

International Experience in Tax Policy Design and Enforcement

Most Important Questions around Tax Policy and Design

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11th July 2018

Tax Policy and Design

Kenya's Tax to GDP about 17% and cost of Collection is 1.3%

- Need to consider optimal mobilisation of revenue
- Need to support the growth and development goals of the Government
- Need to ensure the goal of distribution or allocation of resources is taken into account
- Ensure that the tax burden is equitably and fairly shared
- Align the tax structure and design to the overarching goals of the government
- Ensure the tax policy and design does not impact negatively on the ease of doing business.
- Should minimise potential for tax base erosion
- Should ensure stability in the fiscal policy
- Flexibility – ensure the tax law can accommodate changes in the structure of the economy.

Where Evidence and Research Could Help

- Need support from the highest political office
- Tax incentives and exemptions should be based on evidence and research
- Confidence in the tax system is important – this could be demonstrated from evidence and research findings
- Support to particular segments of the society should be provided from the expenditure side of the budget and not the revenue side
- Evidence has shown that certain tax incentives such as VAT zero rating or duty free importation of essential products never benefit the intended consumers (the poor in the society)
- The poor could be cushioned from the expenditure side of the budget.

Collaboration with Research Institutions

- World Bank – Research on Corporate Income Tax, Tax Incentives and Illicit Trade in Tobacco Products
- International Monetary Fund – VAT gap analysis
- Researcher from University of Zurich, Switzerland – research on innovative ways to enhance VAT compliance among small firms and simplification of tax payment and returns filing for the informal sector
- Swedish Tax Agency – Technical assistance on culture change and transformation from strict enforcement to taxpayer facilitation
- South African Revenue Service – Support in the area of data warehouse and business intelligence
- East African Revenue Authorities – Comparative analysis of revenue performance indicators
- Kenya Institute for Public Policy Research and Analysis – Tax gap analysis and impact assessment of the Excisable Goods Management System.

Challenges

- Taxation of high net worth individuals – Learning from Uganda Revenue Authority's experience
- Informal sector taxation – Plans to change from turnover tax to presumptive tax pegged on single business permit
- Base erosion and profit shifting
- Increase in exemptions and tax incentives
- Taxation of e-commerce
- Big data analytics.

END

Thank You