RESPONSE BY KENYA REVENUE AUTHORITY TO THE REDUCTION OF REVENUE AS A RESULT OF IMPLEMENTATION OF EAST AFRICAN COMMUNITY COMMON MARKET

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DECLARATION

This project is my original work and has not been presented for an award or a degree in any other University.

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This research project has been submitted for examination with my approval as the University supervisor.

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DEDICATION

To my dear parents Moses and Sophia Sakwa for encouraging me to complete this project and also for their unconditional love and support in all my endeavours. I also dedicate this project to my siblings Sylvia, Sheila, Shimron and Solomon. Thanks for having faith in me. To my beautiful nephew and niece, Gabrielle and Gabriella, may God grant you wisdom to soar much higher than me.

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I give praise and thanks to the Lord almighty for good health and strength all through the course work to this end.

I acknowledge the constant guidance, support and intellectual counsel from my supervisor Dr. John Yabs during the preparation of this project and to my friends and colleagues for the useful information and help they accorded to me while I was carrying out the research.

The support from my family was overwhelming throughout the course. The time and resources you sacrificed to help me achieve this academic milestone were noticed and highly appreciated. May God bless you beyond measure.

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ACRONYMS

CET	Common External Tariff
CM	Common Market
COMESA	Common Market of Eastern and Southern Africa
CU	Customs Union
EA	East Africa
EAC	East African Community
EACM	East African Common Market
EACCM	East African Community Common Market
ECCAS	Economic Community of Central African States
ETR	Electronic Tax Register
FTA	Free Trade Agreements
KRA	Kenya Revenue Authority
NAFTA	North American Free Trade Agreement
NTB	Non-Tariff Barriers
PTA	Preferential Trade Agreements
RLCA	Risk and Lose Compensation Agreement

ABSTRACT

The study seeks to determine the response of Kenya revenue Authority (KRA) to reduction of revenue as East African Community Common Market (EACCM) is being implemented. An argument proposed by Bonyo (2009) states that multilateral or regional trade liberalization is likely to lead to revenue losses. Kenya's implementation of trade reforms as EAC partner, and introduction of new electronic and customer service systems have forced KRA to undertake extensive change-management activities. In our research, data was collected using semi-structured questionnaires and in-depth interviews. The results were analyzed by use of descriptive statistics such as percentages and frequency distribution. These results have then been presented using tables for easy understanding.

The research findings have revealed that KRA has invested in taxpayer education and compliance enforcement as a priority. The authority has invested in other areas as well including: business automating systems, customs and tax administration procedures, enhanced investigations and enforcement. KRA staff are being trained to correctly and consistently classify businesses and goods in their respective classes and categories for taxation purposes. The study has shown that implementation of database management like tax registers i.e. Electronic Tax Registers (ETR's) have improved the Authority's' revenue collection. KRA has employed an Integrated Tax Management System to ensure that senior management are well equipped and able to monitor and handle the extensive information from various income generating vents as well as other administrative related actions. The study recommends that training and education of the stakeholders especially the staff as a key component in facilitating the implementation of efficient systems for tax administration. The study concludes by suggesting areas for further research. The limitations of the study were inadequate resources for the study in terms of time and money.

CHAPTER ONE: INTRODUCTION

1.1. Background of the study

With the understanding that trade liberalization has a two way effect on revenue collected i.e. revenue can either reduce or increase, this paper explores how Kenya Revenue Authority (KRA) is responding to the East African Community Common Market (EACCM) which comes with trade agreements that lift most of or all tariffs, quotas, special fees and taxes, and other barriers to trade between states (Castro et al., 2004). Established almost 15 years ago by an Act of parliament, KRA is charged with the responsibility of collecting revenue on behalf of the government of Kenya.

Kwaku (1995) suggests that the main driver for increasing regional integration in African sub-continent is the need to increase regional cooperation by creating a unified economic bloc. The African countries also envisage that this will be the building blocks for stronger integration between countries that will lead to the eventual creation of an African Economic Community (WTO, 2005; UNECA, 2004). Kasekende & Ng'eno, (2000) are of the view that regional integration will increase intra-regional trade, which will in turn spur economic growth and development through economies of scale.

The East African Community (EAC) comprises of five countries: Kenya, Uganda, Tanzania, Rwanda and Burundi with its headquarters in Arusha, Tanzania. It a regional intergovernmental organization having been established in November 1999 and entered into force on 7th July 2000 following its confirmation by the original three partner states – Kenya, Uganda and Tanzania(EAC Treaty, 1999) . Rwanda and Burundi consented to the EAC Treaty in June 2007 and became full members of the Community with effect from July 2007. The EAC aims at widening and deepening co-operation among the partner states, strengthening political, economic and social fields for their mutual benefit. To this extent the EAC countries established a Customs Union (CU) in 2005 and are working towards the establishment of a Common Market by July 1st, 2010 as reported in the East Standard (2010), among other things like a Monetary Union by 2012 and ultimately a Political Federation of the East African States. (EAC Treaty, 2001). The treaty enables free movement of factors of production such as goods, capital and labour across the member boarders. The customs union deal was signed in January 2010 and it saw free goods movement across these states at a zero rate but provided for taxable Common External Tariff(CET) at various rates i.e. 0%, 0% 10% and 25% for raw materials, capital goods, intermediate goods and finished products respectively (EAC, 2005).

Partial implementation of the arrangement started in 2005 when Tanzania and Uganda were allowed to export to Kenya without tariffs, while Kenyan exports to the two countries attracted five per cent duty(Castro et al., 2004). Toward this end this paper shows how KRA is surviving amidst the political and economic depression to recoup maximum revenue collection which is at the heart of the government’s efforts to improve the quality of life of our people to improve the food security situation, provide free primary education and enhance access to affordable health care among other pertinent issues.

Kotler et al. (1999) intimates that all organizations function within the environment and environmental factors affect business operations of the organization. The Kenya Revenue Authority operates within the greater East Africa Community. The authority has the mandate of revenue collection thus signs a performance contract with the Ministry of Finance to ensure compliance. KRA is expected to collect ordinary revenue totaling Kshs. 515.8 billion during the current financial year (2009/10) compared to Kshs. 450.4 billion over 2008/09. This requires revenue to grow by over 14.5% this year as highlighted by Odhiambo (2009). This scenario may present a challenge to the authority especially now that it has trade treaties with several countries that facilitate free trade in terms of removing restrictive barriers of financial implications.

Over the years since inception in 1995, KRA had doubled its collection from Kshs. 122,066 million collected in the 1995/96 financial year to Kshs. 274,252 million collected in the 2004/05 financial year (Njonjo, 2005). Till date, KRA has managed to surpass the revenue target in financial years 2003/04, 2004/05 and 2006/07, 2007/08. Last year i.e. 2008/2009, they missed the mark by 12 billion falling short of the set target of 493 billion as the downturn in the global economic environment and the high inflation rate took its toll on the economy. Whilst the authority has increasing and steeper targets in face of economic down slump, confidence has to be restored in the economy in terms of revenue collection.

1.1.1. Kenya Revenue Authority

The main reasons for the establishment of KRA were to assess, collect and account for all revenues in accordance with the written laws and the specified provisions of the written laws. Secondly, was to advise on matters relating to the administration of, and collection of revenue under the written laws or the specified provisions of the written laws. Thirdly, to perform such other functions in relation to revenue as the Minster of Finance may direct. Fourth is to enhance tax compliance through improvement of service delivery to taxpayers and finally, the administration and enforcement of laws relating to revenue (KRA, 2009).

The principal aim in establishing the East African community was to strengthen and regulate the industrial, commercial and other relations of the partner states so as to achieve an accelerated, harmonious, balanced and sustainable development of the economics of the member countries and to share equitably in the benefits accruing from this development (EAC Treaty 1999; 2000). In carrying out these functions, the community is mandated to distribute equitably among member states the costs and benefits arising from its operations. To avoid double customs duty on foreign imports, the Treaty stipulates that goods imported into one member state and subjected to duty in that state, should not again be liable to further customs duty on transfer to another (receiving) member state. The Treaty further guarantees "full and unrestricted freedom of transit" among partner states for goods to and from a foreign country, except that such goods may be subject to the customs laws. The manner of refunding duty collected by the importing state is laid down.

1.1.2. Implementing The EAC Common Market

As illustrated by Castro et al., 2004 this is the second stage in the formation of a regional trading block with a need to harmonise a number of key policy areas including use of common currency, eliminating exchange rate uncertainty thus forming a Preferential Trade Area (PTA). Free trade agreements (FTAs) or PTAs eliminate import tariffs as well as import quotas between signatory countries. These agreements can be limited to a few sectors or can encompass all aspects of international trade. FTAs can also include formal mechanisms to resolve trade disputes. The North American Free Trade Agreement (NAFTA), COMESA, East African Common Market (EACM) are examples of such an arrangement. For proper function however, member countries must establish rules of origin for all third-party goods entering the free trade area. The first stage in formation of the regional block is the implementation of customs union-common external tariff.

A customs union (CU) builds on a free trade area by, in addition to removing internal barriers to trade, also requires participating nations to harmonize their external trade policy. This includes establishing a common external tariff (CET) and import quotas on products entering the region from third-party countries, as well as possibly establishing common trade remedy policies such as anti-dumping and counterfeit measures(Lipsey, 1970). Establishing a common market (CM) which is the second stage and thus cause for our study, typically requires significant policy harmonization in a number of areas since it encompasses free movement of labour, capital, resource, rights of establishment and even residence. Free movement of labour, for example, necessitates agreement on worker qualifications and certifications. It is also typically associated-whether by design or consequence - with a broad convergence of fiscal and monetary policies due to the increased economic interdependence within the region and the effect that one member country’s policies can have on other member countries. This necessarily places more severe limitations on member countries’ ability to pursue independent economic policies. The principal advantage of establishing a CM is the expected gains in economic efficiency. With free mobility, labour and capital, countries can more easily respond to economic signals within the common market, resulting in a more efficient allocation of resources (UNECA, 2004).

The need to harmonize a number of key policy areas including use of a common currency eliminating exchange rate uncertainty is the third stage followed by the forth and final stage of achieving a Political federation. This is the ultimate goal of EAC integration as provided for under the Treaty and the EAC Development Strategy 2006/2010 - interventions towards laying the foundation for the EAC Political Federation (Ssekato, 2009). It’s worth noting that attainment of the political federation is a process and not an event and it is hoped to be achieved by 2013.

1.2. Statement of The Problem

The problems some countries face under any trade liberalization system is that they apply tariff reduction rates to already low national rates, leading to inequitable revenue losses and making exports to countries with higher national rates less competitive (Baunsgaard et al, 2005). This tariff reduction has a direct impact on revenue and KRA needs to asses the revenue implications the application of the tariff reduction program will have on overall revenue collection especially seeing that the second largest revenue percentage collected is from customs duty after the large taxpayer's office. KRA tends to rely heavily on customs and large taxpayer's office taxes as sources of government revenue. Lowering or eliminating tariffs on trade with regional partners, therefore, can constitute a significant risk to Kenyans fiscal position. This is observed against a background of the fact that KRA may lack adequate administrative capacity and a well functioning domestic tax system as insinuated by Njonjo (2005).

KRA has the mandate of revenue collection and owes the ministry of finance and the country at large to collect and meet its target despite the odds. For accountability, it is mandatory that KRA signs a performance contract with the Ministry of Finance committing to meet the mandate. External challenges are rampant including the current market global trends, slow economic growth, and poor climatic conditions and finally ongoing and introduction of trade treaties that cut down or totally reduce on tax. Internal challenges are also rife and they include administrative issues, management policies, human resources, remuneration etc. Existing within this environment is inevitable and KRA has to work with the forces to achieve a balance and still meet its mandate.

Going by the global market trends and an ever increasing budget, KRA has been found wanting in as far as revenue collection is concerned. It has not been able to meet its last revenue target for the last two consecutive financial years i.e. 2008/2009 and 2009/2010. This thus prompted the study as we seeked to research and see how KRA is boosting its current revenue collection while working within the greater EAC even in the face of lean resources but still stay on top of matters revenue.

1.3. Objectives of the Study

- Determining response strategies adapted by KRA to the reduction of revenue as a result of the EAC common market.
- Exploring the plans that KRA will use to maximize on the implementation of the EAC common market.

1.4. Importance of the Study

This study is of importance to several stake holders operating within a common market more so within the EAC common market. Among them being;

The Kenya Revenue Authority

Being at the heart of this study, KRA will be able to use this information to evaluate its current revenue situation verses revenue implication factors brought about by the union. This scenario will present a birds eye view to the Authority prompting new insight into issues perhaps not previously seen and thus making of informed decisions by management in as far as working within borderless states where boarders once existed is concerned.

Senior Management of EAC Revenue Authorities

This is in respect the revenue authorities in their respective EA states. Working within the same environment may imply facing similar challenges, with KRA as a case study, the paper has tackled a few milestones and obstacles presented within the common market and how best to negotiate them. This information will therefore be of benefit to the other authorities.

The Government

KRA as chief collector of government revenue, the government through the Ministry of Finance will be keen to note that regional trade operations brought about by EACCM, may generate minimum revenue. They should thus concentrate on CET, domestic taxes and other means of raising state revenue.

Academicians and Researchers

The information from this study is a contribution to existing literature in the same field and because the paper is not exhaustive as far as the EAC common market is concerned, leaves room for further research in other related fields for example; the impact of free movement of factors of production like people, labour and even rights of establishment.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

Multilateral or regional trade liberalization does not necessarily lead to revenue losses. If tariff reductions (to levels above zero) trigger a more-than proportional increase in trade flows, government revenues from trade taxes may in fact rise (WTO, 2001). Moreover, revenues from taxes on value-added (sales) and income taxes are likely to grow because of higher domestic consumption arising from lower prices of tradables, as well as higher growth resulting from the improved allocation of resources in the economy. If revenue shortfalls occur, however, countries with sound administrative capacity will often be able to recover the losses by strengthening domestic indirect taxes, broadening the tax base, and increasing the efficiency of raising funds for the government (Keen & Ligthart, 2001).

Baunsgaard & Keen, 2005 argue that low-income countries and particularly the least developed countries (LDCs), frequently lack adequate administrative capacity and a well functioning domestic tax system. They tend to rely heavily on trade taxes as sources of government revenue. Lowering or eliminating tariffs on trade with regional partners, therefore, can constitute a significant risk to a country's fiscal position. For example, estimates of the prospective impact of the Economic Partnership Agreement between the European Union and the Economic Community of West African States (ECOWAS) indicate that some of the participating African countries could lose more than 20 percent of their government revenues as a result of preferential tariff reductions (Busse & Grossmann, 2004). A WTO study, 2001 support the argument by adding that the Risk and Lose Compensation Agreement (RLCAs) in the COMESA and the Economic Community of Central African States (ECCAS) appear even further away from effective implementation. By contrast, the revenue sharing funds in the Southern African Customs Union (SACU) and the West African

Economic and Monetary Union (WAEMU) have been operational for several years. RLCAs differ in their design and implementation characteristics, particularly with respect to their duration and their handling of resource mobilization and payout criteria.

2.2. Trade Agreements

Studies show that the African countries have been pursuing regional integration to overcome the fundamental development constraints that are characteristic of African economies, i.e., small economic size; lack of structural complementarities as manifested in the narrow set of similar low-value primary export products and basic minerals produced; and, dependence on imports of intermediate and final goods (ADB, 2000). Normally trade agreements have very important implications for developing countries: they certainly have potential to provide them with new trading opportunities, lock in reform and be powerful tools for economic growth. However, liberalisation between countries with vastly different levels of development, if it is too fast and too deep, could be very damaging for the weakest part argues Schott(1991). For liberalisation to benefit developing countries, these should be granted special and differential treatment so that they can protect their infant industries (via tariffs, subsidies, state intervention or any other tools) until they are strong enough to compete internationally.

The process of trade liberalization in South Africa for example, involved lowering the average tariff level by one third over five years since 1994. As it stood, the agreement was to reduce the level of tariff protection from a weighted average of 30 to 15 per cent on 98 per cent of tariff lines, in order to rationalize the tariff structure and to terminate both export subsidies and the tariffication of quantitative restrictions in respect of agricultural imports (Calitz, 2000).Lately, more than 10,000 tariff lines are being rationalized to less than 6,000 and differentiated tariff rates are standardized to six rates ranging from zero to 30 per cent (Roberts, 2000).

2.3. The Free Trade Area and Common Tariff Structure

Taking an established free trade area like COMESA for example, it was to establish a Free Trade Area (FTA) by the year 2000 and all countries were supposed to have reduced tariffs by 80% as at October 1996. In fact, only 5 countries (Comoros, Eritrea, Sudan, Uganda and Zimbabwe) had reached that level, with Kenya, Malawi and Mauritius on 70% and processing the 80% level. Tanzania (has since left) was by then processing the 80% tariff reduction (Julu, 2005). The problems some countries face are that they apply tariff reduction rates to already low national rates, leading to inequitable revenue losses and making exports to countries with higher national rates less competitive. There is also a problem with application of the tariff reduction program at different stages by different countries (Baunsgaard et al, 2005).

One of the principle mechanisms through which COMESA member States fulfilled the provisions of the COMESA Treaty was to simplify and harmonize their customs procedures and documents, standardize the collection of reliable, accurate and up-to-date trade statistics, facilitate trade in the region through the implementation of the Automated System for Customs Data and Management (ASYCUDA) and Euro Trace (Grant, 2001). The ASYCUDA/Euro Trace assist the business community to clear goods efficiently and effectively increase the revenues of COMESA member States.

Related to the establishment of a Free Trade Area are the elimination of Non-Tariff Barriers (NTBs) and the simplification of rules of origin and value added criteria. Elimination of non-tariff barriers (NTBs) such as in liberalization of import licensing, removal of foreign exchange restrictions and taxes on foreign exchange, removal of import and export quotas, removal of road blocks, easing of Customs formalities, extending times border posts are open are some of the activities that have been implemented by FTAs. Some improvements often overlooked that can make intra-regional trade easier include improving the transport and communications structures, ease visa requirements, improve information, and access to information on trade opportunities, further reduce customs and bureaucratic procedures at border crossings etc as sighted by Julu, 2005. One specific NTB is the amount of documentation required to move goods between countries. COMESA for example to assist with the removal of this NTB it designed the COMESA Customs Document, or COMESA-CD (Ebrill et al. 1999). The Secretariat is currently working on the identification of other remaining non-tariff barriers and drawing up measures on ways in which these NTBs can be resolved and the assistance of the private sector and the donor community in identifying NTBs, recommending ways in which they can be reduced or removed and collaboration with COMESA on the process of their removal would be of benefit to the process of economic growth in the region.

2.4. Common External Tariff (CET)

A common market calls for free movement of goods and services and all factors of production. This therefore implies an environment of zero internal tariff as well as elimination of all non-tariff barriers to cross-border trade among the Partner States but implement a CET. COMESA implemented a Common External Tariff in the year 2004 and as this currently stands the CET will be 0%, 0%, 10% and 25% on capital goods, raw materials, intermediate goods and final goods respectively. There are, in addition, a number of sensitive products that are exempt from the CET and may be imported at other specific tariff levels that are higher than 25 %. These include wheat, rice, maize (not for seed), some cotton clothing, jute bags and sugar. Ngambo (2007) reports that There are still a number of obstacles to be faced regarding the CET, not least on the levels, on compliance, on identifying alternative sources of revenue where revenue loss could result from adopting the CET, on defining the modalities of administering the CET and the categorization of goods into the proposed CET structure.

Under trade liberalization and development in EAC the key objective was to move towards establishment of a Customs Union with a Common External Tariff (CET), elimination of internal tariffs, removal of non-tariff barriers, adoption of common anti-dumping, countervailing and safeguard measures, adoption of common rules of origin, and adoption of common positions against illegal dumping of toxic waste. This was aimed at moving closer to a Common Market with a common competition policy, enhanced cooperation in export promotion and trade in services and development of competitiveness and a stronger negotiation capacity (EAC 1999:2000).

2.5. Economic Situation

Africa as a whole is facing huge economic, social and political challenges. Paramount among these is a hostile external trade environment, a large debt burden and reducing levels of Official Development Aid (ODA) as given in the WTO statistics journal, 2008. Up until the late 1980's and early 1990's COMESA countries followed an economic system which involved the state in all aspects of production, distribution and marketing, thus denying the private sector an economic role to play, except as shopkeepers, and promoted import substitution and subsidized consumption. The theory as advanced by UNCTAD(2001) was that successful emerging industries could be identified by the state and nurtured, through a system of subsidies, grants and protection from foreign competition behind a high tariff wall, and that these industries could then grow to a size from which they could compete against foreign firms. This did not actually happen as the domestic markets were too small, in terms of purchasing power, for industries to realize economies of scale; lack of competition resulted in poor quality goods being produced; foreign direct investment was actively discouraged, resulting in insufficient levels of investment taking place in both capital and labour and in low levels of technology transfer; and a lack of complementarily between domestic industries (WTO, 2008: Schott (1991).

General trends in economic growth as featured in EAC Development Strategy (2006-2010) showed some variations in the GDP growth experiences for the three partner States i.e. Kenya, Uganda and Tanzania before the entry of the last two states. Over the past six years, Uganda and Tanzania have experienced an average growth of 5 percent and 4.8 percent respectively while Kenya has seen a lower average growth of 1.3 percent per annum over the same period. However, during 2005 Kenya's economy saw a revival with GDP growth rising to 5.8 percent compared to 6.8 percent in Tanzania and 5.3 percent in Uganda. While the 7 percent EAC growth target had not been met by any of the EAC Partner States during the second EAC Development Strategy (2001-2005), the trend suggested positive improvements with a convergence to a growth rate of about 6 percent. Tanzania and Uganda economies are generally dominated by agriculture and this caters for the livelihood of a large part of the population of East Africa.

There is a declining trend however in the share of agriculture to varying degrees in all the three economies with no sufficient information to indicate the extent to which the decline in the share of agriculture is resulting from rising productivity, a desirable outcome for a sector that caters for the livelihood of the majority of East Africans. The increasing shares the service sector, which reached 62.6 percent in Kenya, 45.9 percent in Uganda and 39.3 percent in Tanzania in 2002 tended to stabilize at these levels, making up for the declining share of agriculture(EAC Development Strategy, 2006-2010). Nevertheless, agricultural growth is a key driver of the overall economic growth and improvements in the livelihoods of the people in the region. As regards trade, agricultural products account for a significant proportion of cross-border trade among the three Partner States although a large part of this trade is informal and therefore not captured in official statistics. Table below shows the general structure of the EAC economies in 2001 -2004 (before entry of Rwanda and Burundi).

Table 2.1: General Structure of the EAC Economies (percentage of GDP)

	Kenya			Uganda			Tanzania		
	2001	2002	2004	2001	2002	2004	2001	2002	2004
A: BROAD SECTORS OF THE ECONOMY									
Agriculture	27.8	26.2	24.8	36.4	31.4	33.2	44.8	44.4	43.3
Industry	18.2	18.3	19	20.9	22.7	23.1	16	16.3	17.5
Services	62.9	62.6	64	42.8	45.9	43.7	39.2	39.3	39.2
B: PRIVATE AND GOVERNMENT CONSUMPTION									
Private consumption	79	81.1	17.5	81.4	78.3	76.8	79.9	77.1	71.2
General government consumption	16.8	10.2	19.2	12.5	15.3	15.6	11.7	12.5	15.3

Source: World Bank, *Africa Development Indicators*; 2005

With the above indicators, foreign and domestic investment is a macroeconomic aspect which has called for urgent attention by all Partner States. Looking at Foreign Direct Investment (FDI) first, over the past decade, Tanzania and Uganda have seen an increase in FDI flows while Kenya has received rather low levels of FDI. By 2004, the EAC region had accumulated FDI stock amounting to US$ 8039 million of which 64.7 percent is accounted for by Tanzania, 20.1 percent by Uganda and 15.2 percent by Kenya (World Investment Report, 2005). In as much as Kenya is the only country with significant outward FDI, it still faces a challenge to stimulate investments in sectors other than services.

2.6. KRA Revenue Enhancing Strategies

In advent of customs union in 2005, KRA anticipated some changes both anti and in favour of the revenue body. This therefore prompted reforms within the authority in order to stay both competive and relevant in this fast advancing business world as articulated by Porter (1979). He cautions businesses of sloppiness within a growing global economy. Strategies developed by KRA included:

Customs Reform and Modernization Project

Under the customs reform and modernization project, KRA has undertaken among other things, installation of an electronic data interface system, establishment of a user-friendly customs services department, introduction of pilot one-stop customs activity at border posts, streamlining of port operations through introduction of scanners, and development of a one-stop documentation process for handling import documentation(KRA, 2004). KRA sought for the experience of other countries in its search for an integrated systems architecture having the capacity to link all actors and documents involved within the tax and customs systems. Kenya's implementation of trade reforms as EAC partner, and introduction of new electronic and customers service systems have forced the KRA to undertake extensive change-management activities (Gainde, 2001). In its efforts to move its reforms forward quickly, the KRA introduced its first programs and personal shifts before carrying out change-management sessions. As part of its customs modernization reform activities, KRA employees are employed under the terms of service contracts that spell out expectations, in keeping with government of Kenya's larger results-based management strategy.

Revenue Administration Reform and Modernization Programme (RARMP)

Since the inception of KRA in 1995, revenue collection has continued to grow while professionalism in revenue administration has been enhanced (Ogaga, 2007). Despite these

KRA was still faced by a number of challenges for some time including technological, political, legal and social. Thus in order to increase efficiency and competence in the context of EAC, KRA Second Corporate Plan 2003/04-2005/06 while acknowledging these challenges recommended appropriate strategies to address the them. This put into action the Revenue Administration Reform and Modernizations Program (RARMP) which commenced in 2004/05 with the objective of transforming KRA into a modern, fully integrated and client-focused organization (Buyonge, 2006). The RARMP process adopted project management and business analysis techniques in accordance with international best practice with the creation of the Programme Management and Business Analysis Office (PMBO) under the Office of the Commissioner General. This has led to the development of an institutionalized administrative framework for the RARMP making it easier to track progress in the reforms (KRA, 2009).

Customs Services Department Reform and Modernization Project (CRM)

This project aimed at transforming customs into a modern customs administration by 2008/09 financial year in accordance with internationally accepted conventional standards and best practice as outlined in WTO, 2009 agreements and the WCO Revised Kyoto Convention on simplification and Harmonization of Customs Procedures. This was to be done through; First and foremost, implementation of a fully function based customs structure and reengineering of customs procedures from physically controlled checks to risk based and post release controls through strengthening of Post Clearance Audit. Secondly was taking the lead in implementing an inter-agency review of border processing and clearance time to enhance service delivery at the borders. Thirdly was taking the lead at the regional level in addressing deficiencies in the East African Management Act to streamline the import/export process. Fourthly, enhancement of the Simba 2005 system functionality in critical areas of manifest acquittal, management reporting and risk based selection. Last but not least, enhancement of staff competencies in critical areas such as risk-based approaches to cargo management and the adoption of post release verification and audit (KRA, 2009).

Domestic Taxes Department Reform and Modernization Project

This project as outlined on the webpage of KRA revised in 2009, seeks to create a Domestic Taxes Department that is structured along the key tax administration functions of taxpayer education and services, returns and payments processing, audit, enforced collection and tax operations policy. This will be achieved through implementation of an Integrated Tax Management System (ITMS) that integrates both income tax and value added tax operations and takes a single view of the taxpayer. It will also enhance service delivery by achieving complete taxpayer segmentation through building capacity in the Large Taxpayer Office and developing specific programmes targeting the Middle and Small taxpayers.

KRA Business Automation Project

This Project seeks to develop and implement an enterprise-wide IT strategy for KRA which promotes integration of domestic tax administration and the exchange of information between DTD, Customs and RTD. The Project will enable a 'single view of the taxpayer' across all KRA functions, ensure efficient and effective revenue collection and attain operational excellence. The project will undertake to provide seamless sharing of information across KRA and interconnectivity with external systems of stakeholders to enable integrated e-processing of tax returns and efficient enforcement.

2.7. Conclusion

Economic globalization and the expansion of the services sector are inevitable facts of business life because of rapid advances in communication, transportation, travel, other technologies, population growth and the desire to satisfy increasing human needs. Common practice predicts that trade liberalization brings commercial competition closer to the ideal which will result in the lowest prices and highest quality of goods and services, and the ultimate outcome will be greater equity in the distribution of incomes in similar industries across borders (Chocholiades, 1990). Comparative advantage will ensure an effusion of economic specialization, increased efficiencies and customer satisfaction. In agreement with Ball et al., 1996, in order to thrive and prosper economically, a country, community or society must identify and promote areas of commerce in which it can compete with others that may be operating in those same areas, and it is my belief, and perhaps that of others with similar inclination, that every habitable region through the gift of nature has something or the other that gives it an advantage over others, even if it is only the advantage of location, climate, population or culture.

Since the source of Kenya government's tax revenue is ultimately GDP, a particular method of taxation would generally be most effective if all contributing parts are included in the tax base. If some of the untaxed economic sectors could exist as self-contained enclaves, and do not uniformly interact with other sectors, they would make zero, or at most, less than a proportionate contribution to total government tax revenue, whether directly or indirectly (East Standard, 2010). The effect of removing or lessening restrictive import duty systems in countries that rely primarily upon these for government tax revenues will obviously be to reduce the overall tax revenues in those countries, unless the shortfalls created are made up by adopting other forms of primary taxation that are more trade friendly and equally or more effective in generating and collecting tax revenue (De Rosa et al, 2002).

Castro et al (2004), propose that the total welfare effect of the CU implementation is the sum of three variables: change in revenue, change in consumer surplus, and change in producer surplus. Regional tariff preferences will thus not lead to a decrease in import prices or a change in import demand. If, on the other hand, imports of certain tariff items are predominately sourced from CU partners, the regional tariff preference will lead to a reduction in the import price for such goods and a demand expansion. In reference to taxation, just as consumers shop around for the lowest price and highest quality, and employing firms shop around for the cheapest labour and greatest productivity, taxpayers in the common market economy will shop around for the lowest tax rates and best public service and enter those jurisdictions. This means that governments will compete against each other almost like private businesses.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Research Design

A case study method was used to conduct the research and in this case, the study was on Kenya Revenue Authority. Case study is a form of qualitative analysis where a study is done on one organisation, and it gives a detailed investigation of a single subject. This method emphasises on depth rather than breadth. Through a case study, the researcher was be able to obtain in-depth knowledge and understanding about the responses already in place to combat revenue changes within the EACCM.

3.2. Sample Design

Systematic random sample selection was used because it is representative of the population, was easy to implement and covered a large sample size. The study covered KRA offices in Nairobi (which is the headquarters) and Mombasa as it covers entry and exit points of goods. Other border stations like Malaba, Isebania and Busia were reached via internet communication as they also deal with entry of goods thus key revenue points. The departments interviewed included Domestic Taxes, Customs Services, Large Taxpayers Office, Road transport and Support services.

3.3 Data Collection

Both primary and secondary data were used to collect information. Primary data was obtained from interactive personal interviews with the respondents within the organisation where use of open-ended questions was employed so as to get qualitative data. The instrument used as an interview guide was a questionnaire. Questionnaires were also dished out to respondents who were of middle and top management as well as a few selected officers within the Authority. Secondary data was collected from internal sources such in-house publications and external sources including library publications, academic journals, magazines and media excerpts on the common market protocol. The respondents were drawn from five departments that support revenue collection in KRA. The study targeted a total of 55 respondents.

3.4 Data Analysis

The method applied in this study was the content analysis method. Content analysis is the systematic and qualitative description of the composition of the subject of study. It is a technique for making inferences by systematically and objectively identifying specified characteristics of data and thereafter using the information to relate trends (Nachmias and Nachmias, 1996). Content analysis method was appropriate considering the depth and detail of information received because as it guards against selective perception of the content and provides a rigorous application of reliability and validity.

CHAPTER FOUR: RESERCH FINDINGS AND INTERPRETATION

4.1. Introduction

This chapter gives detailed findings, results and discussions of the study. The study sought to investigate the response by Kenya Revenue Authority to the reduction of revenue as a result of implementation of East African Community common market. The study singled out the five departments that support revenue collection in KRA. The study targeted a total of 55 respondents, 46 respondents answered and returned their questionnaires, and this is an equivalent of 85.1%. According to Babbie (2002), any response of 50% and above is adequate for analysis thus 85.1% is sufficient.

4.2. Findings

The study sought to find which areas KRA had invested in, in its endeavour to boost revenue collection as EAC common market has been implemented. This data was collected qualitatively and a variety of observations were made.

4.2.1. Respondents Distribution by Age

From the findings shown below, most of the respondents were aged between 36 to 45 years (57.8%), followed by those aged below 25 (24.4%) and the remaining were aged between 25 to 34 (6.45%).

Table 4.1: Respondents Distribution by Age

Years	Frequency	Cumulative %
Below 25	11	24.4
26-35yrs	5	11.1
36-45yrs	26	57.8
Above 46	3	6.7
Total	**45**	**100.0**

Source: *Researcher;* 2010

This shows that majority of the employees in the targeted departments within KRA are aged between 36 to 45 years. In regard to the study, it authenticates the credibility of the data collected since most of the respondents must have some degree of experience working in KRA.

4.2.2. Level of Education.

The study sought to find out level of education of the respondents so as to ensure that those who responded had basic level intellectual capacity to understand issues related to KRA and EAC common market. This would give credibility of their answers.

Table 4.2: Respondents Distribution by Level of Education

Level	Frequency	Cumulative %
Masters and above	9	19.6
Degree	33	71.7
Diploma	4	8.7
Certificate	0	0.0
Total	**46**	**100.0**

Source: *Researcher;* 2010

The results shown in table above indicate that most of the respondents had attained university degree education as their highest level of education as shown by 71.7% followed by 19.6% who had master's degree and above. The remaining 8.7% had diplomas. The study showed that the respondents had the intellectual qualification which enhanced their ability to give informed answers as concerns KRA matters and EAC common market. The literature reviewed and interviews carried out showed that KRA employees in the various departments have the necessary qualifications in tax administration.

4.2.3. Work Experience

The study assessed the respondents work experience in their current positions within the departments that support revenue collection so that the researcher could validate the results by appreciating the respondents' background experience of working in related assignments within KRA.

Table 4.3: Years of Work Experience at the State Corporation.

Years	Frequency	Cumulative %
3 and below	15	32.6
4 - 6	21	45.7
7 - 9	7	15.2
Above 9	3	6.5
Total	**46**	**100.0**

Source: *Researcher;* 2010

The study revealed in table 4.3 above shows 45.7% of the respondents had worked in the respective department in KRA for about four to six years, 32.6% of the respondents had worked below three years, 15.2% had a working experience of between seven to nine years. Only 6.5% had worked for more than nine years. This shows that a big percentage (45.7%) of the respondents had worked for about four to six years within the Authority and thus had background information on revenue collection and internal operations and that the quality of the results had credibility.

4.2.4. Departments Created

The findings in table 4.4 show that 46.7% of the respondents said that KRA has created new departments in order to boost revenue collection as a result of the implementation of EAC market.

Table 4.4: New Departments Created

Creation	Frequency	Cumulative %
YES	21	46.7
NO	15	32.6
NOT SURE	10	21.7
Total	**46**	**100.0**

Source*: Researcher (2010)*

32.6% of the respondents said NO to the same question while 21.7% were not sure. These results indicate that KRA might have created new departments in response to EAC integration yet other staff were not aware that the creation of new departments is as a result of the EAC common market. Qualitative data collected in regard to the creation of new departments revealed that the main functions of the new departments are to intensify revenue collection and to seal loopholes for revenue loss.

4.2.5. Measures to Increase Transparency and Accountability.

The study sought to find out the measures being used by KRA to increase transparency and accountability in its revenue administration operations. The respondents were allowed to choose from among three options where more than one choice was allowed.

Table 4.5: Measures being used to Increase Transparency and Accountability.

Measure	Frequency	Cumulative %
Adequate notifications	17	29.3
Simple tax assessment and payment forms	27	46.6
Direct consultations with tax administrators	14	24.1
Total	**58**	**100.0**

Source: *Researcher;* 2010

29.3% of the respondents chose adequate notifications, 46.6% chose simple tax assessment and payment forms, while 24.1% of the respondents chose direct consultations with tax administrators. These results indicate that KRA has embraced simple tax assessment and payment forms as a major move in order to make its tax administration transparent and accountable. In addition, adequate notifications and direct consultations with tax administrators have also been embraced to increase transparency and accountability. Qualitative data collected in regard to current service delivery revealed that compared to three years ago, service delivery at KRA is more efficient. This is in line with the analyses which showed that most respondents described current service delivery as very efficient and effective.

4.2.6. Accurate Collection of Duty and Process Improvement

The study sought to find out KRAs intentions regarding accurate duty collection and effective improvement to the process which depends heavily on the integrity of controls, revenue collection officers and soundness of the process involved. The respondents were asked to rate how KRA had improved on the same.

Table 4.6: Accurate Duty Collection and Process Improvement

Comment	Integrity Controls	Soundness of the process involved	Revenue collection officer	Averages	Percentages %
Highly Improved	13	7	10	10	21.0
Improved	19	19	14	17	40.0
Average Improvement	8	10	13	10	21.0
Not much Improvement	2	3	4	3	6.0
Not sure	1	2	1	1	2.0
Unmarked	3	5	5	5	10.0
Total				**46**	**100.0**

Source: *Researcher;* 2010

The results from the table 4.6 reveal that indeed KRA has improved the three factors mentioned in order from greatest to least being integrity of controls, revenue collection officers and soundness of the process involved respectively.

4.2.7. Various Aspects of Revenue Collection

The study sought to explore the respondents understanding and experiences on various aspects of revenue collection currently within KRA. The aspects tested were coded in alphabetical letters as listed below.

A. Tax administration and procedures are effective

B. Customs (trade) consultation mechanisms are efficient

C. Increased efforts against commercial (revenue) fraud

D. Enhanced compliance or enforcement

E. Tax risk management is being organized

F. Coordinated border control with other border agencies

G. Enhanced capacity building and technical assistance

H. Use of efficient IT and technical assistance

The results were analyzed and presented in the table 4.7 as shown below.

Table 4.7: Various Aspects of Duty Collection

Opinion	**Respondents**								**Average**	**Percentage**
	A	B	C	D	E	F	G	H		
Strongly agree	7	2	11	8	13	5	18	10	8.625	23.96
Agree	37	28	26	32	22	28	27	27	22.375	62.15
No opinion	1	11	5	4	6	7	-	6	3.125	8.68
Disagree	1	5	4	2	5	4	1	3	1.875	5.21
Strongly Disagree	-	-	-	-	-	2	-	-	-	-
TOTAL	**46**	**46**	**46**	**46**	**46**	**46**	**46**	**46**	**36.0**	**100.0**

Source: *Researcher;* 2010

From table 4.7 above, the findings clearly indicate that all the eight aspects tested i.e. tax administration and procedures being effective, customs consultation mechanisms being efficient, increased efforts against commercial/revenue fraud, enhanced compliance or enforcement, tax risk management being organized, coordinated border control with other border agencies, enhanced capacity building and technical assistance, use of efficient IT and technical assistance; most of the respondents strongly agreed or agreed. Total percentage for those who strongly agreed and those who agreed equals 86.11%. This is an impressive performance by KRA concerning the eight aspects tested and indicated above. These results thus clearly indicate that much activity is going on in KRA as far as the integration of the EAC common market is concerned.

4.2.8. Performance of the Six Tax Administration Functions in KRA.

The study wanted to know the current performance rating as being felt or viewed by the officers/staff in regards to the following administrative functions within the authority:

A. Domestic Taxes
B. Large Taxpayers Office
C. Customs Services
D. Road Transport
E. Support services and Training
F. Technology Adjustments

The table below shows the research findings.

Table 4.8: Performance of Tax Administration Functions in KRA

Rating	**Respondents**								**Average**	**Percentage**
	A	B	C	D	E	F	G	H		
Excellent	10	11	10	8	11	4	11	18	10	22
Good	30	15	27	20	20	6	20	25	20	43
Fair	2	14	3	12	15	30	11	1	11	23
Poor	2	4	4	2	6	4	1	0	2	5
Not Applicable	2	2	2	4	12	2	3	2	3	7
TOTAL	**46**	**46**	**46**	**46**	**46**	**46**	**46**	**46**	**46**	**100**

Source: *Researcher;* 2010

The total percentage of respondents rating the functions a good and excellent equals 65%. This is followed by 23% for those who rated the tax administration functions fair. This performance rating is remarkable concerning these tax administrative functions tested and indicated above. These results clearly show that KRA is working tirelessly to stay afloat in the wake of the integration of the EAC common market. From the same analysis on table 4.8 above it is paramount to note that much work still needs to be done as far as large tax payer's office and road transport tax administrative functions are concerned.

4.3. Interpretation

The results revealed that KRA has invested in taxpayer education and compliance enforcement as a priority. The authority has invested in automating business systems, customs and tax administration procedures and also enhanced investigations and enforcement. The research also indicated that support services and policy formulation have not been left out as the creation of new departments like Programme Management and Business Analysis Office (PMBO) under the Office of the Commissioner General, ICT and electronic scanner departments are aimed at boosting operations thus revenue. All these findings support the fact that indeed KRA is continuously galvanizing its machinery and resources to keep in pace with the integration of the EAC market.

Qualitative data from the study revealed that KRA has strengthened its capacity on property tax administration i.e. property registry maintenance, valuation and appraisal, assessment and billing, collection, enforcement and taxpayer service. The KRA staff are being trained to correctly and consistently classify businesses to help in correct valuation of businesses. Implementation of database management like tax registers i.e. ETR (Electronic Tax Registers) has improved KRAs revenue collection. The Authority has employed an Integrated Tax Management System (ITMS) to ensure that the senior local management has the necessary information to undertake comprehensive and effective stock take as pertains revenue. Tax administration and procedures have also been improved and this has had a positive effect on the revenue collected by KRA.

The study further showed that KRA has engaged in business sector public relations and tax education campaigns to ensure the business community understands and supports reforms. This has in turn increased revenue collection in addition to strict enforcement against noncompliance measures taken up by KRA. The key to increased local revenue collection which KRA has adopted is to strengthen the capacity of all its departments and tax administration functions to more effectively manage all aspects of revenue administration. KRA has simple, yet effective administrative procedures which are easy to implement at local level. KRA's administrative procedures are comprehensive; cover all revenue and administration functions including tax base administration and information database management, appraisal and liabilities assessment, invoicing, cash office management, collection, monitoring, enforcement and customer service. The study thus concludes that KRA has and is putting a variety of measures to ensure that revenue collection is increased even now as EAC common market has being implemented.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1. Summary

The responses were based on general information and the objectives of the study. Indeed KRA has created new departments in order to boost revenue collection as a result of the implementation of EAC market. These results indicate that KRA has embraced simple tax assessment and payment forms as a major move in order to make its tax administration transparent and accountable. In addition, adequate notifications and direct consultations with tax administrators have also been embraced to increase transparency and accountability, tax administration and procedures are becoming effective, customs/trade consultation mechanisms are being efficient. There is increased effort against revenue fraud, enhanced compliance or enforcement, tax risk management being organized, coordinated border control with other border agencies, enhanced capacity building and technical assistance.

The research findings have revealed that KRA has invested in taxpayer education and compliance enforcement as a priority. It has invested in automating business systems, customs and tax administration procedures, and enhanced investigations and enforcement. Other systems also put in place in regards to safeguarding revenue at the entry points is the use of the scanner. KRA staff are being trained to correctly classify businesses to help in correct valuation of businesses for the sake of income tax and also understanding the rules of valuation and tariff classification for customs purposes. Implementation of database management tax registers has improved revenue collection coupled with an Integrated Tax Management System (ITMS) that enhances service delivery and integrates both income tax and value added tax operations and taking a single view of the taxpayer.

5.2. Conclusion

Multilateral or regional trade liberalization does not necessarily lead to revenue losses as have been seen from other trade agreements like COMESA and NAFTA. If revenue shortfalls occur, however, countries with sound administrative capacity will often be able to recover the losses by strengthening domestic indirect taxes, broadening the tax base, and increasing the efficiency of raising funds for the government as articulated by Keen & Ligthart, 2001. Trade agreements have very important implications for countries with similar levels of development and have the potential to provide them with new trading opportunities, lock in reform and be powerful tools for economic growth (Schott, 1991). Kenya finds itself in this position as it has formed a relationship with the EAC. KRA's revenue collection mandate is therefore given a boost seeing as other similar treaties have worked.

KRA has simple, yet effective administrative procedures which are easily implementable at the local level. KRA's administrative procedures are comprehensive and cover all revenue and administration functions including tax base administration and information database management, appraisal and liabilities assessment, invoicing, cash office management, collection, monitoring, enforcement and customer service. The study thus concludes that KRA has and is putting a variety of measures to ensure that revenue collection is increased even now as EAC common market has being implemented. KRA has a sole responsibility of ensuring that there is no revenue loss even as Kenya operates within the EAC common market. This is because the government of Kenya funds more than 80% of its budget from revenue collected. While it is true that KRA has put various measures and adjustments to heighten revenue collection, it has the challenge of making its tax administrative functions more efficient. The systems should thus be transparent, accountable and effective; free from corrupt practices.

5.3. Recommendations

Coordinated training and education of the stakeholders and especially the staff as a key component in facilitating the implementation of efficient systems for tax administration should be adopted by KRA management. KRA should organize for in-house trainings to ensure that all the staff understand tax administration processes and procedures and implications of revenue loss thereof. Contact with the taxpayer should be improved in terms of customer service; this will ensure maximum compliance with minimum resources. Domestic indirect taxes should be improved by broadening the tax base, and increasing efficiency especially in the large taxpayers office and road transport departments. Common External Tariff (CET) on goods locally available within the region should be given specific tariff levels that are higher than 25 % e.g. sugar, maize (not for seed), vegetable produce, tea, coffee some cotton clothing. Dumping practices should be discouraged and hefty fines in terms of excise duty charged on the same for example on used industrial machinery. The government should come in to ensure uniform trading standards regarding classification, grading or marketing are applied across the states to avoid unfavourable treatment for similar products imported.

5.4. Areas for Further Research

The EAC common market now being a reality, other areas of study recommended would be the effects that the EAC Common Market tax administration may have on the various development sectors within the Kenyan economy for example the social–economic, large and small scale business and possible the reactions from the vibrant market. The suggested research will be worthy to gauge if the greater EACCM is working for or against the East Africans.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE

Please take some time to fill this questionnaire and be assured that all information obtained herein will be regarded as highly confidential and will only be used for academic purposes.

Objectives of the Study

1. Determining response strategies adapted by KRA to the reduction of revenue as a result of the EAC Common Market.
2. Exploring the plans that KRA will use to maximize on the implementation of the EAC Common Market.

GENERAL INFORMATION

1. Age Bracket:

Below 25 years ( ) 26-35 years ( ) 36-45 years ( ) Above 46 years ( )

2. Highest academic qualification

Certificate ( ) Diploma ( ) Degree ( ) Masters and Above ( )

3. Working Experience in KRA.

3 Years and below ( ) 4-6 years ( ) 7-9 years ( ) Above 10 years ( )

PART I

ORGANIZATION

4. How many departments are there in support of Revenue Collection?

a) 5 ( ) b) 6 ( ) c) 7 ( ) d) 8 ( ) e) Above 8 ( )

5. Has KRA created any new departments as a response to boost revenue collection in the implementation of East African Trade integration?

i) YES ( )
ii) NO ( )
iii) NOT SURE ( )

6. If YES to 5 above, what are the main functions of these newly created departments?
i) To seal any Loopholes for Revenue Loss ( )
ii) To intensify Revenue Collection ( )
iii) To help diversify Revenue collection sources ( )
iv) To enhance harmony and coordination of departments ( )

REVENUE

7. What measures are being used to increase transparency and accountability in tax administration?

a) Adequate notifications ( )
b) Simple tax assessment and payment forms ( )
c) Direct consultations with tax administrators ( )

8. Comment on the current KRA service delivery compared with service delivery 3 years ago?

a) Very Efficient ( )
b) Efficient ( )
c) Average ( )

9. KRA's intentions regarding accurate duty collection and effecting improvement to the process depends heavily on:

- The integrity of controls
- Duty collection personnel and
- Soundness of the process involved.

On a scale of 1-5, rate how KRA has improved the above aspects to enhance accurate duty collection?

Where: 1-Highly Improved, 2- Improved, 3- Average Improvement,
4- Not Much Improvement, 5- Not Sure

a. The integrity of controls ( )
b. Duty collection personnel and ( )
c. Soundness of the process involved ( )

10. Is there any official policy on "Whistle-Blowing" or exposing wrong doing?

a) YES ( )
b) NO ( )
c) NOT SURE ( )

11. Is there a competent and efficient system in handing "Whistle Blowing"?

a) YES ( )
b) NO ( )
c) NOT SURE ( )

12. How are records in revenue administration managed (e.g. up-to-date, easy to retrieve, stored safely, archived, protected from tampering)?

a) Very Efficient ( )
b) Efficient ( )
c) Moderate ( )
d) Not Sure ( )

Part II

13. Based on your understanding and experiences indicate (by putting a tick) whether you agree or disagree with the following statements about revenue collection currently at KRA.

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree
Tax administration and procedures are effective					
Customs/Trade consultation mechanisms are efficient					
Increased efforts against commercial/revenue fraud					
Enhanced compliance or enforcement					
Tax Risk Management is being re-energized					
Coordinated border control with other border agencies					
Use of efficient IT and technological systems					
Enhanced Capacity building and technical assistance					

14. Rate the current performance of the following Tax Administration functions in KRA.

	Excellent	Good	Fair	Poor	Not Applicable
Domestic Taxes					
Large Taxpayers					
Customs Services					
Road Transport					
Training					
Technology Adjustments					

15. Indicate in order of priority, which areas KRA has invested in more in her endeavor to boost revenue collection (1 being highest priority).

	1	2	3	4	5	6	7	Not applicable
Customs and Tax Administration and Procedures								
Support Services								
Compliance Enforcement								
Taxpayer Education								
Policy Formulation								
Automating Business Systems								
Modernization of Road Transport								
Enhanced Investigations and Enforcement								

16. Show the level of urgency needed (by putting a tick) in streamlining the following Tax Administrative Functions in KRA in order to maximize on Revenue Collection.

	Very Urgent	Urgent	Not Very Urgent	In Good State	No opinion
Tax administration and procedures					
Taxpayer Education					
Compliance Enforcement					
Road Transport					
Service delivery					
Record Management					
Public Relations					

PART III

Indicate whether you agree or disagree with the following statements. Select one of the choices below and fill in the space provided after every question.

A. **Strongly agree**

B. **Agree**

C. **Not Sure**

D. **Disagree**

E. **Strongly disagree**

17. KRA has strengthened its capacity on Property Tax Administration i.e. Property Registry Maintenance, Valuation and Appraisal, Assessment and Billing, Collection, Enforcement and Taxpayer Service……………………………………………………………….

18. KRA has employed an Integrated Financial Management System to ensure that the senior management has the information necessary to undertake compliance and tax collection related actions ………………………………………………………………………………

19. Correct classification of tax objects and correct unit assessment has been properly done in KRA………………………………………………………………………

20. Implementation of Database Management tax registers (ETR's) have improved KRA's revenue collection… ………………………………………………………

21. The KRA staff are being trained to correctly and consistently classify businesses to help in correct valuation of businesses and enhancing revenue collection ....…………………

22. Tax administration and procedures have been improved and this has had a positive effect on the revenue collected by KRA……………………………………

23. KRA has engaged the Business Sector and Publics in Tax Education Campaigns to ensure the business community understands and supports reforms. This is in turn increasing revenue collection…………………………………...………

24. KRA has effectively put in place strict enforcement against non-compliance and embarked on a Public Relations Campaign to inform the citizens on their rights and obligations on taxation issues…………………………………………

25. The key to increased local revenue collection which KRA has adopted is to strengthen the capacity of all its Departments and Tax Administration Functions to more effectively manage all aspects of Revenue Administration …………………………………………………………

A. **Strongly agree**

B. **Agree**

C. **Not Sure**

D. **Disagree**

E. **Strongly disagree**

26. KRA has simple, yet effective administrative procedures which are easily implementable at the local level ..……………………………………………………….

27. KRA's administrative procedures are comprehensive, cover all revenue and administration functions including tax base administration and information database management, appraisal and liabilities assessment, invoicing, cash office management, collection, monitoring, enforcement and customer service……………………………………………………………………….

28. KRA has the capacity to Implement and Monitor Revenue Mobilization Reforms……..………

29. KRAs systems to collect revenue from local businesses is effective…………….............................……………….

30. KRA has significantly reduced on the cost of collecting duty………………………………........

Thank you very much for taking your time to answer these questions