

TAXPAYERS SUMMIT 2023

Economic Transformation through Export Promotion

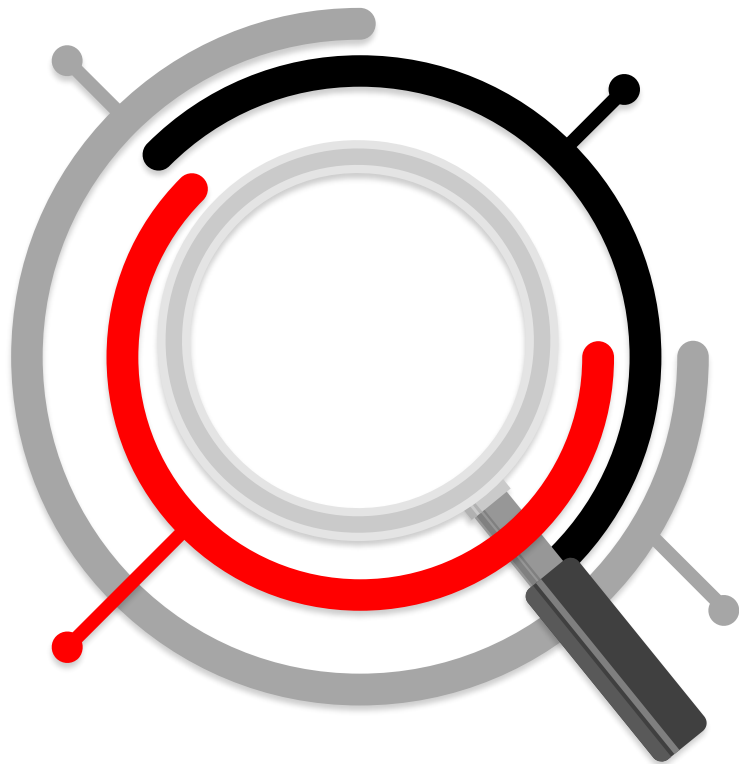
Role of Kenya Revenue Authority as an Enabler in
Trade Facilitation



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For: Commissioner- Customs and Border Control
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THE ROLE OF CUSTOMS & BORDER CONTROL DEPARTMENT



- ❖ **Collect and Account for government revenue** - Mainly import duty, excise duty and VAT on imports as well as agency revenue
- ❖ **Trade Facilitation** – Promote economic interests and development of trade through enhancement of trading activities and ease of doing business.
- ❖ **National Security** - through Enforcement of Prohibitions and Restrictions.
- ❖ **Protection of Society** – Domestic industry, health and safety of citizens.
- ❖ **Compilation of Trade Statistics**

Role of Customs in Trade Facilitation

- Customs Administrations play a central role in Trade Facilitation.
- Countries apply controls in managing the movement of goods across their borders with the objective of collecting taxes, protecting the economy from illicit trade practices and safeguarding the society and the environment from dangerous goods.
- These controls however, can add to increased cost of compliance as well as delays and unpredictability when moving goods across borders.
- This has therefore necessitated countries to increasingly focus on legitimate trade through National reforms and international trade negotiations

Legal Instruments for Trade Facilitation

1. WTO Trade Facilitation Agreement
2. COMESA Agreement
3. Tripartite Agreement
4. EAC Protocol
5. AGOA (African Growth Opportunity Act)
6. AfCFTA (African Continental Free Trade Area) Agreement
7. General Agreement on Tariffs & Trade (GATT)

ROLE OF KENYA REVENUE AUTHORITY IN TRADE FACILITATION

Kenya Revenue Authority has implemented a number of programmes and supported government initiatives that facilitate trade including:

1. Authorized Economic Operator (AEO) Programme
2. Pre-Arrival Processing (PAP)
3. One Stop Border Posts (OSBPS)
4. Non intrusive verification through scanners
5. Modernization of Systems i.e. ICMS, RECTS, iScan
6. Export Processing Zones
7. Special Economic Zones
8. Green Channel for Exports
9. Single Customs Territory
10. Single Window Systems

1. AUTHORISED ECONOMIC OPERATORS (AEO) PROGRAMME

- ❖ Expedited clearance process at the points of entry/exit for AEO consignments hence reducing dwell time at the release points.
- ❖ KRA is working towards a recognition framework involving all partner government agencies(PGAs) - KPA, KENTRADE, KEBS etc. to ensure AEO consignment have a seamless flow.
- ❖ The Regional AEO is gaining momentum and it will greatly improve movement of cargo along the Northern corridor.
- ❖ Mutual Recognition agreements with economic regional blocs and individual states is also under consideration e.g. EAC, India and South Korea

2. PRE-ARRIVAL PROCESSING (PAP)

- ❖ This initiative entails the submission of import documentation before the actual arrival of the goods thus enabling document verification by Customs and other relevant partner government agencies prior to arrival of goods.
- ❖ Through the Pre-arrival processing(PAP), the clearance process has improved since the clearance process starts even before the physical arrival of the consignment.
- ❖ KRA is working with PGAs to improve the systems to enable quick processing and release of PAP consignments.

3. ONE STOP BORDER POSTS

- ❖ Seven OSPBs have so far been established in Malaba, Busia, Isebania, Namanga, Taveta, Lunga lunga and Moyale.
- ❖ The OSBPs have facilitated the clearance of goods and reduced the time required for customs and immigration procedures.
- ❖ The OSBP concept has enabled KRA to enhance its efficiency by improving border crossing speed and business competitiveness with other countries.
- ❖ Since the establishment of the OSBPs, KRA has witnessed a remarkable growth in Customs revenue.
- ❖ At OSBPS, the exports exit processes are carried out in the receiving country.

4. CARGO SCANNERS

- ❖ The Authority has invested in cargo scanning equipment to aid in non-intrusive inspection of goods.
- ❖ KRA has installed 33 cargo and baggage scanners and deployed them in various ports of entry in the country.
- ❖ This enables fast decision making and reduces the numbers of consignments targeted for verification and thus reduces time taken in clearance of goods.

5. MODERNISATION OF SYSTEMS

- ❖ KRA has automated all its core customs business processes through the Integrated Customs Management Systems (iCMS) platform.
- ❖ The iCMS system is linked to the Domestic Taxes system iTAX.
- ❖ iCMS is integrated with the National Single window system thus linked to partner government agencies' systems.
- ❖ iCMS is integrated with our neighbours' customs systems.
- ❖ All the above enable quick processing of imports and exports.
- ❖ iCMS is also integrated with the KPA system KWATOS

6. EXPORT PROCESSING ZONES

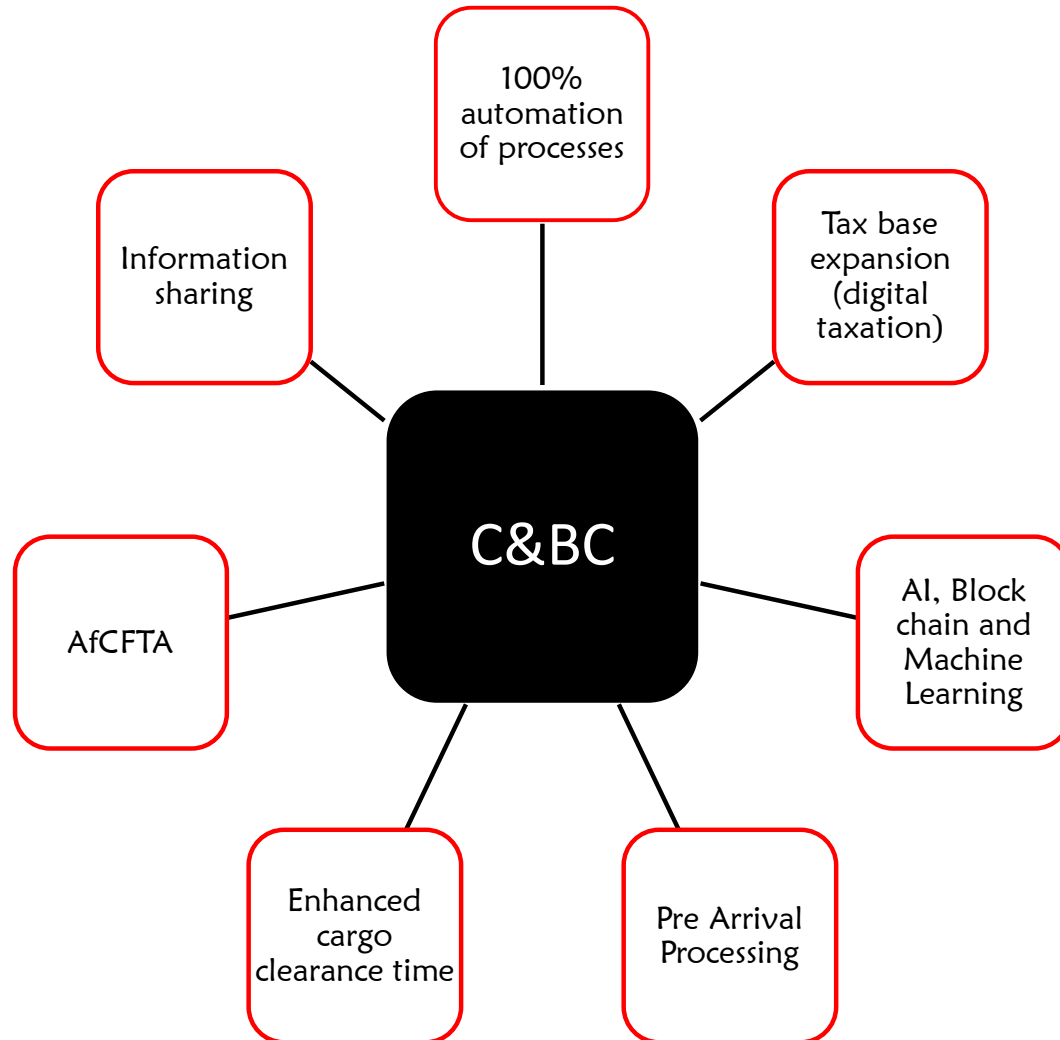
Export processing zones (EPZs) are designated parts of Kenya that are aimed at promoting and facilitating export oriented investments and to develop an enabling environment for such investments.

- ❖ Kenya Revenue Authority supports export processing zones by having officers in the zones to receive and process raw material declarations for goods entering the zones and also to handle exit processes for goods exiting the zones.
- ❖ KRA works closely with the Export Processing Zones Authority(EPZA) to support activities in the EPZs.

7. SUPPORT INITIATIVES

- ❖ Continuous sensitization/engagement to stakeholders on customs laws, systems, processes and procedures i.e. Single Customs Territory (SCT), Regional Electronic Cargo Tracking System (RECTS), ICMS, AEO, PAP, declaration of cargo and even on integrity matters hence improving compliance with the customs processes and procedures.
- ❖ An elaborate customer care/complaint resolution mechanisms with a clear escalation framework to ensure all issues that arise are resolved within SLA timelines.

C&BC Modernization & Strategic Direction



STRATEGIES TO SUPPORT MICRO, SMALL & MEDIUM ENTERPRISES (MSMES)

KRA has implemented strategies to support MSMEs in export promotion including:

1. The Simplified Trade Regime (STR)/De Minimis Principle
2. Simplified Customs declaration
3. Setting up of Rules of Origin Offices at the borders and the regions
4. Mobile payments

1. SIMPLIFIED TRADE REGIME

Under the East African Community Customs Union and COMESA Regime, the Simplified Trade Regime (STR) is a special provision aimed specifically at small traders who regularly transact in low value consignments. An approved simplified certificate of origin (SCOO) exempts consignments of goods that:

- a) Originate in the EAC /COMESA and
- b) Valued under US\$ 2,000 from payment of import duty in the EAC/COMESA destination country.

INSTRUMENTS OF STR

- ❖ A threshold for the value of consignment – in EAC and COMESA the agreed threshold is currently USD 2000.
- ❖ Simplified Certificate of Origin – upon arrival at the border, MSMEs with qualifying goods are issued with the simplified certificate of origin by the Customs officers.
- ❖ Common list of products – this list specifies goods that enjoy preferential treatment under this regime.
- ❖ Simplified Customs Document – a document used by traders to declare goods that appear on the common list and duty is not payable on the declared goods.

THE SIMPLIFIED CERTIFICATE OF ORIGIN

- ❖ The Simplified Certificate of Origin (SCOO) is much shorter and easier to complete than the long version of the Certificate of Origin (COO).
- ❖ The SCOO is used for consignments equal to or less than USD 2,000 in value.
- ❖ EAC Originating products must be accompanied by the SCOO in order to **qualify for exemption of *import duties, IDF and RDL*** when imported into Kenya. Important to note is that SCOO **doesn't exempt VAT and Excise**.
- ❖ The SCOO is issued for **each** transaction and cannot be used more than once.
- ❖ Completed SCOOs are verified, endorsed and issued by the **Customs office at the border** in the exporting country.

BENEFITS OF SIMPLIFIED TRADE REGIMES.

1. Expanded markets
2. Increased productivity and economic development
3. Increases export price competitiveness in the international and regional markets
4. Increases trade volumes
5. Improves export product competitiveness.
6. Reduced cost of doing business

2. SETTING UP RULES OF ORIGIN DESKS AT THE BORDERS

KRA has set up rules of origin desks at Namanga, Busia, Malaba, Moyale, Loitoktok, Lunga Lunga, Taveta OSBP, Nakuru, Mombasa, Eldoret and Kisumu to support the small scale traders at the borders and facilitate their trade.

SUPPORT INITIATIVE: ENHANCED ENGAGEMENT AND SENSITIZATIONS.

- ❖ KRA has continued to engage the MSMEs across the country to enlighten them on the import and export processes and procedures aimed at facilitating their business e.g. on STR.
- ❖ In the financial year 2021/2022 KRA sensitized over 1000 members of MSMEs while this financial year 2023/2024 already 500 members have been sensitized.



THANK YOU