MS. CAROLE KARIUKI EBS, MBS, HSC - KEPSA CEO REMARKS DURING THE KRA – KEPSA ROUND TABLE ON WEDNESDAY, JUNE 11TH, 2025, AT THE KRA BOARDROOM.

Salutations

The KRA Board led by Hon. Ndiritu Muriithi;

The KEPSA board and Business leaders; led by Jas Bedi;

All protocols observed.

Good Morning!

Introduction

The partnership between the Kenya Private Sector Alliance (KEPSA) and the Kenya Revenue Authority (KRA) has been instrumental in addressing tax-related challenges and fostering a conducive business environment in Kenya. Over the years, this collaboration has evolved through structured engagements, including board meetings, technical team discussions, tax roundtables, and ministerial forums involving the National Treasury. These efforts aim to enhance tax compliance, streamline administrative processes, and align tax policies with Kenya's economic objectives.

Timeline of Key Engagements for the Past Five Years

A series of strategic engagements have marked the KEPSA-KRA partnership, each building on the previous to address private sector concerns and improve tax administration:

Date	**Engagement**	**Key Focus**
November 3, 2020	Virtual Board Meeting	Business environment competitiveness, tax base expansion, VAT refund issues
March 18, 23, 30, 2021	Technical Team Meetings	Addressing specific tax administration challenges
April 28, 2021	Tax Roundtable	Reviewing technical team progress and escalating unresolved issues
May 10, 2021	Ministerial Stakeholders Forum with National Treasury	Discussing broader economic and tax policy issues
March 9, 2022	Third KEPSA-KRA Boards' Briefing	Tracking progress and addressing pending issues
March 17, 2025	Meeting with KRA Commissioner General	Preparing for a broader discussion with National Treasury and KenInvest

These engagements signify a commitment to ongoing dialogue, and the collaboration between KRA and KEPSA has proven beneficial in addressing issues and monitoring government commitments to the business community.

Discussion on current issues at the round table for appraising the board and seeking support both as KEPSA and KRA, and the way forward

1. **Tax refunds –**

- Simplify the refund process by improving synergy among KRA teams, clearly defining legal procedures, and ensuring consistent interpretations of refund laws. Taxpayers should be able to choose between using credits (Refund Adjustment Vouchers – RAVs) and receiving cash payments, with audits completed efficiently.
- Review website application process for offset, as private sector feedback is that the site is always down
- Taxpayers are not allowed to correct the auto-populated data, hence making it the Commissioner General's assessment rather than a taxpayer self-assessment. It is proposed that KRA should modify the VAT auto-population to allow taxpayers to make changes in cases where the auto-populated data is deemed incorrect.

2. **I-Tax**

- Expedite the validation and migration of pre-iTax corporate income tax overpayments recorded in the legacy system into iTax, enabling taxpayers to utilize it.
- Ensure efficient and timely clean-up and reconciliation of iTax ledgers after disputes are resolved and tax amnesty is applied. Tax liabilities that have been settled should be efficiently expunged from the taxpayers' iTax accounts, as they interfere with processes such as applying for refunds and obtaining Tax Compliance Certificates (TCCs).
- Tax liabilities caused by split PAYE credits when expatriates change residency status in Kenya: Initially, expatriates are registered as non-residents, and their PAYE is filed under the non-resident tax category. However, when they meet residency criteria, their PAYE shifts to the resident category. The iTax system does not automatically transfer PAYE credits from non-resident to resident obligations, causing duplicate tax liabilities under the non-resident status. This prevents expatriates from obtaining their Tax Compliance Certificate (TCC) or deregistering, despite having paid all required taxes. The proposed solution is for KRA to automate residency status adjustments in iTax, ensuring non-resident PAYE credits are transferred to the resident obligation and preventing unnecessary tax liabilities, penalties, and interest.
- Taxpayers, particularly expatriates who have left Kenya, face significant delays in deregistering their KRA PINS through the iTax system. We recommend that KRA formulate clear guidelines for deregistration processes that include the requisite documents and prescribed timelines.

3. **Special Economic Zones (SEZ) and regional offices**

- Section 6 (b) of the Special Economic Zones Act, 2015 states that goods whose content partially originates from the customs territory shall pay import duties on the non-originating component, subject to the customs procedures. There are, however, no documented procedures to follow in determining the Customs value for calculating import duty, VAT, levies, and other charges for goods imported to Kenya from a Special Economic Zone (SEZ). KRA to publish guidelines and manuals that SEZ investors can use to determine the value of their goods when sold to the domestic market.

- Applicability of the EAC Rules of Origin on goods manufactured in SEZs - Clarity to be provided on the applicability of the EAC Rules of Origin on goods manufactured in SEZs.
- Onerous bond cancellation process for CB16 and CB 20 - Bond cancellation process for SEZs to be simplified.
- With the enactment of the EAC SEZ Regulations and the upcoming inclusion of SEZs in EACCMA, will Gazette Notice 6930 (Guidelines for Appointment/Operating Special Economic Zones (SEZ)) be applicable, as this was a stopgap measure to address the lack of SEZs in EACCMA? - Clarity to be provided on whether Gazette Notice 6930 will apply once SEZs are included in EACCMA.
- Automatic exemption of excise duty for SEZ entities to be clarified, as currently, there are no procedures around the approval of excise duty exemption. Excise duty exemption to be automatic without need to seek approval from KRA (similar to WHT exemption).
- VAT on Imported services from SEZ to Kenya - KRA to make a public ruling on the applicability of reverse VAT on services imported by Kenyan entities from SEZ entities.
- SEZs are specifically excluded from the definition of registered persons in the VAT Act - KRA to make a public ruling affirming that SEZ entities are not required to be registered for VAT as they are outside the ambit of VAT.
- Corporate Tax - Currently, an investment deduction of 100% is granted if a person has incurred investment in a special economic zone. However, KRA is of the opinion that this is limited to buildings and machinery. To provide clarity on whether the investment deduction for SEZs applies to any investment, including investments other than building and machinery.

4. Alternative Dispute Resolution (ADR)

- Slow implementation of judgments and decisions in the iTax system results in these amounts still being reflected as outstanding debts in taxpayers' ledgers, creating challenges in obtaining Tax Compliance Certificates (TCCs). Some cases have remained unresolved for up to three years. As a result, the delay in obtaining TCC hinders taxpayers from securing business opportunities, leading to financial and operational setbacks. It is therefore proposed:
    i. KRA should adequately resource the teams responsible for implementing decisions to ensure timely execution.
    ii. KRA should promptly implement signed ADR agreements and streamline internal verification processes to avoid unnecessary delays.
- Once an ADR agreement is filed, it should be immediately updated on iTax within a set timeline to ensure taxpayer records reflect the agreed settlement, preventing unnecessary compliance hurdles.

5. **Credit Adjustment Vouchers (CAVs)**

- Perpetual credit is creating liquidity challenges for taxpayers, as they are unable to apply for refunds on the amounts reflected in the CAV. It is proposed that a mechanism be established to facilitate the liquidation of CAVs, and administrative measures be implemented to prohibit the issuance of CAVs when the amount is eligible for refund.

6. **Communication & Internal Co-ordination**

- Frequent personnel changes at KRA without proper handover of ongoing matters create challenges and impose an administrative burden on taxpayers. KRA should adopt a more coordinated approach, leveraging Tax Service Offices (TSOs), which already have relationship managers for clients. Proper handover procedures must be in place whenever teams within the TSOs change to ensure continuity. Ensure TSOs are adequately resourced, including sufficient technical expertise, to effectively assist taxpayers with their issues.

7. **Country-by-Country Reporting (CbCR)**

- Lack of a secure and structured filing system for Country-by-Country Reporting (CbCR) under Section 18D of the Income Tax Act. Currently, multinational entities meeting the KES 95 billion turnover threshold are required to submit sensitive tax documents via email, raising concerns about data security and confidentiality.

- The proposed solution is to integrate a dedicated CbCR filing module within the iTax platform, ensuring a secure, standardized, and efficient submission process, similar to other tax filings.

In closing, I reaffirm the private sector's dedication to our collaboration with KRA. We will continue fostering open and constructive dialogues, confident that these efforts will yield shared successes and drive economic growth. I invite everyone here to participate candidly in discussions to explore innovative ways we can enhance wealth creation, ultimately boosting the nation's revenue and prosperity.