THE KRA SUMMIT 2024

KEY HIGHLIGHTS

HELD ON 7TH - 9TH OCTOBER 2024

AT SAFARI PARK HOTEL & CASINO,
NAIROBI, KENYA

The KRA Summit 2024 was held from 7th to 9th October, 2024 at Safari Park Hotel & Casino, Nairobi, Kenya. The Summit, themed **"Powering Trade Facilitation and Domestic Resource Mobilization in the Digital Age"** consisted of seven plenary sessions and four breakout sessions.

The impactful success of tax administration cannot be realized if it were to be left entirely in the hands of tax administrators. It calls for concerted efforts and strategic partnerships with all stakeholders at the national, regional, continental and global levels. It is against this premise that KRA engages various stakeholders through platforms such as the summit.

The KRA Summit was a consolidation of the **inaugural Africa Customs and Tax Conference (ACTC) and the Annual Tax Summit (ATS)**. It was a hybrid event that brought together a total of **four hundred (400) delegates** for the physical meeting and an online audience of over **five thousand (5,000)**.

The Summit availed a platform where tax experts, policy makers, economic experts and revenue administrators not only discussed and interrogated the status quo of tax and customs administration but also explored current and future opportunities with the following outcomes:

1. **Africa as a continent has great trade potential capable of generating self-sustaining wealth for its people**. This can be attributed to the huge volumes of exports that are shipped to the rest of world. In a 2022 report by Africa's merchandise exports grew to $572.59 billion in 2021. The growth would have been higher had the Covid-19 pandemic not struck. In a 2023 report, the Standard Chartered indicates that Africa's total exports are expected to hit close to USD 1 trillion by 2035, further projecting the high trade potential within Africa.

2. There are several factors whose interplay can lead to generation of wealth within the African continent. One such factor is the **implementation of Africa Continent Free Trade Area (AfCFTA)**. The vision of AfCFTA is implementation of a borderless trade across the African borders where people, goods and services move freely and efficiently without the challenges posed by the various systemic impediments.

3. AfCFTA envisages a **borderless continent** where smart corridors are connected digitally, a connected transport and logistics network and a continent where all **systems work efficiently** for the common goal of the continent.

4. Concerted effort is required to address the, **economic, social and political challenges** that stand in the way of successful implementation of AfCFTA:

   i. Instability and insecurity
   ii. Bureaucratic and complex customs processes that form a bottleneck to trade facilitation
   iii. Poor and/or inadequate infrastructure to support trade facilitation
   iv. Inconsistent application of customs regulations and legislations
   v. Multiplicity of border agencies which adversely affects the clearance process at the borders
   vi. Malpractices such as corruption which favor some and disadvantage many others

5. There is also need for **robust capacity building** to ensure that all stakeholders are aligned to create borderless trade frameworks. Culture change is equally a critical ingredient and key success factor for achieving borderless border trade across member states.

6. **Leveraging modern technology** will call for full automation of processes as a key ingredient to addressing endemic challenges such as subjectivity in customs administration, inefficiencies and corruption. Further, technology avails opportunities for enhancing efficiencies such as audit for continuous improvement of processes.

7. In addition to use of modern technology, having the right **legislation and policy frameworks** in place is a key factor that pivots the success of borderless trade across the borders. This entails not only the formulation of new legislation but also review of current legislation framework to address cases of rigidity and limitations.

8. There are a number of **instruments put in place to scale customs processes** to greater heights such as formulation of e-Certificates of origin, single bonds, ports connectivity, no-contact borders among others. The goal is to have corridors that work for Africa, increase trade and Africa's wealth.

9. While use of modern technology is the goal of enhancing tax administration, there is a need to **automate and simplify processes** instead of just **automating redundancies**. Automation of redundancies/manual processes leads to even more inefficiencies. The end product having in place systems that are auto-manual.

10. While considering which technology to employ, it is imperative to ensure that the **technology of choice addresses local challenges** in a language well understood by the locals. Stakeholder engagement is therefore key in ensuring that the systems being implemented have the buy-in of the stakeholders.

11. **Artificial Intelligence (AI)** should not be misconstrued as an advancement that is meant to **replace human intelligence** in customs administration. On the contrary, use of AI should be viewed as an **enhancer of the human capability** in order to achieve higher efficiency as it presents a myriad opportunity to bolster efficiency.

12. Some of the opportunities presented by leveraging AI in tax administration include improvement of risk assessment processes and advance clearing of cargo. AI will support **prediction, management** and **mitigation** of supply chain disruption.

13. Leveraging on AI calls for robust infrastructural setup to ensure the most gain is achieved. One such consideration is an **infrastructure with storage capacity huge enough** to handle large volumes of data available on the platform. The platform further calls for implementation of solutions for **standardizing the data** generated to ensure consistency.

14. AI further offers great opportunities for tax administration as it avails an opportunity for improving the **efficiency of mission critical systems**. This allows for seamless system upgrades and maintenance without causing service disruption.

15. Other opportunities that AI offers include enhanced revenue mobilization through provision of **innovative solutions;** better data analysis for improved decision making and forecasting; improved compliance through streamlined processes for better adherence to regulations; and **enhanced transparency** owing to greater visibility into financial transactions.

16. The overall goals of digital transformation include enhanced customer experience, enhanced operational efficiency and productivity improvement by achieving more with less.

17. For an organization to reap the full benefits of digital transformation, all stakeholders must be fully involved for inclusivity.

18. Aligning with technological advancement and digital transformation also means being **'future fit'**. Future fitness for an organization is pegged on being able to do **digital business** which entails electronic exchange of information.

19. There is a need to understand the difference between **digitization** and **digitalization** for effective digital transformation. Digitization entails conversion from analogue to machine readable. Digitalization on the other hand entails bringing on board intelligent technologies.

20. It is also worth noting that the more interconnected the digital space gets, the **higher the risk of cybercrimes** hence the need to put in place strategic approaches for combating cybercrimes. One de-risking approach is leveraging **strategic partnerships** with players in the tech space.

21. The success of trade facilitation along the various corridors is dependent on countries working together in terms of technological advancement and capacity building. This will ensure ease of integration and development of common curriculum on programmes designed to enhance capacity building.

22. For customs administration technological advancements to yield the expected results, the systems and technologies need to be **configured with the right information**. There is also a fundamental need to build trust in the systems put in place for operational efficacy.

23. The greatest setback with risk management in customs administration is use of the **same risk management approaches to all cases of cargo clearance**. This avails a breeding ground for inefficiencies which in turn impact negatively on trade facilitation. For effective risk management, administrations must apply **differentiated approaches** to risk management in cargo clearance.

24. African countries fund up to **80% of their budgets** through tax revenue, emphasizing the importance of Domestic Revenue Mobilization (DRM) for sustainable economic growth.

25. The **informal sector**, contributes **significantly** but remains largely untapped by formal tax frameworks. In a 2021 report dubbed **Estimating the size of the informal sector in Kenya**, Taylor & Francis place the informal sector's contribution to the Kenyan gross domestic product at 32%. Formalizing this sector is crucial for equitable tax contributions.

26. With **70% of Africa's population under 30** and projected to contribute 25% of the global workforce by 2050, tax authorities need to adapt to the demographic changes, particularly focusing on digital engagement.

27. Africa's **tax-to-GDP ratio** remains lower than the global average, with VAT contributing about 30%. Over-reliance on certain sectors, like mining in Zambia, poses economic vulnerabilities.

28. **Simplifying tax processes** and utilizing technology, such as electronic invoicing for VAT, is essential for **improving compliance**, especially among SMEs and informal sector participants.

29. High-income earners often resist tax compliance, with a **"can't pay, won't pay" attitude**. Sensitization efforts and demonstrating how tax revenue is used can help reverse this trend.

30. **Taxing financial transactions** without hindering financial inclusion is a delicate balance. Encouraging digital financial services while minimizing tax burdens is necessary for expanding the tax base.

31. Implementing a **tiered tax system** that starts with lower rates for new businesses and increases as they grow can foster long-term contributions to national revenue.

32. **Many SMEs are willing to comply** with tax regulations but lack the knowledge. Providing education and mentorship is essential for improving voluntary compliance.

33. There is tremendous **revenue potential in the environmental space** as jurisdictions progressively put in place measures to curb the adverse effects of climate change. However, taxation in this space should not be on the environment but rather **for the environment**, with focus being on polluters rather than environmental conservation efforts.

34. The government through the State Department for Environment and Climate Change already has in place a **legal framework for carbon trading** premised on the Climate Change Amendment Act, 2023.

35. Formulation of an **environmental taxation framework** should lay emphasis on factors such as **transparency and dialogue during the process;** scope of the tax; how revenue generated will be utilised; predictability, stability and coordination; mechanisms of handling undesired effects; and public acceptability.

36. Environmental taxation framework should also be a mechanism for **influencing behaviour patterns of individuals** to effectively cushion the environment against the harmful effects advanced by climate change.

37. The taxation framework further needs to factor in incentives for the taxpayers for more operational efficiency.

An interplay of all these outcomes have tremendous potential which is pivotal in bolstering tax administration endeavours in Kenya for not only enhanced tax compliance but also improved revenue mobilization and collection.

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