of Mombasa.

To effect this ban on cargo stripping, no manifest amendments shall be allowed to change the status of goods. Where cargo is manifested for direct transshipment, the same shall be monitored and loading done under customs supervision. Containers with cargo destined for Zanzibar will be re-directed to ports closer to the destination such as Dar -es Salaam, Tanga or Zanzibar itself.

KRA will continue to liaise with the Kenya Ports Authority (KPA) to ensure that standard operating procedures and best practices on transshipment are implemented to protect and facilitate legitimate business.

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