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THE AUDITOR-GENERAL

ON

REVENUE ACCOUNTABILITY STATEMENTS

**FOR THE YEAR ENDED
30 JUNE, 2022**

KENYA REVENUE AUTHORITY



**KENYA REVENUE
AUTHORITY**

REVENUE ACCOUNTABILITY STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022

Tulipe Ushuru Tujitegemeel!

**KENYA REVENUE AUTHORITY
ANNUAL REPORT AND REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR
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1. KEY INFORMATION AND MANAGEMENT

(a) Background Information

Kenya Revenue Authority (KRA) is a statutory body established by an Act of Parliament, KRA Act Cap 469 of 1995.

(b) Principal Activities

The Authority's objectives are the assessment and collection of revenue, administration, enforcement of laws relating to and accounting for revenue collected under the Act.

MISSION Building Trust through Facilitation so as to foster Compliance with Tax and Customs Legislation.

VISION A Globally Trusted Revenue Agency Facilitating Tax and Customs Compliance.

CORE VALUES

- Trustworthy
- Ethical
- Competent
- Helpful

(c) Key Management

The Authority's day-to-day management is under the following key organs;

- Office of the Commissioner General,
- Domestic Taxes Department,
- Customs & Border Control Department,
- Corporate Support Services Department,
- Investigations and Enforcement Department,
- Strategy, Innovation & Risk Management Department,
- Legal Services & Board Coordination Department,
- Intelligence & Strategic Operations Department and,
- Kenya School of Revenue Administration (KESRA)

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

- | | |
|---|------------------------|
| - Commissioner General | Githii Mburu, MGH,CBS. |
| - Domestic Taxes Department | Rispah Simiyu, EBS. |
| - Customs & Border Control Department | Lillian Nyawanda. |
| - Corporate Support Services Department | David Kinuu, EBS. |
| - Investigations and Enforcement Department | Edward Karanja. |
| - Regional Coordination Department | David Yego. |
| - Strategy, Innovation & Risk Management Department | Mohamed Omar. |
| - Legal Services & Board Coordination Department | Paul Matuku, EBS. |
| - Intelligence & Strategic Operations Department | Terra Saidimu, EBS. |
| - Kenya School of Revenue Administration (KESRA) | Fred Mugambi. |
| - Finance Division | Josephat Omondi. |
| - Procurement Division | Grace Murichu |

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(e) Headquarters

Times Tower Building,
Haile Selassie Avenue,
P.O. Box 48240 – 00100, Nairobi, Kenya.

(f) Contacts

Telephone (254) 020-310900, 2810000, 315553
Email callcentre@kra.go.ke , cic@kra.go.ke
Website www.kra.go.ke

(g) Bankers

National Bank of Kenya Limited,
Harambee Avenue Branch,
P.O. Box 41862-00100 Nairobi, Kenya.

Kenya Commercial Bank Limited,
Haile Selassie Branch,
P.O. Box 58992-00200 Nairobi, Kenya.

Cooperative Bank of Kenya Limited,
Co-Op House Branch,
P.O. Box 67881-00200 Nairobi, Kenya.

Housing Finance Group,
Rehani House,
~~P.O. Box 30088-00100 Nairobi, Kenya.~~

(h) Independent Auditors

Auditor General,
Office of the Auditor General,
Anniversary Towers, University Way,
P.O. Box 30084,
GOP 00100,
Nairobi, Kenya.

(i) Principal Legal Advisor

The Attorney General,
State Law Office,
Harambee Avenue,
P.O. Box 40112,
City Square 00200,
Nairobi, Kenya.

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2. BOARD OF DIRECTORS

a) ANTHONY NG'ANG'A MWAURA

Independent Board Chairman



Mr. Anthony Ng'ang'a Mwaura is the Chairman of the Board of Directors of Kenya Revenue Authority (KRA). He was appointed as the Chairman of the Board on 17th November, 2022 for a term of three (3) years.

Mr. Mwaura is a dynamic professional with vast experience in Strategy, Vision & Mission Planning; Sales & Marketing Leadership; Profitability & Cost Analysis; Programs, Services & Products Billing; Debt Recovery & Cash Management; Contract Negotiations & Strategic Alliances; Finance, Budgeting & Costs Management; Public Relations & Media Affairs; Policy & Products Development; Government Regulations & Relations; Team Building & Performance Improvement and Human Resources Management. He is an experienced manager, team player and problem-solver with keen attention to customer needs and details.

Mr. Mwaura has vast experience in Managing Learning Institutions and is an Educationist. He holds a Bachelor of Education Degree from the Kisii University and a Diploma in Business Management from the Kenya Institute of Management

b) AMB. DR. FRANCIS MUTHAURA, MBS, EGH



Amb. Dr. Muthaura was the Chairman for the Board of Directors of Kenya Revenue Authority (KRA). He was appointed as the Chairman of the Board on 22nd May, 2018 and subsequently re-appointed for a further term of three (3) years on 21st October, 2019 which ended on 20th October, 2022.

He holds a Bachelor of Arts Degree in Economics and Political Science and a Post Graduate Diploma in Diplomacy and International Relations from the University of Nairobi. He was awarded Honorary Doctorate Degrees for Diplomacy and Public Administration by the Kenya Methodist University of Kenya and Honorary Doctorates of Humane Letters (Honoris Causa) by Kenyatta University and The Meru University of Science and Technology.

Amb. Dr. Muthaura has served as a career diplomat, and held ambassadorial appointments to the European Union in Brussels and the Permanent representative to the United Nations in New York. He is the founder Secretary General for East African Community and has also served as a Permanent Secretary in the Ministries of: Information, Transport and Communications; Environment, Water and Natural Resources; Provincial Administration and Internal Security.

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He served as the Head of Public Service and Secretary to the Cabinet for nine and half years before retiring from full time public service. He has previously served as a Chairman of the Boards of the Lamu Port, South Sudan, Ethiopia Transport Corridor (LAPSSET) and BRITAM Holdings Limited.

c) HON. MRS. ROSE WARUHIU, EBS, OGW



Hon. Mrs. Rose Waruhiu is a Member of the Board of Directors of Kenya Revenue Authority (KRA). She was first appointed as a Member of the Board on 21st October, 2016 and re-appointed for a further term of three (3) years on 21st October, 2019.

She holds a Bachelor of Arts (Economics) degree from Makerere University College, and postgraduate Certificate in Management of Higher Education from the University of Manchester. In 1990, she was appointed a Fellow at the Institute of Politics, Kennedy School of Government, Harvard University.

Hon. Mrs. Rose Waruhiu worked as a senior Administrator in the University of Nairobi, early in her career, and later as consultant in Deloitte Haskins&Sells. She has also worked as a consultant in the public sector, undertaking assignments in policy formulation and documentation.

She has held elected positions in women organisations locally and internationally and served in the pro-democracy movement as convener/chair of several initiatives in Kenya and was a nominated member of Kenya Parliament and the EEC/ACP Joint Assembly, and was later a Member of the East African Legislative Assembly.

She has served on the boards of Kenya Post Bank, Kenyatta National Hospital, the National Museums of Kenya and as Vice Chair of the Council of the Jomo Kenyatta University of Science and Technology and is the Chairperson of the Audit and Risk Committee and member of the Human Resources Committee of KRA's Board of Directors.

d) MR. PAUL ICHARIA



Mr. Paul Icharia is a Member of the Board of Directors of Kenya Revenue Authority (KRA). He was first appointed as a member of the Board on 11th November, 2016 and subsequently re-appointed for a further term of three (3) years on 11th November, 2019.

He holds a Bachelor of Science (BSc) Degree in Finance, from California State University, Sacramento USA and a Master of Business Administration (MBA) in Global Management from the University of Phoenix USA. He is a professional with extensive experience in Financial Services, Business Development and Social Services Development.

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Mr. Paul Icharia has served in senior positions at the Royal Bank of Canada (RBC) and Citigroup in the United States of America and is a member of the Finance, Administration and Procurement Committee of KRA's Board of Directors.

e) ENG. LEONARD ITHAU



Eng. Leonard Ithau is a Member of the Board of Directors of Kenya Revenue Authority (KRA). He was first appointed on 30th May, 2018 and subsequently re-appointed for a further term of three (3) years on 21st October, 2019.

He holds a Bachelor of Science Degree in Civil Engineering from the University of Nairobi and a Master of Science Degree in Construction Management from the University of Birmingham, England.

He has served in the public service at the Kenya Ports Authority (KPA) and in professional service a Project Management Consultant to various private bodies in the Health, Port and Harbours/Rail, Roads, Telecommunications, Oil and Gas, Hospitality, Industrial/Commercial and Housing Sectors. He is currently the Executive Director of Quemec Limited, a project management and advisory consultancy.

He has over thirty five (35) years' experience in senior project advisory, design and construction management roles on major civil engineering, infrastructure and building works in Kenya and the broader South East Africa region.

He is a Registered Professional Engineer with the Engineers Board of Kenya, a member of the Association for Project Management (UK) and the Institute of Directors (K).

In social service, he is the current District Governor Nominee for Rotary International, District 9212 and a member of the Board of Governors of Karen Technical Training Institute for the Deaf, Nairobi.

He is the Chairperson of the Human Resources Committee and Member of the Audit and Risk Committee of KRA's Board of Directors.

f) MR. CHARLES MAKORI OMANGA



Mr. Charles Makori Omanga is a Member of the Board of Directors of Kenya Revenue Authority (KRA). He was appointed as a Member of the Board on 30th May, 2018 and subsequently re-appointed for a further term of three (3) years on 18th June, 2020.

He holds a Bachelor of Science Degree in Management Information Systems from USIU – Africa and Master of Business Administration from the University of Leicester, United Kingdom.

Earlier in his career he served in the private sector as a Relationship and Product Manager at Citibank Kenya; Regional Head, Trade Finance (EA) and Head, Public Sector at the Barclays Bank of Kenya (now Absa Bank) and Head, Corporate Banking, CFC Stanbic Bank Limited (now Stanbic Bank).

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Mr. Charles Makori Omanga is currently co-Managing Principal, Horizon Africa Capital Limited, which is a financial advisory firm dealing in mergers and acquisitions in East Africa. In this role, he has developed significant commercial and transactional expertise in various industries. From a governance perspective, he has also served in various boards in the financial services sector including banking and stock brokerage.

He is a member of the Institute of Certified Investment, Financial Analysts (ICIFA) and a Member of the Revenue Strategy and Technology and Human Resources Committees of KRA's Board of Directors.

g) MR. MUKESH K R SHAH



Mr. Mukesh K.R. Shah is a Member of the Board of Directors of Kenya Revenue Authority (KRA). He was first appointed on 30th May, 2018 and subsequently re-appointed for a further term of three (3) years on 21st October, 2019.

He is a Director and founder of Strategic Consultants Limited, a practice that he established in 1992, which provides specialised consultancy services in the areas of strategic planning, high level advisory to family owned business, business revival and reconstruction and mergers and acquisitions to national and international clients.

Prior to founding the Strategic Consultants practice, he was with Price Waterhouse UK and Price Waterhouse Kenya for eighteen years (18) years and held the position of partner for over nine (9) years. At Price Waterhouse, he specialized in assurance, accounting and investigations. He was an authority in the audit of banks, financial institutions, oil companies, tour operators and hotels.

Mr. Mukesh K.R. Shah holds directorships of private companies mainly in a professional capacity and is a non- executive Director of NCBA Group Plc and Carbacid Investments Plc, which are companies listed on the Nairobi Securities Exchange and of NCBA Bank Plc, a leading bank in East Africa. He advises Boards of various other corporate and family owned businesses.

He is a Fellow of the Chartered Association of Certified Accountants (UK), Member of the Institute of Certified Public Accountants of Kenya and Institute of Certified Secretaries of Kenya and is the Chairperson of the Revenue, Strategy and Technology Committee of KRA's Board of Directors. He is also a member of the Board of Trustees of the KRA Staff Pensions Scheme and chairs the Scheme's Finance and Investment Committee.

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h) MRS. SUSAN MUDHUNE, MBS



Mrs. Susan Mudhune is a Member of the Board of Kenya Revenue Authority (KRA). She was first appointed as a Member of the Board on 30th May, 2018 and subsequently re-appointed for a further term of three (3) years on 21st October, 2019.

She holds a Bachelor of Arts (Education) Degree and a Master of Business Administration degree from the University of Nairobi.

She has served in various management positions in the local banking industry for over twenty (20) years, from which she retired in 2001.

Mrs. Susan Mudhune is a past Chairperson of the Board of Kenya Commercial Bank Group and the Kenya Girl Guides Association; has served as a non-executive Director in various Boards including Safaricom (K) Limited and Sanlam Limited and is currently a non-executive Director of Carbacid Group Limited and chairs the Board of Kenya Innovative Finance Facility for Water (KIFFWA) Foundation.

She is a Certified Corporate Governance trainer and a Member of Women Corporate Directors (Kenya Chapter) and Institute of Directors (Kenya) and is the Chairperson of the Finance, Administration and Procurement Committee of KRA's Board of Directors

i) COMMISSIONER GENERAL, FCPA - GITHII MBURU, MGH, CBS



Mr. Githii Mburu was appointed Commissioner General with effect from 1st July, 2019 for a period of three (3) years.

He holds a Bachelor of Commerce Degree (Accounting Option) from Kenyatta University and a Master of Science degree in Public Policy & Analysis from the Jomo Kenyatta University of Agriculture & Technology (JKUAT). He is also a Certified Public Accountant and a Member of the Institute of Certified Public Accountants of Kenya (ICPAK).

He served as the Commissioner for Intelligence & Strategic Operations (I&SO), where he led KRA in establishing and operationalising a formidable intelligence gathering and tax investigations infrastructure which has played a critical role in combating tax evasion and in enforcing KRA's Code of Conduct. He was instrumental in the collection and dissemination of intelligence. In his role as Head of Investigations, he led various tax evasion investigations that have greatly enhanced revenue collection and border security. He led the enforcement team against illicit trade under the Multi-Agency Task Force.

Prior to joining KRA, Mr. Mburu worked as Head of Technical Standards at the Institute of Certified Public Accountants of Kenya (ICPAK) and also worked with CFC Stanbic Bank.

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EX OFFICIO MEMBERS

(a) MR. MUSA KATHANJE (ALTERNATE DIRECTOR TO THE CABINET SECRETARY, NATIONAL TREASURY)



Mr. Musa Kathanje was appointed to the Kenya Revenue Authority Board as the Alternate to the Cabinet Secretary, National Treasury and Planning on 17th March, 2021.

He holds a Masters degree in Business Administration and Bachelor degree in Economics, both from the University of Nairobi and is currently finalising a Phd in Business Administration - Finance from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Kenya. He also holds a certificate in macroeconomic modeling under the United Nations/African Research Network for Development Policy Analysis from the University of Pretoria, South Africa.

Mr. Musa Kathanje is the Director of Macro and Fiscal Affairs Department at the National Treasury having been appointed to the post in November, 2016. He joined the National Treasury in June, 2013 as the Head of Macro Division in the then Economic Affairs Department, on secondment from the Central Bank of Kenya where he was the Head of Monetary Policy Analysis Division.

He has over 26 years of experience in macro-economic policy formulation and analysis, fiscal and monetary policies formulation as well as regional economic integration policy gained from both the Central Bank of Kenya (June, 1996 to June, 2013) and at the National Treasury (June, 2013 to date).

~~(b) MS. MARYANN MUTHONI NJAU KIMANI, EBS, OGW (ALTERNATE DIRECTOR TO THE ATTORNEY GENERAL)~~



Ms. Maryann Njau-Kimani is a Member of the Board of Directors of Kenya Revenue Authority (KRA). She was appointed as a Member of the Board on 24th March, 2017 as the alternate to the Attorney General of the Republic of Kenya.

She holds a Bachelor of Laws (LLB) degree and a Master of Business Administration degree from the University of Nairobi and is an Advocate of the High Court of Kenya with over thirty (30) years post admission experience in private and public law practice.

Ms. Maryann Njau-Kimani is a Senior Deputy Solicitor General and the Secretary, Justice and Constitutional Affairs in the State Law Office and Department of Justice. She is the head of the Department of Justice.

She is an accredited mediator and a United Nations Certified Justice Rapid Response Expert on Women Sexual and Gender Based Violence and has management, financial, research, consultancy and training experience and skills.

3. MANAGEMENT TEAM

a) FCCA CS Rispah Simiyu (Mrs) Advocate, EBS



Mrs. Rispah Simiyu was appointed Acting Commissioner General, with effect from 23rd February, 2023. Prior to her appointment, she served as Commissioner of Domestic Taxes with effect from 22nd October, 2020 and as Deputy Commissioner in Charge of Tax Dispute Resolution Division from April 2018 to October 2020.

She holds a Master of Laws degree with a bias in International Trade and Investment from the University of Nairobi, a Bachelor of Laws degree from the University of Dar-es-Salaam and a post-graduate Diploma in Law from Kenya School of Law. She has practiced and consulted on tax matters in Kenya, Tanzania and Uganda. She is a Fellow Chartered and Certified Accountant (FCCA), an Advocate of the High Court of Kenya, Notary Public and Commissioner for Oaths, a Certified Public Secretary and a certified mediator (MTI).

Mrs. Rispah Simiyu is a seasoned and grounded tax professional with over 21 years of experience. Before joining KRA in April 2018, she served as the Standard Chartered Bank Regional Tax Manager East Africa, where she provided tax advice to East Africa Businesses as well as covered Transfer Pricing assignments in the larger Africa, Middle East and Pakistan. While at the Bank, she served as a member of the Kenya Bankers Association (KBA) Finance and Audit Committee, and specifically as the Chairperson of the Tax Sub-Committee. She began her career at PricewaterhouseCoopers (PwC) in 2001 rising to the position of Tax Manager.

She is a member of the Law Society of Kenya, Institute of Certified Public Accountants and Institute of Certified Secretaries.

b) FCPA - Githii Mburu, MGH, CBS



Mr. Githii Mburu was appointed Commissioner General of the Kenya Revenue Authority (KRA) with effect from 1st July 2019.

Prior to his appointment, Mr. Mburu was the Commissioner for Intelligence & Strategic Operations (I&SO), where he led KRA in establishing and operationalizing a formidable intelligence gathering and tax investigations infrastructure which has played a critical role in combating tax evasion and in enforcing KRA's Code of Conduct. He was instrumental in the collection and dissemination of intelligence with an estimated tax recovery of over Kshs. 250 Billion. In his role as head of investigations, he led various tax evasion investigations that have greatly enhanced revenue collection and border security.

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Mr. Mburu joined KRA in May 2007 and has worked in different capacities in strengthening Tax Audit Operations in the Domestic Taxes Department. He rose through the ranks to a Deputy Commissioner for Investigations & Enforcement Department (I&ED). His efforts in I&ED played a vital role in elevating KRA's prominence in combating tax fraud, before he was appointed as Commissioner, Intelligence and Strategic Operations (I&SO).

Prior to joining KRA, Mr. Mburu worked as Head of Technical Standards at the Institute of Certified Public Accountants of Kenya (ICPAK), and also worked with CFC Stanbic Bank.

Mr. Mburu holds a Bachelor of Commerce Degree (Accounting Option) from Kenyatta University and a Master of Science - Public Policy & Analysis from the Jomo Kenyatta University of Agriculture & Technology (JKUAT). He is also a Certified Public Accountant and a Member of the Institute of Certified Public Accountants of Kenya (ICPAK).

c) Dr. Mohamed Mohamud



Dr Mohamed Omar was appointed Commissioner, Strategy Innovation & Risk Management from 1st October, 2015. His contract was renewed on 1st October 2018 for another term.

He has vast experience in Strategy and Policy, spanning academia and public sector. Before joining KRA, he was the Economic Pillar Director at the Kenya Vision 2030 Delivery Secretariat, where he was responsible for providing leadership and strategic direction to the implementation of the economic pillar flagship projects. Previously, Dr Omar also worked as a lecturer at the University of Nairobi.

Dr. Mohamud is a holder of Doctors degree of Philosophy from The University of Leeds – UK, ~~Master of Business Administration degree – MBA (E-Business) from The University of Sheffield, UK~~ and Bachelor of Science degree (BSC-Business & Economics) from Vaxjo University, Sweden.

d) Mr. Paul Muema Matuku, EBS.



Mr. Matuku is the Commissioner of Legal Services and Board Coordination having been appointed on 15th May 2019. He previously held the position of Deputy Commissioner of Legal Services (now Litigation). Mr. Matuku joined KRA in 1996 as a graduate trainee and has risen through the ranks to his current position as Commissioner of Legal Services and Board Coordination.

Mr. Matuku holds a Bachelors Degree in Law (LLB) from the University of Nairobi and a Post Graduate Diploma in Law from the Kenya School of Law. He is a Certified Public Secretary and a Graduate Fellow of the University of Sydney, Graduate School of Government: Extractive Industries: Effective Governance, Taxation and Financial Management.

He is a member of the Law Society of Kenya, the East African Law Society and the Institute of Certified Secretaries, Kenya.

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He was a member of the East African Revenue Authorities Technical Committee for six years where he chaired the Legal Affairs Sub-Committee.

He has been instrumental in the development and management of dispute resolution mechanisms in KRA having overseen the take-over of defense of KRA tax disputes from the Attorney General in the year 2000 and the development and roll out of a more robust Alternative Dispute Resolution mechanism in the year 2015. He has also been instrumental in the promulgation of the National Energy Policy, 2018; Petroleum Act, 2019 and the Model Production Sharing Contract.

He has been instrumental in the development and management of dispute resolution mechanisms in KRA having overseen the take-over of defense of KRA tax disputes from the Attorney General in the year 2000 and the development and roll out of a more robust Alternative Dispute Resolution mechanism in the year 2015. He has also been instrumental in the promulgation of the National Energy Policy, 2018; Petroleum Act, 2019 and the Model Production Sharing Contract.

e) Mr. David Yego



Mr. David K.S. Yego, was appointed Commissioner, Regional Coordination Department on 22nd January, 2021 this was on a deployment from Investigations & Enforcement Department where he held the same position. His appointment was a continuation of his three (3) years contract that had been renewed on 24th March 2020.

He has over 15 years experience in senior management having risen through the ranks from Auditor 1, Internal Audit Department to the current position of Commissioner, Investigations and Enforcement Department. He has worked in various capacities in Customs and Border Control (C&BC) Department and Commissioner General's office.

Mr. Yego holds a Master's Degree in Business Administration (MBA) from the University of Nairobi, Bachelor's Degree in Mathematics and Economics from Kenyatta University and is also a Certified Public Accountant – CPA (K).

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f) Dr. David Kinuu, EBS.



Dr. David Kinuu was appointed Commissioner for Corporate Support Services Department with effect from 1st November, 2019.

Before joining KRA, he had worked at Safaricom Ltd for more than seven (7) years in various capacities, including Head, Human Resources Shared Services and Senior Manager for Facilities, Health & Safety. Dr Kinuu also worked at different managerial roles in Shell Kenya Ltd and Oil Libya Kenya and Mozambique, among other companies.

He holds a PhD and a Masters Degree in Business Administration from the University of Nairobi, a Postgraduate Certificate in Environmental Assessment & Audit from Jomo Kenyatta University of Agriculture & Technology and Bachelors of Science degree in Mechanical Engineering from the University of Nairobi. Dr Kinuu is a member of the Institute of Human Resource Management and the Institute of Engineers of Kenya.

g) Dr. Fred Mugambi Mwirigi



Dr Fred Mugambi Mwirigi was appointed as Head of the Kenya School of Revenue Administration (KESRA) with effect from 15th May, 2019. Prior to the appointment, he had served as the Deputy Commissioner in charge of Academic and Students Affairs at KESRA since April 2016.

Dr Mugambi was the founding director of JKUAT's Mombasa Campus, where he served for seven years. He taught at JKUAT for 11 years and rose to the level of senior lecturer. Prior to joining JKUAT, Dr Mugambi taught at the Kenya Methodist University. He also served as the chairman of a task force appointed by the Education Cabinet Secretary to select the Board of the Technical and Vocational Education and Training Authority (TVETA), under the Ministry of Education. Dr Mugambi has been involved in consultancy and training tasks for many national and international organisations across six countries. He has published 3 books and over 30 research papers.

Dr Mugambi holds a PhD in Entrepreneurship, and a Master of Science degree in Entrepreneurship from JKUAT, a Bachelor of Business Administration degree from Kenya Methodist University and a Diploma in Small Enterprise Management from Galilee International Management College, Israel.

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h) Dr. Terra Saidimu, EBS



Dr. Terra Saidimu was appointed Commissioner, Intelligence & Strategic Operations with effect from 2nd December, 2019.

He has 15 years of experience in Tax Investigations and Intelligence having served in various positions in the Investigations and Enforcement Department prior to joining the Intelligence and Strategic Operations Department (I&SO) as the head of Intelligence Management Division. Until his appointment as Commissioner, Dr. Saidimu was serving as Deputy Commissioner in Intelligence & Strategic Operations Department.

Dr. Saidimu has made great achievements in multiple areas including leading KRA management in mainstreaming Ethics and Integrity, development and management of a wide range of intelligence tools and practices which have identified taxpayers devising methods to evade taxes. He played a leading role in the ratification of the Multilateral Convention on Mutual Administrative Assistance on Exchange of Information for tax purposes.

Dr. Saidimu holds of Doctors degree of Philosophy in Risk Management from University of Southampton, a Master of Science in Corporate Risk and Security Management, Masters of Business Administration-Finance and a Bachelor of Business & Management-Accounting. He is a member of the Institute of Certified Public Accounts-Kenya (ICPA-K).

i) Lillian Anyango Nyawanda



Mrs. Lilian Anyango Nyawanda was appointed Commissioner, Customs & Border Control effective 15th April 2021.

Mrs. Nyawanda holds a Masters of Business Administration degree from United States International University, Bachelor of Commerce (Finance) degree from The University of Nairobi and a Certificate in Customs and Tax Administration from Kenya School of Revenue Administration. She is currently pursuing Doctorate in Public Policy & Administration from Walden University. She is a member of National Society of Leadership and Success (Sigma Alpha Pi Honor – September, 2020).

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j) Dr Edward Karanja



Dr. Edward Karanja was appointed the Commissioner for Investigations and Enforcement effective 26th March, 2021. Before his appointment, Dr. Karanja had served as Deputy Commissioner, Investigations and Enforcement Department in 2019, and in January 2021 as the Acting Commissioner for the Department.

Dr Karanja holds a PhD in Business Administration from Washington International University (WIU), MBA in Entrepreneurship and Strategic Management from United States International University, Master of Arts in Public Finance from Grips University, Tokyo, Japan and a Bachelor of Arts Degree in Economics and Mathematics from Egerton University.

He is an Associate Member of Certified Fraud Examiners (ACFE), and a fellow of the Institute of Certified Public Accountants of Kenya (ICPAK).

4. CHAIRMAN'S STATEMENT

Foreword

It is a great honour to present the Kenya Revenue Authority (KRA) Annual Report and Financial Statements for the Financial Year 2021/22. This is the first report within KRA's Eighth Corporate Plan implementation period (2021/2022 to 2023/2024).

The 8th Corporate Plan theme is "**Revenue Mobilisation through Tax simplification, technology-driven compliance and tax base expansion**". The strategic thrusts adopted in realizing KRA's principal role of mobilizing resources to finance the country's development agenda as espoused in Kenya's Vision 2030, Big Four Agenda, and the Sustainable Development Goals, are i) revenue mobilization; ii) Tax base expansion; iii) Simplification of the tax regime to ease compliance and service delivery; iv) Application of cutting-edge technology; v) Performance-oriented and ethical organization culture; vi) Strategic partnerships to bolster compliance.

During the 8th plan period, the Kenya Revenue Authority targets to collect **Kshs. 6.831 Trillion**. In the first year, KRA attained an overall revenue performance of **107.9 percent** (collected Kshs 2.031 Trillion against the original target of Kshs 1.882 Trillion), with revenue growth of **21.7 percent** compared to FY 2020/21 collection. This represented a revenue to GDP ratio of **15.0 percent**. This revenue performance is the highest in KRA history, an indication of the ongoing transformation of the Authority into a high-performance culture as well as strict enforcement of tax laws in the fight against tax evasion.

The year 2021 was marked by accelerated growth in the global economy, Africa, and Kenya as well. The global economy was on a recovery path from the devastating effects of the COVID-19 pandemic but had not yet fully recovered. The global growth in 2022 is expected to slow down given the economic damage from the conflict between Russia and Ukraine and the rapid increase in fuel and food prices.

Kenya's Economy

The Kenyan economy in 2021 demonstrated resilience to the COVID-19 shock. The Kenya National Bureau of Statistics (KNBS) estimated the Real Gross Domestic Product (GDP) to have grown by 7.5% in 2021 compared to a contraction of 0.3% in 2020. Most economic activities recorded growth except for Agriculture, Forestry and Fishing activities which contracted by 0.2% in the review period. Activities that were affected more severely by the pandemic in 2020 such as Education and Accommodation and Food services grew faster than those that were less severely affected. Economic growth in 2021 was supported by improved performance in key sectors of the economy including; Manufacturing (6.9%), Wholesale and Retail Trade (7.9%), Real Estate (6.7%), Transportation and Storage (7.2%), and Financial and

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insurance activities (12.5%). Kenya's unemployment rate eased from 6.6% in 2020 to 6.2% in 2021 as businesses reopened and the number of working hours increased, after the relaxation of COVID-19 restrictions. In the first quarter of 2022, the economy expanded by 6.8 percent compared to 2.7 percent growth in the first quarter of 2021, supported by rebounds in most economic activities that had contracted significantly in the first quarter of 2021 due to measures instituted to curb the spread of COVID-19.

Global Economy

World real Gross Domestic Product (GDP) recorded an accelerated growth of 5.9 percent in 2021 compared to a contraction of 3.1 percent in 2020. The growth was supported by the relaxation of measures put in place to control the spread of COVID-19. This resulted in an improvement in global trade as well as increased activity in the industrial and services sectors of most economies. The accelerated growth was witnessed across advanced economies as well as in Emerging Markets and Developing Economies (EMDEs). Advanced economies and EMDEs are estimated to have expanded by 5.0 percent and 6.5 percent, respectively, in 2021 compared to a contraction of 4.5 percent and 2.0 percent, in 2020. The Sub-Saharan Africa economy grew by 3.7 percent in 2021 compared to a contraction of 1.7 percent in 2020. The growth was supported by high commodity prices and increased agricultural production attributed to favourable weather conditions. East African Community (EAC) real GDP grew by 4.9 percent in 2021 compared to a growth of 1.0 percent in 2020, due to favourable weather conditions in most of the countries coupled with a partial lifting of COVID-19 restrictions in Kenya and Rwanda.

Revenue Performance

During the Financial Year 2021/22, the Authority hit the two Trillion mark with a collection of **Kshs. 2.031 Trillion** against the revised target of **Kshs. 1.976 Trillion**. This represents a performance rate of **102.8 percent** and revenue growth of **21.7%** over **Kshs. 1.669 Trillion** collected in the Financial Year 2020/21. This performance reflects improved compliance among taxpayers, who contributed to the collection of revenue surplus of **Kshs. 148.9 Billion** against the original target of **Kshs. 1.882 billion**, the highest recorded surplus in KRA's history.

Exchequer Revenue

During the Financial Year 2021/22, the Net Exchequer Revenue was **Kshs. 1.899 Trillion** against a target of **Kshs. 1.840 Trillion** and over above the **Kshs. 1.544 Trillion** collected in the previous financial year. This represents a performance rate of **103.3 percent** and a growth of **23 percent** respectively.

Agency Revenue

In the FY 2021/22, **Kshs. 131.478 billion** was collected as Agency revenue against a target of **Kshs. 136.248 billion** translating to a performance rate of **96.5 percent**. The Agency revenue grew by **3 percent** as compared to **Kshs. 125.045 billion** collected in the Financial

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Year 2020/2021. Agency revenue performance was affected by declining volumes of petrol, diesel and kerosene.

Overview of factors underpinning revenue performance in 2021/22

The impressive revenue performance is attributed to the implementation of revenue mobilisation strategies as enshrined in KRA's 8th Corporate Plan, tax policy measures, and enhanced revenue administration.

KRA has continued to employ the use of technology to curb revenue leakages. Some of the developments include enhancement of i-Tax to facilitate cross-matching of consultancy payments against PAYE return, use of scanners to give smart alerts, and use of Integrated Customs Management System (iCMS) including targeting and profiling through the use of smart alerts and iCMS risk engine as well bond management and reconciliation.

KRA has also embarked on continuous and close monitoring to ensure compliance across all tax heads. The extensive use of data and intelligence to unearth unpaid taxes has led to improved voluntary compliance and tax base expansion which is aimed at on-boarding taxpayers previously not paying their fair share of taxes. Additionally, the strengthening of integrity measures has contributed to the continued realization of set revenue collection objectives.

Global Outlook

The global economy is projected to grow at 4.4 percent in 2022 with the world expected to cope better with the COVID-19 pandemic. The GDP for advanced economies is expected to return to the pre-pandemic output path with a projection of 3.9 percent in 2022, mainly due to the withdrawal of fiscal policy support put in place during the onset of the pandemic. The real GDP for the USA economy is projected to grow by 3.7 percent in 2022, mainly owing to the easing of supply chain disruptions and strong consumption growth while that of EMDEs is projected to grow by 4.8 percent. Growth in Sub-Saharan Africa is expected to grow by 3.8 percent in 2022. In the near term, recovery is expected to continue supported by elevated commodity prices as activities rebound in the region's main trading partners. Growth in EAC is expected to accelerate to 5.6 percent in 2022 due to the resumption of the economy and the enhanced rollout of the COVID-19 vaccination.

Kenya's Outlook

The National Treasury in the 2022 BPS projects the Kenyan economy to grow by about 5.8 percent in 2022/23. This robust growth rate will be underpinned by continued improvements in economic activities following the reopening of the economy in 2021 and stabilization of the macroeconomic fundamentals such as inflation that continue to remain within the band. From the demand side, improvements in private consumption will be crucial in driving GDP growth. The country's macroeconomic environment is expected to remain stable despite the likelihood

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of a rise in inflation, the weakening of the Kenyan Shilling against its major trading currencies, and the significant rise in energy prices.

Appreciation

On behalf of the Board of Directors, I wish to extend my appreciation to the National Treasury and look forward to their continued support as KRA undertakes its mandate of revenue mobilization. I'd like to take this opportunity to thank my fellow Board members, KRA management and all staff for their tireless efforts in ensuring the Authority achieved and surpassed the two Trillion mark during the Financial Year 2021/22.

To our esteemed taxpayers, thank you for honouring your tax obligations and contributing to our slogan of '*tulipe ushuru tujitegemee*'. It is your commitment to our nation through filing and paying your fair share of taxes that has enabled us to come this far.



**ANTHONY NG'ANG'A MWAURA
CHAIRMAN, KRA BOARD OF DIRECTORS**

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5. REPORT OF THE CHIEF EXECUTIVE OFFICER

i) Introduction

The Financial Year 2021/22 marked the beginning of the Authority's Eighth Corporate Plan running from 2021/22 to 2023/24. The plan runs under the theme of '**Revenue Mobilization through Tax Simplification, Technology-Driven compliance, and Tax Base expansion**'. The Plan will leverage the gains made over time since KRA's inception while deepening efforts toward tax simplification, application of modern technology, and strategic partnerships. Even in the face of the challenging operating economic environment brought about by the COVID-19 pandemic, Kenya Revenue Authority (KRA) defied all odds to hit and surpass the two Trillion mark for the first time in history. This is the first time in 14 years that the Authority has surpassed its original target since FY 2007/08. This is after revenue collection in the FY 2021/22 (July 2021 - June 2022) reached a new record of **Kshs. 2.031 Trillion** compared to **Kshs. 1.669 Trillion** collected in FY 2020/21.

ii) Operating Environment

According to the 2022 Budget Policy Statement, Kenya's GDP is projected to grow by 5.9 percent in the FY 2021/22 compared to 2.9 percent in 2020/21. The outlook will be reinforced by the prevailing stable macroeconomic environment and the ongoing implementation of the strategic priorities of the Government under the "Big Four" Agenda and Economic Recovery Strategy. Weather conditions are expected to be favorable supporting agricultural output. As a result, the export of goods and services will expand as global demand normalizes. These factors will push up consumer demand and increase both public and private sector investment reinforcing the projected growth.

iii) Revenue Performance

The Net Revenue collection in the FY 2021/22 reached an all-time highest of **Kshs. 2.031 Trillion** compared to **Kshs. 1.669 Trillion** collected in FY 2020/21. KRA exceeded the original target of **Kshs. 1.882 Trillion** and two upward revenue target revisions of **Kshs 1.911 Trillion**, which was then revised to **Kshs. 1.976 Trillion**. This represents a performance rate of **102.8%** against the original target and revenue growth of **21.7** percent. It is important to note that revenue collection just about tripled in the last 11 years from **Kshs 707.36 billion** in FY2011/12 to **Kshs. 2.031 Trillion** in FY 2021/22. The performance represents a growth of **187.1** percent in the last eleven years.

The trend in revenue performance as shown in Figure 1 indicates consistent revenue growth from 2015/16 to 2021/22, with average annual revenue growth of **9.8 percent** in the seven years and **9.1%** in the last three years.

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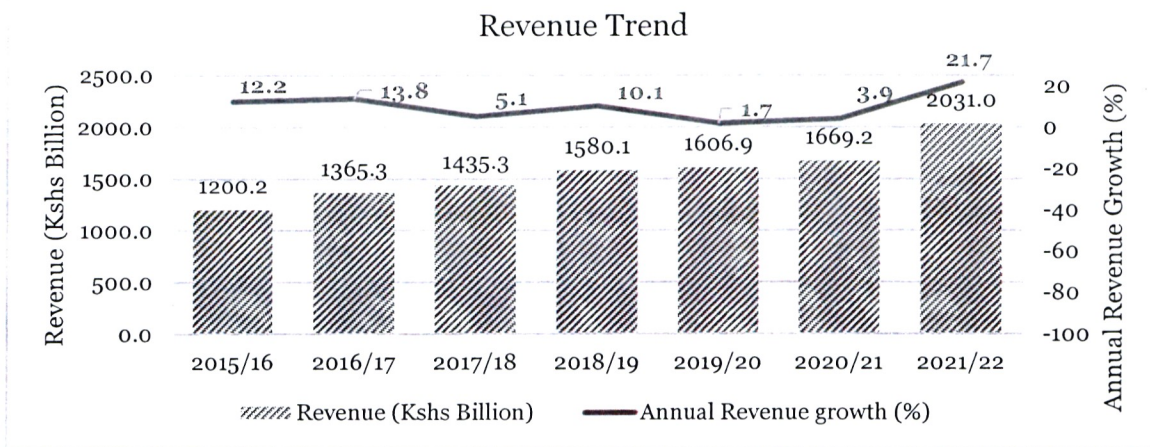


Figure 1: Revenue trends (2015/16 – 2021/22)

a) Customs and Domestic Taxes Performance

Revenue collection by Departments is as shown in Figure 2. Customs and Border Control collected **Kshs. 728.494 billion** in FY 2021/22 against a target of **Kshs. 702.823 billion** registering a revenue surplus of **Kshs. 25.671 billion**. Customs revenues grew by **16.6 percent** over **Kshs. 624.776 billion** collected in FY 2020/21 and recorded a performance rate of **103.7%**.

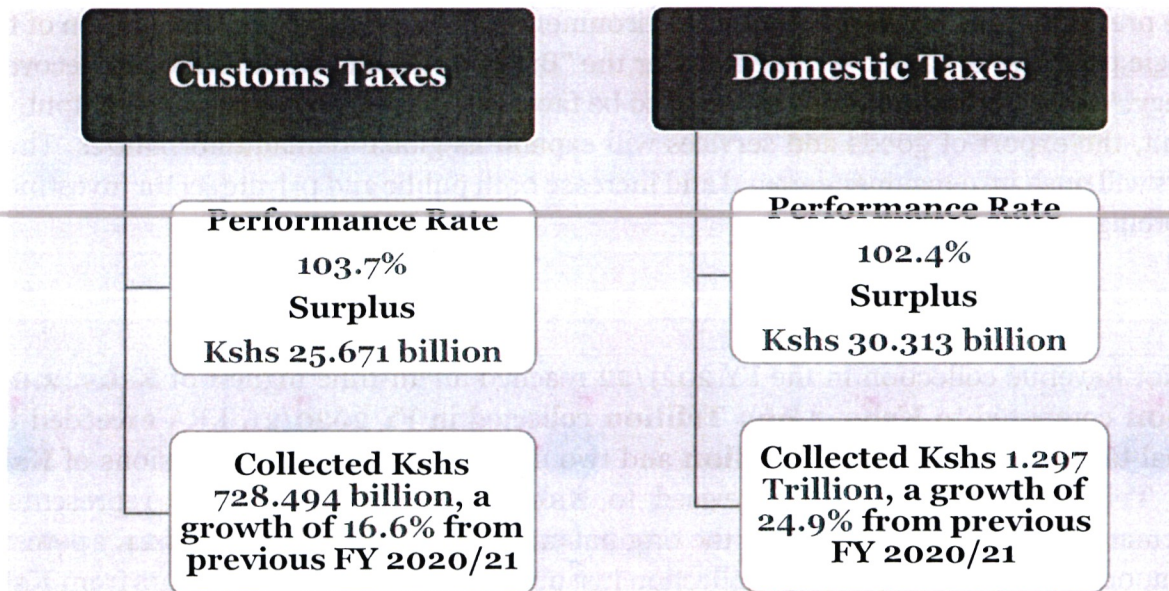


Figure 2: FY 2021/22 Performance rate against the target

On the other hand, the Domestic Taxes Department collected **Kshs. 1.297 Trillion** in FY 2021/22 against a target of **Kshs. 1.267 Trillion**, a revenue surplus of **Kshs. 30.313 billion**. Domestic tax revenue grew by **24.9 percent** over **Kshs. 1.039 Trillion** collections in FY 2020/21 and recorded a performance rate of **102.4 percent**.

b) Performance of Key Tax Heads

Corporation Tax: Corporation tax collection stood at **Kshs. 242.018 Billion** against a target of **Kshs. 218.161 Billion**. The tax head recorded a growth of **32.7 percent** in the FY 2021/22. This performance was driven by increased remittance from key sectors like Finance and Insurance, Manufacturing, Wholesale and Retail Trade, and Transport and Storage sectors.

Pay As You Earn (PAYE): P.A.Y.E collection was **Kshs. 461.816 billion** against a target of **Kshs. 455.283 billion**. The performance was mainly driven by the gradual recovery of the job market emanating from post-Covid economic recovery.

Domestic Excise: The tax head recorded a growth of **6.2 percent** in FY 2021/22, with a collection of **Kshs 66.264 billion** against a target of **Kshs 66.243 billion**. The performance turnaround is attributed to stringent enforcement against tax evasion focusing on curbing illicit trade and blatant non-compliance with tax laws by the players in the alcoholic and cigarette sectors.

Domestic VAT: Domestic VAT collection amounted to **Kshs. 244.706 billion** in FY 2021/22 compared to **Kshs 197.287 billion** during the same period in FY 2020/21, a growth of **24.0 percent**. The good performance is primarily attributable to enhanced compliance efforts by KRA and the economic recovery.

iv) Key Revenue Drivers FY 2021/22

The excellent revenue performance is attributed to the implementation of key strategies as enshrined in KRA's 8th Corporate Plan, tax policy measures, and enhanced revenue administration.

Some of the strategies in the corporate plan include enhanced active surveillance and enforcement operations that have been reinforced by collaboration with the multi-agency team under the whole Government approach in the fight against economic crimes.

To support the fight against economic crimes, KRA has also partnered with other jurisdictions globally to exchange tax information. Kenya's Exchange of Information (EOI) steadily increased from **73** in 2020 to **173** in 2021. Kenya also recovered **Kshs. 10.5 million** in 2020 and **Kshs. 985.2 million** in 2021.

Tax policy measures have also contributed to positive tax growth during the 2021/2022 financial year. For example, Voluntary Tax Disclosure Program (VTDP) has immensely contributed to increased revenue collection. VTDP allows a taxpayer to disclose to the KRA

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tax liabilities that were previously undeclared and enjoy full or partial relief of penalties and interest on the tax disclosed. The program was introduced vide the Finance Act, 2020, commenced on 1st January 2021, and shall run up to 31st December 2023. Under the program, **Kshs. 7.553 billion** in taxes was collected from **14,900** applications in the fiscal year 2021/22. A total of **Kshs. 9.419 billion** was applied for disclosure and waivers.

KRA has also continued to employ technological strategies to seal revenue loopholes. One of the strategies KRA has employed is the web-based system, iWhistle. The system allows the public to anonymously report corruption to KRA. This has enabled The Authority to gather corruption and tax evasion-related information from the public while concealing the identity of the reporters. Through iWhistle, The Authority received a total of **850** corruption reports from taxpayers with a total tax estimate of **Kshs. 6.26 billion** which grew from **Kshs. 2.9 billion** in the FY 2020/2021.

The Authority is currently rolling out the Tax Invoice Management System (TIMS), which aims at plugging loopholes resulting from weaknesses in the ETR regime. The system will help in the standardisation and authentication of tax invoices at the time of generation by the trader and transmission to KRA on a real-time or near real-time basis. It will also enable officers, traders, and the public to verify the validity of a tax invoice through the invoice QR Code or Tax Invoice Checker on the iTax portal.

KRA has progressively enhanced the iTax system for a better user experience. For instance, iTax has been enhanced to include an auto-populated return for taxpayers with employment income as the only source of income. As a result, over 5.6 million taxpayers filed their tax returns for the year 2021.

The investment in technology has further enhanced Customs operations and consequently improved revenue growth. For example, the Integrated Customs Management System (iCMS) has reduced the Customs cargo clearance and processing time, enhanced compliance, and increased efficiency. The system has helped reduce time-taken to clear air cargo from an average of **6 days to 48 hours (2 days)**. This reflects a **66 percent** improvement in clearance turnaround time, which has also reduced losses by traders and drastically reduced customer complaints. KRA has also invested in X-Ray baggage scanners, patrol boats, patrol vehicles, and field test kits among others. The equipment has enabled KRA to detect dangerous or contraband items concealed in luggage, parcels, and cargo and reduced revenue leakage at the ports of entry.

The extensive use of data and intelligence to unearth unpaid taxes has led to improved voluntary compliance and tax base expansion which is aimed at onboarding taxpayers previously not paying their fair share of taxes. For example, the Authority is permitted by law to utilise various databases to pursue suspected tax cheats, among them bank statements,

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import records, motor vehicle registration details, Kenya Power records, and water bills among other data.

Additionally, the strengthening of integrity measures has contributed to the continued realization of set revenue collection objectives. This is evidenced by the fact that revenue collection can never thrive alongside interferences. These interferences may present themselves in the form of counterfeiting and fake licenses and or permits; forms of collusion, cartels, and syndicates, or any form of interference from external stakeholders. The ability to deliver excellent customer service, enforce revenue collection laws and collect the amount due for revenue is also undermined by any lapse in the integrity of the officers charged with this responsibility.

To ensure that staff uphold integrity, KRA continued to implement measures that promote a corruption-free culture including creating awareness among staff on the Code of Conduct formulated to help them understand the standards of personal behaviour required as they perform their duties, lifestyle audits, vetting, and background checks on new staff as well as strict disciplinary measures that deal with unethical conduct promptly.

v) Outlook

The revenue target for the FY 2022/23 is **Kshs. 2.274 trillion**, implying a growth of 12.0 percent over FY 2021/2022 collection. Revenue contribution for key tax categories is as follows: PAYE (**22.6%**), Dry taxes (**21.9%**), VAT Domestic (**13.4%**), Petroleum taxes (**11.8%**) and Corporation Tax (**12.5%**).

The National Treasury projects that the economy will expand by **5.9 percent** in FY 2021/22 and maintain the same growth over the medium term (2022/23-2024/25). This outlook will be reinforced by the prevailing stable macroeconomic environment and the ongoing implementation of the strategic priorities of the Government under the “Big Four” Agenda and Economic Recovery Strategy.

The Authority continues to implement the 8th Corporate Plan whose revenue target over the period 2021/22 to 2023/24 is **Kshs. 6.8 Trillion**. With taxpayers' continued support, the projected economic recovery of **5.9 percent** in FY 2021/22, a progressive tax policy framework, tax simplification, and a robust tax compliance mechanism, KRA is confident that it will achieve this target and enable the country to sustain its economy.

vi) Conclusion

I would like to thank the KRA Board of Directors, management, and staff for their commitment to public service delivery that has enabled the Authority effectively execute its mandate. Through your hard work and resilience, KRA reached the first two trillion mark in

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Kenyan history and surpassed the original target together with the other two upward revised targets for the first time in fourteen (14) years. I also thank the National Treasury and Planning for the support accorded to KRA.

On behalf of the KRA Board of Directors, senior management and staff, I appreciate all taxpayers for their contribution to Kenya's economic sustainability. It is by meeting your tax obligations that KRA has achieved and surpassed its revenue target. KRA endeavours to achieve a high level of customer service and reiterate its commitment to simplify the tax regime to ease tax and customs compliance. ***"Pamoja Twaweza"***



FCCA, CS RISPAAH SIMIYU (MRS), ADVOCATE, EBS
AG. COMMISSIONER GENERAL

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**6. REVIEW OF KENYA REGULATORY & NON-COMMERCIAL ENTERPRISE'S
PERFORMANCE FOR FY 2021/22**

Statement of Performance against Pre-Determined Objectives

KRA has four balanced scorecard perspectives and four objectives within its strategic plan for the period 2021/22 to 2023/24. These strategic perspectives are:

- i. Revenue,
- ii. People,
- iii. Customer, and
- iv. Business process.

KRA develops its annual work plans based on the above four perspectives. Assessment of the Board's performance against its annual work plan is done monthly by perspective. The KRA achieved its performance targets set for the FY 2021/22 period for its four strategic perspectives as indicated in table 1.

Table 1: Strategic Achievements in FY 2021-22

Strategic pillar/perspective	Objective	KPIs	Activities	Measure	FY 2021/22 Achievement
Revenue	Realize government revenue targets while building a sustainable tax base.	Total Revenue collected	<ul style="list-style-type: none"> • Risk based compliance management • Debt management • Smart intelligence and investigation • Tax base expansion • Post clearance aukdit • Integrated scanner management • Cargo tracking 	Kshs. Bn	Kshs. 2.031 Trillion was collected against a revised target of Kshs. 1.976 Trillion . The Exchequer Revenue amounted to Kshs. 1.899 Trillion against a target of Kshs. 1.839 Trillion while agency revenue collection was Kshs. 131 billion against a target of Kshs. 136 billion
		On-time payment	Compliance activities	%	The on-time payment rate for June 2022 was 77%
		Active taxpayers	<ul style="list-style-type: none"> • Tax base expansion 	No	The number of active taxpayers by

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Strategic pillar/perspective	Objective	KPIs	Activities	Measure	FY 2021/22 Achievement
			<ul style="list-style-type: none"> Turning around non-filers 		June 2022 was 7.225 million
		Landlords recruited	Implement Block Management System	No	16,754 recruited against a target of 15,000.
		High net worth individuals recruited	i. Review the HNWI framework to redefine sub segments of HNWIs to include wealth value ii. Implement the revised framework, identify and recruit more HNWIs	No	291 High Net worth individuals were recruited
		Cases investigated	Enhance intelligence driven investigation	No	392 cases were investigated with a revenue implication of Kshs. 35.365 billion
		Cases resolved out of suitable disputes received under ADR	Interdepartmental collaboration and support to the ADR mechanism	%	73%. 644 out of 881 cases resolved. Target for FY 2021/22 was 70%
		Systems integrated	Integrate internal and external systems.	No	4 integrations achieved as follows: iCMS/NTSA II, iCMS/KPC II, iTax/iCMS (VAT Import/Export) and Achieve-iSupport integration
		Value of illicit goods removed from the market	<ul style="list-style-type: none"> Implementation of stringent measures provided in law Awareness creation and deterrence through publicity Collaboration with other agencies 	Kshs. Mn	Illicit goods worth Kshs 1,206.94 million removed from the market. This performance is attributed to the enhanced intelligence, information sharing, enforcement

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Strategic pillar/perspective	Objective	KPIs	Activities	Measure	FY 2021/22 Achievement
Customer	Achieve exceptional customer service and community outreach	Customer satisfaction index	<ul style="list-style-type: none"> Tax simplification Stakeholder engagements Trade facilitation Refunds management 	%	KRA satisfaction index for the FY 2021/22 WAS 72.5% a 0.3% improvement from 72.2% in the previous year
		Activation of upload functionality on iTax	Provide an upload functionality in iTax for return amendments	Time	Completed
		Pre populated returns in iTax	iTax system enhancement to allow for pre-population of VAT Returns by June 2022.	status	Completed
Business process	Reduce the overall cost of collection while improving quality of operations and services	Cost of collection	<ul style="list-style-type: none"> Roll out of simplified online self-services Systems integration Advanced data analytics Reliable and resilient IT infrastructure Maintenance of quality standards 	%	1.25% • Recurrent Expenditure of Kshs 25,338.9M incurred against Revenue collection of Kshs. 2,031,038 Million. A cumulative performance rating of 1.25%
		Automation level		%	Automation score as per ICTA assessment was 96.6% as at May 2022.
People	Continue to build a performance driven and ethical workforce	Optimise human resource capability and capacity	<ul style="list-style-type: none"> Talent management Implementation of structured trainings Improved performance management Repositioning KESRA as a premier training institution 	%	Ratio of technical to support staff increased from 69% to 70% as at January 2022. 1,003 Officers from various departments trained in foundation

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Strategic pillar/perspective	Objective	KPIs	Activities	Measure	FY 2021/22 Achievement
					courses in Tax & Customs against a target of 400.
		Improved work environment	<ul style="list-style-type: none"> • Provision of working tools • Implementation of transport management framework 	No	40 motor vehicles (20 double cabs, 12 vans, 8 SUVs) were leased and 15 vehicles purchased. Online Taxi Services rolled out in 7 Regional Head Offices.
		Enhancing integrity	<ul style="list-style-type: none"> • Staff vetting and investigation • Corruption risk analysis and prevention • Integrity awareness to internal and external stakeholders 		Corruption perception index improved from 34.2% in 2021/21 to 31.3% in 2021/22.

7. MANAGEMENT DISCUSSION AND ANALYSIS

i) Revenue Performance and Growth FY 2015/16 – FY 2021/22

KRA continues to implement her mandate of assessing, collecting, and accounting for all revenues per specific laws governing it. At the same time, the Authority, advises on matters relating to the administration of, and collection of revenue under the written laws or the specified provisions of the written laws while performing such other functions concerning revenue as the Minister for Finance may direct. In the following sections, the report presents the revenue collected, the contribution from the two main departments, and collection against the target for the seven years. It also gives an overview of some anticipated risks and their mitigation measures.

In figure 1, the revenue collection trend from FY 2015/16 to FY 2021/22 is presented. The figure shows consistent revenue performance in this period, with average annual revenue growth of **9.8 percent** in the seven years and **9.1 percent** in the last three years. The highest revenue growth was recorded in the FY 2021/22 at **21.7 percent**.

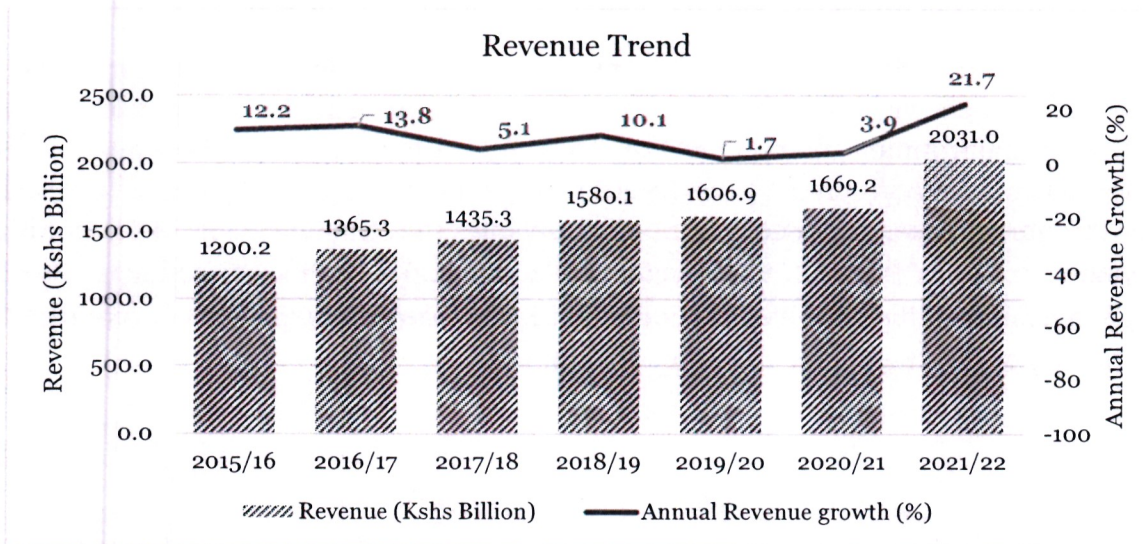


Figure 3: Revenue trends (2015/16 – 2021/22)

As shown in Figure 2, Customs and Border Control collected **Kshs. 728.494 billion** in FY 2021/22 against a target of **Kshs. 702.823 billion** registering a revenue surplus of **Kshs. 25.671 billion**. Customs revenues grew by **16.6 percent** over **Kshs. 624.776 billion** collections in FY 2020/21 and recorded a performance rate of **103.7%**. On the other hand, the Domestic Taxes Department collected **Kshs. 1.297 Trillion** in FY 2021/22 against a target of **Kshs. 1.267 Trillion**, a revenue surplus of **Kshs. 30.313 billion**. Domestic tax revenue grew by **24.9 percent** over **Kshs. 1.039 Trillion** collections in FY 2020/21 and recorded a performance rate of **102.4 percent**.

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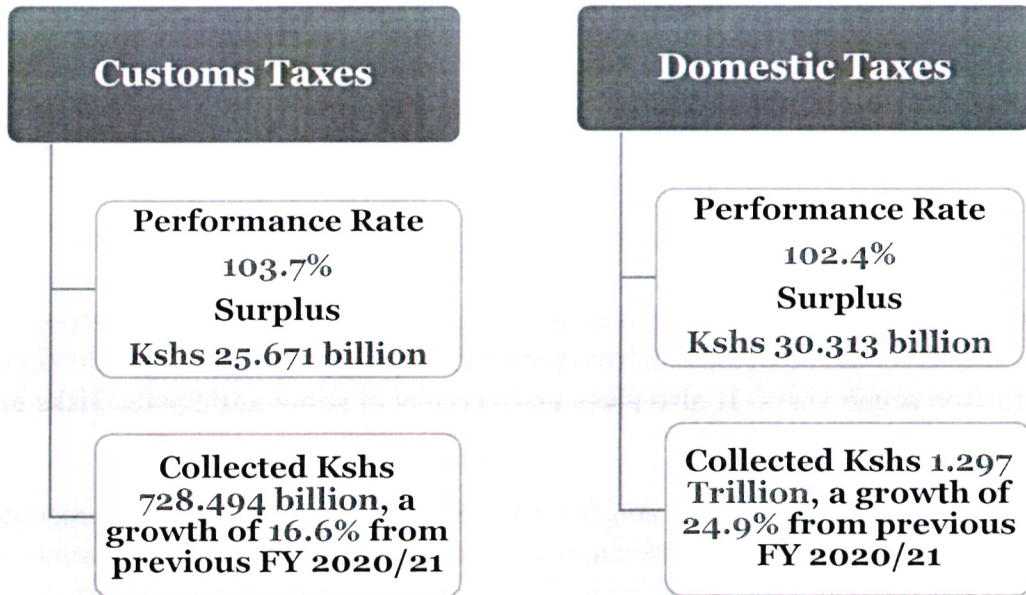


Figure 4: FY 2021/22 Performance rate against the target

ii) Revenue Performance against Target FY 2015/16 – FY 2020/22

In figure 3, we present the historical performance of revenue against revised targets. It is noted that the target has been revised over the years to adjust for changes in the macroeconomic environment that dictates the level of revenue collection. For the last eight years, KRA has consistently missed her target by an average of 3.7%. However, in the FY 2020/21 the target was surpassed by 1.02% despite the challenges in the operating environment. In the FY 2021/22, the revenue collection surpassed the revised target by 2.8 percent, an indication of the improved tax compliance from patriotic taxpayers who contributed to the collection despite the tough operating environment.

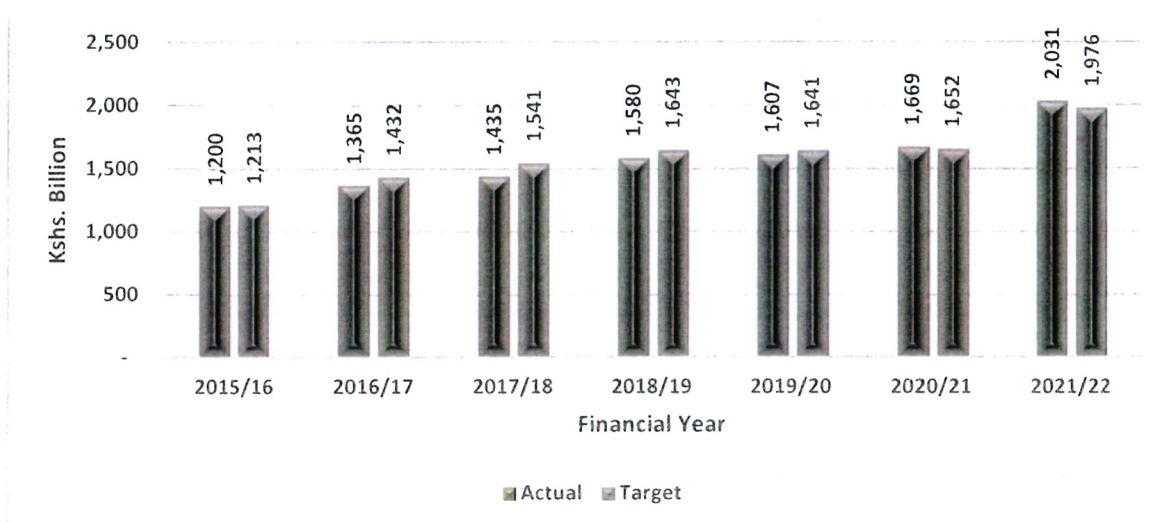


Figure 3: FY 2015/16 - FY2020/21 Actual Collection against Revised Target

iii) Risks and Mitigation in the 8th Corporate plan

While KRA remains optimistic about implementing her mandate, we take cognisance of the risks that can lead to challenges in the implementation of this mandate. For this reason, risk mitigation measures have been put in place to ensure effective risk management. Some of the anticipated risks are **discussed** in the section that follows;

a. Non-registration of taxpayers

To mitigate this risk, KRA's Eighth corporate plan is implementing tax base expansion through the recruitment of new taxpayers, introducing new taxes, subjecting persons and entities to taxes that were previously exempt, and addition of new obligations to the taxpayers already in the system. The strategies for tax base expansion focus on the taxation of the informal sector, use of Geographic Information System for Block management system, increased compliance by High Net-Worth Individuals to promote equity, taxation of the digital economy, and strategic collaboration and partnerships for revenue mobilization.

b. Taxpayer/Customer experience risk

To mitigate this risk, KRA has enhanced efforts towards simplification of tax processes and technology links to make it easy for taxpayers' to comply with their tax obligations. KRA is also implementing tax policy reforms to ensure stability and clarity of tax laws and avert risks associated with policy formulation and design.

c. Data integrity risk

This is the risk that data stored and processed by Information Technology (IT) systems are incomplete, inaccurate, or inconsistent across different IT systems. KRA is in the process of cleaning up the taxpayer database. A clean taxpayer database is critical for revenue mobilisation as it ensures that the taxpayers have the correct obligations and ledger balances reflect the correct position.

d. Smuggling risk

This comes about due to the instability and underdevelopment of some neighbouring countries thus facilitating smuggling across porous borders. This risk is mitigated through the following strategies: i) Use of East Africa Community Centralized Platform for information and data exchange interface; ii) Work with the multi-agency task force to tackle security, smuggling, and illicit trade; and iii) Improve border management.

8. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the structure and processes used to direct and manage an organization in order to enhance corporate performance, accountability, fairness and transparency and accountability. It also entails the balancing of the interests of all stakeholders of the organization.

The Kenya Revenue Authority Board of Directors is the governing body of the Authority. The Board of Directors is responsible for the governance of the Authority and is accountable to the Cabinet Secretary, National Treasury to ensure compliance with the Kenya Revenue Authority Act, The Mwongozo Code of Conduct for State Corporations, international best practice and business ethics. The Directors attach great importance to the need to conduct business and operations of the Authority with integrity, professionalism and in accordance with generally accepted international corporate governance practice. The Authority is committed to the implementation of good corporate governance practices as outlined by promotion of ethical leadership, accountability and ensure the sustainability of the organization.

The Board's responsibilities are broadly set out in Section 6 (6) of the Kenya Revenue Act CAP 469 of the Laws of Kenya.

Board Meetings

The Board meets on a monthly basis to review Management performance, including revenue collection, operational issues and future planning. The Directors are given appropriate and timely information to enable them maintain full and effective control over strategic, financial, operational, revenue and compliance issues. All the Directors are independent of Management and free from any business relationship that could materially interfere with the exercise of their independent judgment. The Board held monthly meetings during the period under review.

Board Committees

The Board had four (4) standing Committees during the period under review, which met regularly under the Terms of Reference set out by the Board.

Human Resources Committee

The Committee is responsible for monitoring and appraising the performance of Senior Management, reviewing of human resource policies, approval of remuneration policy for employees and making recommendations on Senior Management appointments to the Board. The Committee met Six (6) times and its Members were:

- i. Eng. Leonard Ithau,
- ii. Mr. Charles Omanga,
- iii. Hon. Ms. Rose Waruhiu and
- iv. FCPA - Githii Mburu, MGH, CBS

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Finance, Administration and Procurement Committee

The Committee is responsible for review of the Authority's annual budget, Procurement and Disposal Plans and related policies. The Committee met seven (7) times and its Members were:

- i. Ms. Susan Mudhune,
- ii. Mr. Paul Icharia,
- iii. Maryann Njau- Kimani, EBS
- iv. FCPA - Githii Mburu, MGH, CBS

Board Audit and Risk Committee

The Committee is responsible for review of audit reports, compliance with relevant laws, procedure and standards, quality of financial reporting and oversight on internal control and risk, among others. The Committee assists the Board in discharging its supervisory and good corporate governance responsibilities. The Committee met five (5) times and its Members were:

- i. Hon. Ms. Rose Waruhiu,
- ii. Eng. Leonard Ithau,
- iii. Maryann Njau- Kimani, EBS
- iv. Musa Kathanje
- v. FCPA - Githii Mburu, MGH, CBS

Revenue, Strategy and Technology Committee

The Committee is responsible for review of the Authority's strategic implementation of the Corporate Plan and Reform Programme. It also serves as a forum to encourage continuous research and review of tax policy proposals; regulatory framework and revenue collection. The Committee met four (4) times and its Members were:

- i. Mr. Mukesh Shah,
- ii. Mr. Charles Omanga,
- iii. Maryann Njau- Kimani, EBS
- iv. Musa Kathanje
- v. FCPA - Githii Mburu, MGH, CBS

Board of Trustees

The Authority has a Staff Pension Scheme which is supervised, managed and administered by a Board of Trustees. The Authority as sponsor of the Scheme, is represented by the following Board Members:

- i. Mr. Paul Icharia (Chairman),
- ii. Mr. Mukesh Shah,
- iii. Ms. Susan Mudhune and
- iv. Dr. David Kinuu, EBS

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Board Matters

Attendance to board meetings by members	<p>In the Financial Year 2021/2022: There were twelve (12) full Board Meetings and twenty two (22) committee of the Board Meetings attended by Members.</p> <table border="1" data-bbox="678 504 1417 779"> <thead> <tr> <th>Meetings</th> <th>No. of Meetings</th> </tr> </thead> <tbody> <tr> <td>Full Board</td> <td>12</td> </tr> <tr> <td>Finance, Administration and Procurement Committee</td> <td>7</td> </tr> <tr> <td>Human Resources Committee</td> <td>6</td> </tr> <tr> <td>Revenue, Strategy and Technology Committee</td> <td>4</td> </tr> <tr> <td>Audit Committee</td> <td>5</td> </tr> </tbody> </table>	Meetings	No. of Meetings	Full Board	12	Finance, Administration and Procurement Committee	7	Human Resources Committee	6	Revenue, Strategy and Technology Committee	4	Audit Committee	5
Meetings	No. of Meetings												
Full Board	12												
Finance, Administration and Procurement Committee	7												
Human Resources Committee	6												
Revenue, Strategy and Technology Committee	4												
Audit Committee	5												
Succession plan	<p>Appointment is by the President (for the Board Chairman) and Cabinet Secretary – The National Treasury (for Members).As per the Kenya Revenue Authority Act Section 6(2)(a) and Section 6(2)(e). Expiry of term is usually communicated to The National Treasury at least 3 months before expiry of Term</p>												
Existence of a board charter	<p>There is an existing Board Charter, which was reviewed and approved by the Board on 18th March, 2021.</p>												
Process of appointment and removal of directors	<p>As per the Kenya Revenue Authority Act Sections 7 and 8.</p>												
Roles and functions of the Board	<p>As per the Kenya Revenue Authority Act Section 6(6).</p>												
Induction and training	<p>The Directors attended the following workshops and trainings:</p> <ul style="list-style-type: none"> • Board of Directors Workshop on Business Continuity Management (29th November, 2021 to 30th November, 2021) – seven (7) Directors attended. • Training on Leadership in Complexity for Innovation and Growth (New York, USA) (4th October, 2021 to 8th October, 2021) - one (1) Director attended. • The Institute of Certified Public Accountants of Kenya (ICPAK) Executive Seminar (Istanbul, Turkey) (1st November, 2021 to 5th November, 2021) - three (3) Directors attended. • Strategy and Scenario Planning for Boards Seminar (Dubai, UAE) (8th November, 2021 to 12th November, 2021) - two (2) Directors attended. • Intra-African Trade Fair 2021 (Durban, South Africa) (15th November, 2021 to 21st November, 2021) - one (1) Director attended. • Board of Directors Workshop on Business Continuity Management (29th November, 2021 to 30th November, 2021) - seven (7) Directors attended. • Board Audit Committee Workshop (Dubai, UAE) (22nd November, 2021 to 26th November, 2021) - one (1) Director attended. 												

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	<ul style="list-style-type: none"> • Gender Mainstreaming Workshop (17th March, 2022) - seven (7) Directors attended. • Sensitization on Government of Kenya Security Protective Manual (15th April, 2022) - nine (9) Directors attended. • International Executive Trainings from InterAfrica Group on Corporate Governance and Board Development (London) (2nd May, 2022 to 6th May, 2022) - two (2) Directors attended. • International Executive Training from Southern Africa Training Hub (SATHU) on Corporate Financial Planning and Decision Making, Cost Systems and Financial Reporting (Capetown) (9th May, 2022 to 13th May, 2022) – two (2) Directors attended. • International Executive Training from African Management Services Company (AMSCO) Development Solution (Istanbul) (13th May 2022 to 17th May, 2022) – one (1) Director attended • Breakfast Meeting for Women in Taxation Forum (20th May, 2022) - two (2) Directors attended. • Artificial Intelligence for Business and Organization Seminar (Dubai) (6th June, 2022 to 10th June, 2022) – one (1) Director attended. • Sensitization on Productivity Measurements and Recognition in State Corporations (9th June, 2022) – eight (8) Directors attended.
Board and member performance	The Board Performance Self-Assessment for Financial Year 2021/2022 is scheduled for Tuesday, 19 th July, 2022 and facilitated by the State Corporations Advisory Committee.
Conflict of interest	Conflict of interest is declared in all Board and Board Committees Meeting and recorded as part of the proceedings.
Board remuneration	As per the relevant Government Circular: Sitting Allowance: Letter dated 11 th February, 2011 Ref ZZ MOF 131/04
Ethics and conduct	This is provided for under chapter 3 of the Board Charter, which quotes policies and acts that the board members as public officers are subject to.
Governance audit	The Governance Audit has not taken place. The State Corporations Advisory Committee (SCAC) vide their letter Ref No. OP/SCAC.9/175A dated 20 th February, 2020 indicated that the SCAC was in the process of accrediting Governance Auditors and they would share the list once the process was complete. The Authority awaits further guidance.

9. CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT

Purpose of CSR statement

The Corporate Social Responsibility (CSR) statement is a progress report on the stakeholder and community engagements towards our good corporate citizenship mantra. KRA seeks to take account of corporate sustainability approaches that include employees, their families, local communities and society at large to improve quality of life, the environment and the economy in the long-term.

Since 2016, KRA has been implementing CSR initiatives through four pillars namely: **Environment, Health, Education, and Sports Marketing**. In 2021/2022 Financial Year, KRA included staff in the implementation of its projects through a **CSR Volunteerism Programme** and CSR sponsorship.

The theme of FY 2021/22 CSR initiatives

Our theme for CSR is ***Inclusion and Engagements***. This statement highlights how through our internal and external stakeholder engagements we identified the need to actively engage our staff in our CSR initiatives to foster community engagements.

CSR Volunteerism Programme as an Enabler

Inclusion through CSR Volunteerism Programme

In the financial year 2021-2022, KRA adopted a staff inclusion model through the CSR Volunteerism Programme. This programme aims at integrating KRA staff with communities in areas that are not related to tax matters. The programme has registered **200 volunteers** across all eight regions. The CSR Volunteerism programme is meant to facilitate community engagements that aims at entrenching customer centric social impact model in implementation of the CSR projects.

CSR Volunteerism Programme acts as an enabler of community engagements. KRA staff will participate in volunteerism initiatives and engage the community while helping them become tax compliant and consequently contribute to the economic development of Kenya.

The purpose of staff volunteering is to steer a work culture that facilitates staff passion outside tax administration duties and appreciate informal engagements initiated by staff.

Inclusion and Diversity

In March 2022 KRA received the National Diversity and Inclusion Award and Recognition (DIAR Awards). This is in recognition that the Authority has employed approximately **100** Persons Living with Disabilities spread across all KRA stations countrywide. These staff are provided with monthly allowances, letters for tax exemption services on their salary, renewal to membership services, and registration to National Council for Persons with Disabilities among many other benefits.

The Authority has also registered with National Council for Persons with Disabilities Career Portal that is dedicated to the employment of Persons with Disabilities. Through this portal, KRA advertises job opportunities giving the Persons with Disabilities an equal opportunity

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to serve at the tax agency. The Authority has staff who have knowledge in sign language interpretation and who assist to facilitate auditory impaired taxpayers.

In the financial year ending 30th June, 2022 KRA achieved the following;

1. Caring for the Environment

In demonstrating care for the environment and support of the Government's objective of achieving a 10% forest cover by 2022, KRA planted **30,914 trees**. This achievement was as a result of collaborative efforts between KRA staff, regional communities and other stakeholders.

From Tree planting to Tree growing

KRA has adopted a sustainable tree growing model where students adopted trees in schools and are nurturing them. Some of the partner schools include; Bohorera and Kombe in Isebania, Malaba Township School amongst others. This model has seen **100%** survival rate for the trees planted.

2. Nurturing the future Generation

Reading Ambassadors

On the 16th June, 2022, KRA through its education pillar, joined the world in celebrating International Day of the African Child. In marking this celebration, thirty four (34) KRA staff volunteers went to 25 schools for a 30 minute reading session where they read an excerpt from the book "Shambulizi La Akina Shida" by Muthoni Muchemi.

Other volunteerism initiatives were;

- Four hundred and Sixty Seven (**467**) staff participated in Staff sensitization on the role of volunteerism in economic development held virtually on **24th June, 2022**
- Five hundred and one (**501**) staff participated in the Staff sensitization on Autism to appreciate employees who are parents and care givers in areas of neurodiversity. This sensitization was conducted on **22nd April, 2022**

3. Safeguarding our generation

KRA is also contributing to Sustainable Development Goal (SDG) 3 on affordable Healthcare through its CSR Programme. This programmes were implemented in various Level 5 Hospitals between 2017 and 2018.

In the Financial Year 2021/2022 KRA conducted a social impact analysis of the following projects;

1. Kilifi District Hospital diabetes clinic
2. Nyeri County Referral Hospital Central, and
3. KNH Paediatric Cancer Ward

The social impact analysed the three key areas of impact namely; operational investment in relation to the beneficiaries, operational efficiency, the number of adopters, output and value added CSR induced changes in the hospitals above.

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The following has been achieved following CSR programme intervention in the health sector:

a) Kilifi District Hospital diabetes clinic

- Improved service delivery. The hospital casualty area is decongested after the diabetic clinic was constructed at a different area. This means that diabetic patients do not have to go through the casualty to receive the specialized treatment.
- Increased number of patients from **36 to 1500** in the diabetic clinic
- Diabetic clinic sessions now occur twice a week whereas previously it was only open once a week.
- The clinic has expanded its support beyond Kilifi County to the neighbouring counties of Taita, Mombasa, Kwale, Tana River, Lamu, Garissa and Nairobi

b) Nyeri County Referral Hospital Central

The handwashing till has greatly improved and promoted hygiene within the hospital, particularly during COVID-19 pandemic. It has facilitated in reducing diarrheal diseases due to improved good hand-washing practice by patients.

c) KNH Paediatric Cancer Ward

The role of play in child development cannot be understated at KRA, we understand the important role of a playground plays in a paediatric ward. We believe that it helps children to learn, develop and feel less anxious while in hospital. It helps them to express their feelings and worries, understand what is happening and cope with treatment. Following KRA's rehabilitation of the KNH Paediatric Cancer Ward Playground the following impact was noted:

- The playground has served as a therapeutic tool to distract the children from the ~~unsettling hospital~~ environment. Serving approximately 100 children per day.
- It has provided the children with an opportunity to interact with each other in a child friendly environment.

Conclusion

Staff involvement in CSR has helped to improve overall relationship and image of KRA. KRA will therefore continue to involve staff in all its CSR activities to enhance a good rapport with taxpayers. The Authority will also invest in CSR projects aimed at making positive contributions to our community and empowering Kenyans.

10. REPORT OF THE BOARD DIRECTORS

The Directors submit their report together with the audited Revenue Accountability statements for the year ended 30th June, 2022 which shows the state of Kenya Revenue Authority's affairs.

Principal activities

The principal activities of the Authority continue to be assessment and collection of revenue, administration, enforcement of laws relating to and accounting for revenue collected under the relevant Acts.

Results

The results of the Authority for the year ended 30th June, 2022 are set out on pages 42 to 78.

Directors

The Members of the Board who served during the year are shown on page 5 to 10. During the year, director Bernard Ndung'u, MBS (Alternate Director to the Cabinet Secretary, National Treasury) retired and replaced by Director Musa Kathanje as the Alternate Director to the Cabinet Secretary, National Treasury with effect from 17th March, 2021.

Auditors

The Auditor General is responsible for the statutory audit of the entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.



.....
Paul Matuku, EBS

By Order of the Board

Board Secretary

Date: 24/3/2023

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11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 82 (1) of the Public Finance Management Act, 2012 requires that, at the end of each quarter and financial year, a receiver of revenue shall prepare an account of the revenue received and collected by the receiver during that financial year. As the collector of revenue, the Kenya Revenue Authority prepares the Revenue Accountability Statement, which give a true and fair view of the state of affairs of the collections at the end of each quarter and the financial year. The Directors are also required to ensure that the Authority keeps proper accounting records, which disclose with reasonable accuracy the collections, by the Authority.


The Directors are responsible for the preparation and presentation of the Authority's Revenue Accountability Statement, which give a true and fair view of the collections by the Authority for the year ended on 30th June, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the collections by the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the Revenue Accountability statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the Authority's Revenue Accountability Statement, which has been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The KRA Act. The Directors are of the opinion that the Authority's Revenue Accountability Statement give a true and fair view of the state of Authority's transactions during the year ended 30th June, 2022. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's Revenue Accountability Statement as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the Revenue Accountability Statement

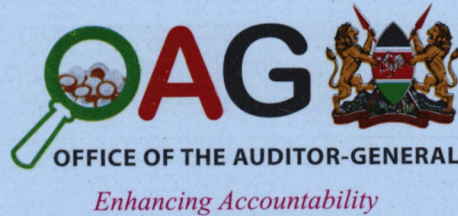
The Authority's Revenue Accountability Statement was approved by the Board on _____ and signed on its behalf by:


.....
**FCCA, CS RISPAAH SIMIYU (MRS), ADVOCATE, EBS
AG. COMMISSIONER GENERAL**


.....
**ANTHONY NG'ANG'A MWAURA
CHAIRMAN**

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022 - KENYA REVENUE AUTHORITY

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Revenue Accountability Statements that considers whether the revenue accountability statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, legal notices, circulars, guidelines and manuals and whether public resources are collected in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE REVENUE ACCOUNTABILITY STATEMENTS

Qualified Opinion

I have audited the accompanying revenue accountability statements of Kenya Revenue Authority set out on pages 43 to 82, which comprise the statement of financial position as at 30 June, 2022 and the statement of revenue collections and transfers, statement of

Report of the Auditor-General on Revenue Accountability Statements for the year ended 30 June, 2022 - Kenya Revenue Authority

targets versus actual performance by tax head for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the revenue accountability statements present fairly, in all material respects, the financial position of the Kenya Revenue Authority as at 30 June, 2022, and of its revenue performance for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the Kenya Revenue Authority Act, Cap 469 of the laws of Kenya.

Basis for Qualified Opinion

Long Outstanding Revenue Balance

As previously reported, the statement of revenue debt under Note 17.17(A) to the revenue accountability statements reflects an outstanding revenue balance of Kshs.1,558,258,572,722 (2021-Kshs.1,601,133,022,443). Management has indicated that out of the debt of Kshs.1,558,258,572,722 in June, 2022, only an amount of Kshs.85,846,282,468 or approximately 5.5% is estimated to be collectible while the balance of Kshs.1,472,412,290,254 or approximately 94.5% is considered uncollectible and doubtful as detailed below.

Department	Collectable Amount (Kshs.)	Uncollectable Amount (Kshs.)	Total (Kshs.)
Customs and Border Control	8,186,606,421	4,725,923,738	12,912,530,159
Domestic Taxes	77,659,676,047	1,467,686,366,516	1,545,346,042,563
Total	85,846,282,468	1,472,412,290,254	1,558,258,572,722

Some of the uncollectible debts date back to 1992 and relate to penalties, interest, old legacy system debts, estimated assessment debts, debts owed by public institutions and other debts that are subject to other factors such as data corrections, objections, appeals and litigation processes.

Management has also indicated that the exercise of validating the debt, as a pre-requisite for updating taxpayers ledgers, is ongoing and various measures have been put in place with a view of reducing the debts. These measures includes implementing aggressive debt recovery initiatives, enhanced ledger reconciliations and corrections, reversal of erroneous debts, enhanced and comprehensive data cleaning and validation processes on taxpayers records, establishment of a full time project team to fast track debt validation of legacy system debts, and strengthening of the tax appeal processes, among other

measures. However, the strategies implemented have not yielded much result and it is also not clear why the Authority continues to employ the same intervention measures that are not yielding adequate results. Further, Management has not explained why some unrecoverable long outstanding balances continue to be retained in the books of account.

In the circumstances, the recoverability of the outstanding revenue balance could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Revenue Authority Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the revenue statement. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Outstanding Refund Claims

The statement of outstanding refund claims under Note 17.17 (B) to the financial statements discloses an outstanding refund claims balance of Kshs.122,507,810,213 as at 30 June, 2022 compared to Kshs.109,871,066,350 reported as at 30 June, 2021. Management has indicated that various measures including re-organization and additional staffing of the refunds unit, timely resolution of system challenges, legislative changes and seeking for enhanced funding from The National Treasury for payment of approved claims have been put in place to hasten processing of refunds. However, should the Authority fail to get enhanced funding from The National Treasury, the refund claims will keep on escalating as indicated.

Further, out of the outstanding refund claims balance of Kshs.122,507,810,213, an amount of Kshs.68,788,672,660 or 56% has been outstanding for more than two (2) years. This was contrary to Section 47(4) of the Tax Procedures Act, 2015 which states

that where, in relation to an application for a refund made under this section or made under any other tax law, the Commissioner is satisfied that a taxpayer has overpaid a tax, the Commissioner shall apply the overpayment in the following order.

- (a) in payment of any other tax owing by the taxpayer under the tax law;
- (b) in payment of a tax owing by the taxpayer under any other tax law; and
- (c) any remainder shall be refunded to the taxpayer.

In addition, Section 47(5) states the Commissioner shall repay the overpaid tax within a period of two years from the date of application, failure to which the amount due shall attract an interest of 1% per month or part thereof of such unpaid amount after the period of two years. No explanation was provided for failure to repay the overpaid tax within a period of two years as required.

In the circumstances, Management was in breach of the law.

2. Failure to Submit a Report on Waivers and Tax Variations

The statement of outstanding refund claims under Note 17.17C to the revenue accountability statements reflects a balance of Kshs.218,443,768 being waivers and tax variations as at 30 June, 2022. However, a report with respect to all waivers and variations of taxes, fees or charges granted by the receiver or collector of revenue during the year was not submitted to the Auditor-General. This was contrary to Article 210(2) of the Constitution which states that a public record of each waiver shall be maintained together with the reason for the waiver; and each waiver, and the reason for it, shall be reported to the Auditor-General. This is also contrary to Section 82(4) of the Public Finance Management Act, 2012 states that not later than three months after the end of each financial year, a receiver of revenue for the national government shall submit to the Auditor-General a report with respect to all waivers and variations of taxes, fees or charges granted by the receiver or collector during that year.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of the revenue accountability statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of revenue accountability statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the revenue accountability statements, Management is responsible for assessing the Authority's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Authority or to cease operations.

Management is also responsible for the submission of the revenue accountability statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the revenue accountability statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the revenue accountability statements are in compliance with the authorities, which govern them, and that public revenue is collected and transferred in an effective way.

The Board of Directors is responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the revenue accountability statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high

level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the revenue accountability statements.

In addition to the audit of the revenue accountability statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the revenue accountability statements are in compliance with the authorities that govern them and that public revenue is collected in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the revenue accountability statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement caused by error or fraud in amounts that would be material in relation to the revenue accountability statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatement and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the revenue policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the revenue accountability statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the revenue accountability statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the revenue accountability statements, including the disclosures and whether the revenue accountability statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the revenue accountability statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 March, 2023

**KENYA REVENUE AUTHORITY
ANNUAL REPORT AND REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022**

12. STATEMENT OF THE REVENUE COLLECTION AND TRANSFERS.

	Notes	Actual for the year ended 30th June 2022 KShs	Actual for the year ended 30th June 2021 KShs
Current Year Collections (FY 2021-2022)			
1 (a) Treasury collections			
Taxes on Income, Profits and Capital Gains	17.1	882,100,207,001	695,469,244,027
Taxes on Property	17.2	309,686,946	513,249,062
Taxes on Goods and Services	17.3	799,038,096,158	652,109,779,513
Taxes on International Trade & Transactions	17.4	174,985,040,580	152,798,745,859
Other Taxes not elsewhere classified (Stamp Duty)	17.5	13,351,312,525	12,956,830,112
Sales of Goods and Services (Traffic Fees)	17.6	4,420,991,923	4,584,147,694
Railway Development Levy	17.7	36,360,699,782	28,503,689,719
Betting Tax	17.8	3,389,305,733	2,999,764,116
Surplus Funds	17.9	5,794,192,298	*5,066,696,942
Total Treasury Collections		1,919,749,532,946	1,555,002,147,045
(b) Agency collections	17.10(A)	131,037,075,923	124,933,702,789
(c) National Industrial Training (NITA) Levy	17.10(B)	430,896,554	101,850,583
(d) AIA Revenue (Miscellaneous Revenue)	17.11	13,459,368	10,290,847
Total Collections for the Year excluding Nairobi County Government Collections		2,051,230,964,790	1,680,047,991,264
Nairobi County Government Collections	17.12	8,967,423,181	9,757,562,638
Unallocated Revenue Balance	17.19(A)	155,803,397	180,870,179
Funds available for transfer from prior years	17.19(B)	17,274,235,445	13,106,723,396
Total Collections for the year including NCCCG & Unallocated Revenue Balance		2,077,628,426,814	1,703,093,147,478
2 Exchequer Receipts for VAT Refunds & Income Tax		2,361,104,816	2,500,000,000
3 Total funds available for Transfer during the year	17.19(C)	2,079,989,531,628	1,705,593,147,476
Accounted for as follows:			
Transfers			
Transfers to Treasury and Fund Accounts	17.13	1,900,618,757,954	1,528,992,868,400
Transfers to Principals	17.14(A)	127,647,645,644	120,818,815,211
AIA-Revenue	17.14(B)	13,184,272	9,805,404
Transfers to County Revenue Fund A/C and related Charges	17.14(C)	8,955,545,981	9,765,943,979
Agency commissions and 14%/16%VAT deducted	17.15	3,035,543,994	2,847,083,504
Refund Payments	17.18(A)	23,582,421,834	25,858,071,180
Transfer to NITA Levy Account	17.14(D)	430,590,354	101,798,033
Total transfers and commissions		2,064,283,690,034	1,688,394,385,711
Cash in Transit		15,705,841,594	17,198,761,765

Note: 1. The Statement of the Revenue Collections and Transfers reflect gross collections.

2. *Surplus funds excludes Kshs. 10,277,185,000 remitted directly to the National Treasury by Central Bank of Kenya (CBK) in the financial year 2020-2021.

**KENYA REVENUE AUTHORITY
ANNUAL REPORT AND REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022**

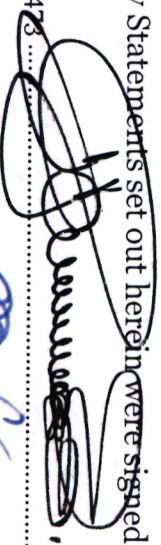
13. STATEMENT OF THE FINANCIAL POSITION AS AT 30TH JUNE 2022.

	Notes	Actual as at 30th June 2022 KShs	Actual as at 30th June 2021 KShs
1 FINANCIAL ASSETS			
CASH AND CASH EQUIVALENT			
Closing Balance- Exchequer	17.16 (A)	8,946,582,639	11,577,423,967
Closing Balance- Agency	17.16 (B)	1,051,080,157	837,332,457
Closing Balance- AIA	17.16 (C)	-	760,436
Closing Balance-Nairobi County Government	17.16 (D)	26,919,997	15,042,797
Closing Balance- Nita levy	17.16 (E)	358,750	52,550
Closing Balance- Refund Payment Account	17.18 (A)	5,525,096,654	4,587,279,378
Balance on Unallocated Revenue	17.19 (A)	155,803,397	180,870,179
Total cash and cash equivalent		15,705,841,594	17,198,761,764
2 FINANCIAL LIABILITIES		Actual as at 30th June 2022	Actual as at 30th June 2021
Account payables			
The National Treasury	17.16 (A)	8,946,582,639	11,577,423,967
Payables to Principals, Commission and 16%/14% Vat:	17.16 (B)	1,051,080,157	837,332,457
ALA Payable to KRA (Miscellaneous)	17.16 (C)	-	760,436
Nairobi County Government	17.16 (D)	26,919,997	15,042,797
NTTA Levy	17.16 (E)	358,750	52,550
Payment Accounts	17.18 (A)	5,525,096,654	4,587,279,378
Balance on Unallocated Revenue	17.19 (A)	155,803,397	180,870,179
Total Accounts Payables		15,705,841,594	17,198,761,764

The Revenue Accountability Statements set out herein were signed on behalf of the Board of Directors by;

Josephat Omondi

Head of Finance - ICPAK No. 3473



FCCA, CS Rispah Simiyu (Mrs), Advocate, EBS

Ag. Commissioner General



Anthony Ng'ang'a Mwaura

Chairman



The notes set out hereto form an integral part of the Revenue Accountability Statements

KENYA REVENUE AUTHORITY
ANNUAL REPORT AND REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

14. STATEMENT OF TARGET VS ACTUAL PERFORMANCE BY TAX HEAD

TAX HEAD	Original Budget amount as per Treasury Estimates of Revenue Grants and Loans for the year ended 30th June 2022 (Kshs)	Target Revision effected (Kshs)	Revised Budget amount as per Treasury Estimates of Revenue Grants and Loans for the year ended 30th June 2022 (Kshs)	Actual Receipts for year ended 30th June 2022 (Kshs)	Target Realised for year ended 30th June 2022 (Kshs)	Actual Receipts for year ended 30th June 2021 (Kshs)	Year on year Growth (Kshs)
Collections							
Treasury collections							
Taxes on Income, Profits and Capital Gains							
Income Tax from Individuals (PAYE)	435,926,543,418	19,202,125,814	455,128,669,232	461,797,461,154	101%	363,348,743,351	27%
Contribution from Govt Employees to WCPS	192,982,553	(39,051,779)	153,930,774				
Income Tax from Corporations	410,165,934,238	(18,195,845,501)	391,970,088,736	417,046,841,167	106%	329,562,932,737	27%
Capital Gain Tax	1,390,324,758	1,444,660,657	2,834,985,415	3,255,904,680	115%	2,557,567,939	27%
Sub totals	847,675,784,967	2,411,889,190	850,087,674,157	882,100,207,001	104%	695,469,244,027	27%
Taxes on Property							
Rent of Land(Land rent)	690,000,108	(148,206,158)	541,793,950	309,686,946	57%	513,249,062	-40%
Sub totals	690,000,108	(148,206,158)	541,793,950	309,686,946	57%	513,249,062	-40%
Taxes on Goods and Services							
Receipt from VAT on Domestic Goods and Services	269,031,036,751	30,138,860	269,061,175,611	264,746,297,418	98%	217,711,875,908	22%
VAT on Imported Goods and Services	223,916,180,072	41,169,851,129	265,086,031,201	275,717,186,484	104%	211,071,962,113	31%
Anti-adulteration Levy	3,432,386,834	(424,165,061)	3,008,221,773	2,251,995,004	75%	2,760,089,708	-18%
Excise Taxes	241,529,666,202	14,840,555,051	256,370,221,253	256,322,617,252	100%	220,565,851,785	16%
Sub totals	737,909,269,859	55,616,379,979	793,525,649,838	799,038,096,158	101%	652,109,779,513	23%
Taxes on International Trade & Transactions							
Customs Duties(Import duty)	119,134,111,962	(3,084,811,304)	116,049,300,658	118,968,100,214	103%	108,616,237,518	10%
Import Declaration and Inspection fees	31,881,118,151	10,733,573,412	42,614,691,563	56,016,940,366	131%	44,182,508,341	27%
Sub totals	151,015,230,113	7,648,762,108	158,663,992,221	174,985,040,580	110%	152,798,745,859	15%

KENYA REVENUE AUTHORITY
ANNUAL REPORT AND REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

TAX HEAD	Original Budget amount as per Treasury Estimates of Revenue Grants and Loans for the year ended 30th June 2022 (Kshs)	Target Revision effected (Kshs)	Revised Budget amount as per Treasury Estimates of Revenue Grants and Loans for the year ended 30th June 2022 (Kshs)	Actual Receipts for year ended 30th June 2022 (Kshs)	Target Realised for year ended 30th June 2022 (Kshs)	Actual Receipts for year ended 30th June 2021 (Kshs)	Year on year Growth (Kshs)
Other Taxes Not Classified Elsewhere	-	-	-	-	-	-	-
Stamp duty	6,767,702,071	6,601,057,777	13,368,759,848	13,351,312,525	100%	12,956,830,112	3%
Sub totals	6,767,702,071	6,601,057,777	13,368,759,848	13,351,312,525	100%	12,956,830,112	3%
Surplus Funds	-	2,777,185,000	2,777,185,000	5,794,192,298	209%	5,066,696,942	14%
Sub totals	-	2,777,185,000	2,777,185,000	5,794,192,298	209%	5,066,696,942	14%
Sale of goods and Services (Traffic Revenue)	-	-	-	-	-	-	-
Second Hand Motor Vehicle Tax	222,938,507	36,687,837	259,626,344	4,420,991,923	87%	4,584,147,694	-4%
Licences under Traffic Act	2,273,717,800	309,641,125	2,583,358,925	-	-	-	-
Fees under Traffic Act	1,843,765,976	419,455,309	2,263,221,285	-	-	-	-
Sub totals	4,340,422,283	765,784,271	5,106,206,554	4,420,991,923	86.6%	4,584,147,694	-4%
Railway Development Levy	-	-	-	-	-	-	-
Other Receipts not Classified elsewhere(RDL)	30,642,000,000	997,052,742	31,639,052,742	36,360,699,782	115%	28,503,689,719	28%
Sub totals	30,642,000,000	997,052,742	31,639,052,742	36,360,699,782	115%	28,503,689,719	28%
Betting Taxes	4,159,548,953	1,212,290,498	5,371,839,452	3,489,305,733	63%	2,999,764,116	13%
Sub totals	4,159,548,953	1,212,290,498	5,371,839,452	3,489,305,733	63%	2,999,764,116	13%
Total Treasury Collections	1,783,199,958,354	77,882,195,408	1,861,082,153,762	1,919,749,532,946	103%	1,555,002,147,044	23%
Agency collections	-	-	-	-	-	-	-
Airport Revenue	3,789,715,781	-	3,789,715,781	8,83,833,397	216%	3,059,390,644	167%
Aviation Revenue	3,748,540,809	-	3,748,540,809	4,171,684,917	111%	3,319,280,585	26%
Petroleum Development Fund	28,562,251,912	-	28,562,251,912	26,349,415,861	94%	25,879,926,923	4%
Road Maintenance Levy	-	-	-	-	-	-	-
Road Maintenance Levy Annuity Fund	15,042,000,000	(608,866,402)	14,433,133,598	86,499,339,834	92%	87,315,731,714	-1%
Taxes -from Other general government units(KML)	63,238,918,367	16,438,893,292	79,677,811,659	-	-	-	-

**KENYA REVENUE AUTHORITY
ANNUAL REPORT AND REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022**

TAX HEAD	Original Budget amount as per Treasury Estimates of Revenue Grants and Loans for the year ended 30th June 2022 (Kshs)	Target Revision effected (Kshs)	Revised Budget amount as per Treasury Estimates of Revenue Grants and Loans for the year ended 30th June 2022 (Kshs)	Actual Receipts for year ended 30th June 2022 (Kshs)	Target for year ended 30th June 2022 (Kshs)	Actual Receipts for year ended 30th June 2021 (Kshs)	Year on year Growth (Kshs)
Subtotal -Road Maintenance Levy	78,280,918,367	15,830,026,890	94,110,945,257	86,399,339,834	92%	87,315,731,714	-1%
K.A.A. Concession Fees	161,331,358	-	161,331,358	148,572,096	92%	144,904,072	3%
Road Transit Toll Levy	1,296,558,247	-	1,296,558,247	1,404,543,509	108%	1,185,487,458	18%
Sugar Levy	-	-	-	700,225	-	1,103,659	-37%
Petroleum Regulatory Levy	1,372,844,009	-	1,372,844,009	1,232,495,966	90%	1,251,686,348	-2%
Merchant Superintendent Shipping Levy	1,901,490,896	-	1,901,490,896	1,606,746,419	84%	1,686,317,232	-5%
KEBS Levy	573,351,434	-	573,351,434	528,549,709	92%	503,370,848	5%
Traffic Fees-Agency	630,871,519	-	630,871,519	510,762,424	81%	586,264,510	-13%
Housing Levy	-	-	-	431,566	-	238,797	81%
Total Agency Collections	120,317,874,332	15,830,026,890	136,147,901,222	131,037,075,923	96%	124,933,702,789	5%
NITA Levy	99,841,679	-	99,841,679	430,896,554	432%	101,850,583	323%
AIA Revenue (Miscellaneous)	6,739,015	1,728,961	8,467,976	13,459,368	159%	10,290,847	31%
Sub-totals (Agency , AIA Revenue & NITA Levy)	120,424,455,026	15,831,755,851	136,256,210,877	131,481,431,845	96%	125,045,844,219	5%
Total Revenue Collections	1,903,624,413,380	93,713,951,259	1,997,338,364,639	2,051,230,964,790	103%	1,680,047,991,264	22%

**KENYA REVENUE AUTHORITY
ANNUAL REPORT AND REVENUE ACCOUNTABILITY STATEMENTS FOR THE
YEAR ENDED 30TH JUNE 2022**

NOTES.

During the Financial Year ended 30th June 2022, the gross revenue collections amounted to Kshs. 2,051 billion against a target of Kshs. 1,997 billion reflecting a performance of 103%. The performance is a reflection of improving macro-economic environment, lifting of Covid-19 restriction measures, sustained implementation of enhanced compliance efforts by the Authority and improved voluntary compliance by the Taxpayers. Notable performance areas were as follows;

- i. Taxes on Income, Profits and Capital Gains performed at Kshs 882 billion against a target of Kshs 850 billion, with a performance of 104%. The performance is attributed to the following;

Income Tax from Individuals (PAYE & WCPS) performed at Kshs 462 billion against a target of Kshs 455 billion, a performance of 101%. This performance is majorly driven by growth in PAYE remittances in both private and public sectors.

Income Tax from Corporations performed at Kshs 417 billion against a target of Kshs 392 billion, a performance of 106%. This performance is mainly attributed to increased remittances from Finance & Insurance (particularly by banks), Manufacturing, Wholesale and Retail Trade, Information and Communication sectors.

Capital Gains Tax performed at Kshs. 3.2 billion against a target of Kshs. 2.8 billion registering a performance rate of 115% attributable to enhanced enforcement efforts arising from decentralization on capital gains and follow-ups through Tax Service Stations (TSOs).

- ii. Taxes on properties (Land Rent) performed at 57% during the Financial Year. This under performance is mainly attributed to the migration and slow uptake on the new system (The National Land Information Management System, known as Ardhi Sasa) implemented at the Lands Office and on which learning/training of users/payers is still ongoing. In addition, data migration to the new system is still a challenge to Land Rent payers.

- iii. Taxes on Goods and Services performed at Kshs 799 billion against a target of Kshs 793 billion, with a performance of 101%. The performance is attributed to;

VAT on Domestic Goods and Services performed at Kshs 264 billion against a target of Kshs 269 billion, a performance of 98%. The below target performance is mainly attributed to inflationary pressures and depreciating exchange rate of the Kenya Shilling against the US dollar that has led to high input costs (for food, energy, building materials, etc), with a resultant negative impact on expected outputs.

VAT on Imported Goods and Services registered a performance of Kshs. 275 billion against a target of Kshs. 265 billion, a performance rate of 104%. This is mainly attributed to growth in import values.

Excise Taxes performed at Kshs 256 billion against a target of Kshs 256 billion, a performance of 100%. The performance is attributed to stringent enforcement actions against tax evasion by non-compliant taxpayers.

KENYA REVENUE AUTHORITY
ANNUAL REPORT AND REVENUE ACCOUNTABILITY STATEMENTS FOR THE
YEAR ENDED 30TH JUNE 2022

iv. Taxes on International Trade & Transactions performed at Kshs 174 billion against a target of Kshs 158 billion, with a performance of 110%. The performance is attributed to the following;

Customs Duties (Import duty) performed at Kshs 118 billion against a target of Kshs 116 billion, a performance of 103%. This performance is attributed to increased import values.

The performance on Import Declaration and Inspection Fees was Kshs, 56 billion against a target of Kshs 42 billion resulting to a performance of 131%, mainly attributable to the increased import values.

- v. Stamp Duty performed at Kshs 13 billion against a target of Kshs 13 billion, a performance of 100%. This is mainly attributed to the joint enforcement activities by both the Ministry of Lands and KRA occasioning enhanced compliance.
- vi. Sale of goods and Services (Traffic Revenue) registered a collection of Kshs 4.4 billion against a target of Kshs 5.1 billion, a performance rating of 87%. The under performance is attributed to a court ruling in January, 2022 which forced NTSA to suspend collection of fees on seven(7) key services. These services were licensing of driving schools, renewal of driving school licenses, the licensing of driving school instructors, the renewal of driving school Instructor's licenses, Provisional Driving License (PDL) application for driver trainees, test booking for driving school instructors and driver trainees and the testing of driving school instructors and driver trainees.
- vii. Railway Development Levy performed at Kshs. 36 billion against a target of Kshs 31 billion, a performance rating of 115%. This performance is attributed to increase in value of imports.
- viii. Surplus funds reflected a collection of Kshs 5.7 billion against a target of Kshs 2.7 billion, a performance rating of 209%. The performance is mainly attributed to payments from the Regulatory Authorities notably, Communication Authority of Kenya Kshs.3 billion, Insurance Regulatory Authority Kshs. 924 million, Kenya Maritime Authority Kshs. 511 million and National Construction Authority Kshs. 544 million.
- ix. Betting taxes performed at 63% with a collection of Kshs 3.3 billion against a target of Kshs 5.3 billion. The under-performance is mainly because most of the Betting and Gaming firms are yet to resume business after the lifting of Covid 19 containment measures.
- x. Agency collections registered a performance of 96% during the Financial Year. This performance is mainly attributed to the under performances by Road Maintenance Levy and Petroleum Regulatory Levy which performed at 92 % and 90% respectively.
- Road Maintenance Levy and Petroleum Regulatory Levy under -performance was due to decline in excisable oil volumes for petrol, diesel and illuminating kerosene by 2.4%, 2.8% and 18.6% respectively

**KENYA REVENUE AUTHORITY
ANNUAL REPORT AND REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022**

15. STATEMENT OF TARGET VS ACTUAL PERFORMANCE BY DEPARTMENT

Departments	Target - Treasury	Actual for the year ended 30th June 2022	% target realized FY 2021/22	Actual for the year ended 30th June 2021	Year on year Growth
	KShs	KShs	%	KShs	%
Revenue collection					
Treasury collections					
Customs Services Department	567,879,480,279	598,486,675,978	105%	500,932,217,181	19%
Domestic Taxes Department	1,267,396,466,929	1,296,621,865,044	102%	1,028,425,782,170	26%
Traffic Revenues	5,106,206,554	4,420,991,923	87%	4,584,147,694	-4%
Total Treasury collections	1,840,382,153,762	1,899,529,532,945	103%	1,533,942,147,045	24%
Provision for Refunds (CSD)	660,000,000	180,000,000	27%	660,000,000	-73%
Provision for Refunds (DTD)	20,040,000,000	20,040,000,000	100%	20,400,000,000	-2%
Gross Treasury collections	1,861,082,153,762	1,919,749,532,946	103%	1,555,002,147,045	23%
Agency collections					
Customs Services Department	134,952,146,244	130,010,791,592	96%	123,854,119,481	5%
Domestic Taxes Department	673,193,114	959,877,829	143%	605,460,228	59%
Traffic Revenues	630,871,519	510,762,424	81%	586,264,510	-13%
Total Agency collections	136,256,210,377	131,481,431,845	96%	125,045,844,219	5%
Total Revenue Collections	1,997,338,364,139	2,051,230,964,790	103%	1,680,047,991,264	22%

16. ACCOUNTING POLICIES

a. Reporting Entity

The Kenya Revenue Authority has prepared the Revenue Accountability Statements.

b. Basis of Preparation

The Revenue Accountability Statements comply with the requirements of the Public Financial Management Act of 2012 and the cash basis of International Public Sector Accounting Standards.

The accounting policies have been consistently applied to all the financial periods presented.

The Revenue Accountability Statements are presented in Kenya Shillings (Kshs), being the currency of legal tender in Kenya that is the functional and reporting currency of the Government of Kenya.

c. Reporting periods

The Government of Kenya Fiscal Year runs from 1st July to 30th June. The Revenue Accountability Statements covers the financial period 1st July 2021 to 30th June 2022. The comparative figures reflect the 12 months ended 30th June 2021.

d. Significant accounting policies

The Revenue Accountability Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated:

(i) Receipts

Revenue is recognized at the point of collection. Only taxes billed/assessed and collected are recognized as receipts under the cash basis of accounting. Revenue billed/assessed during the year but not yet collected is disclosed as receivable for purposes of disclosure.

(ii) Transfers

The transfers relates to payments made from the collection accounts to the Treasury receiver of revenue account. It also related to transfers made to the various principals.

(iii) Agency funding

The Authority receives an allocation from The National Treasury as determined by the Cabinet Secretary each year, not exceeding 2% of the revenue estimated in the Financial Estimates for each financial year to be collected by the Authority. This is the main source of revenue for recurrent expenditure of KRA.

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In addition, the Authority also charges a commission of 2% on collections made on behalf of other principals. The commission is deducted at source plus 16% VAT thereon before remittance to the principals.

(iv) Cash and equivalents

Cash and equivalents comprises of cash in transit.

(v) Comparative Figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

(vi) Subsequent events

There have been no events subsequent to the financial year-end with a significant impact on the Revenue Accountability Statements for the year ended 30th June, 2022.

NOTES TO THE REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

17. NOTES TO THE REVENUE ACCOUNTABILITY STATEMENT

17.1 Taxes on Income, Profits and Capital Gains

TAX HEAD	Actual for year ended 30th June 2022	Actual for year ended 30th June 2021
	KShs	KShs
1		
Income Tax from Individuals (PAYE& WCPS)	461,797,461,154	363,348,743,351
SubTotal	461,797,461,154	363,348,743,351
2		
Income Tax from Corporations		
a) Other Income Taxes	404,314,855,127	318,234,304,438
b) Turnover Tax	99,739,158	63,486,512
c) Capital Gains Tax	3,255,904,680	2,557,567,939
d) Rental Income	12,319,835,993	10,764,105,375
e) Digital Service Tax (DST)	312,410,890	501,036,412.00
SubTotal	420,302,745,847	332,120,500,676
Total	882,100,207,001	695,469,244,027

17.2. Taxes on Property

TAX HEAD	Actual for year ended 30th June 2022	Actual for year ended 30th June 2021
	KShs	KShs
Land Rent	309,686,946	513,249,062
Total	309,686,946	513,249,062

NOTES TO THE REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

17.3 Taxes on Goods and Services

TAX HEAD	Actual for year ended 30th June 2022	Actual for year ended 30th June 2021
	KShs	KShs
1 VAT on Domestic Goods and Services	264,746,297,418	217,711,875,908
2 VAT on Imported Goods and Services		
a) VAT - Imports(General Rate)	239,771,739,678	188,631,653,989
b) VAT Oil at 8%	35,945,446,806	22,440,308,124
c) Anti-adulteration Levy	2,251,995,004	2,760,089,708
SubTotals	542,715,478,906	431,543,927,729
3 Excise Receipts (Air time + domestic + import+Fin.services)		
a) Gross Excise Duty	109,351,754,129	106,457,729,782
b) Excise Duty Domestic	66,264,239,587	62,405,292,404
c) Excise Tax on Airtime	37,369,657,748	29,296,601,610
d) Excise Tax on Financial Services	38,227,543,201	21,647,563,948
e) Excise Tax on Betting	5,109,422,587	758,664,042
SubTotals	256,322,617,252	220,565,851,785
Total	799,038,096,158	652,109,779,513

17.4. Taxes on International Trade & Transactions

TAX HEAD	Actual for year ended 30th June 2022	Actual for year ended 30th June 2021
	KShs	KShs
1 Customs Duties(Import Duty)	118,968,100,214	108,616,237,518
2 Other Taxes on International Trade and Transactions (IDF Fee)	56,016,940,366	44,182,508,341
Total	174,985,040,580	152,798,745,859

NOTES TO THE REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

17.5. Other Taxes not elsewhere classified (Stamp Duty)

TAX HEAD	Actual for year ended 30th June 2022	Actual for year ended 30th June 2021
	KShs	KShs
1 Stamp Duty	13,351,312,525	12,956,830,112
Total	13,351,312,525	12,956,830,112

17.6. Sales of Goods and Services

TAX HEAD	Actual for year ended 30th June 2022	Actual for year ended 30th June 2021
	KShs	KShs
1 Traffic revenue	4,420,991,923	4,584,147,694
Total	4,420,991,923	4,584,147,694

17.7. Railway Development Levy

TAX HEAD	Actual for year ended 30th June 2022	Actual for year ended 30th June 2021
	KShs	KShs
Railway Development Levy	36,360,699,782	28,503,689,719
Total	36,360,699,782	28,503,689,719

17.8. Betting Tax

TAX HEAD	Actual for year ended 30th June 2022	Actual for year ended 30th June 2021
	KShs	KShs
Betting Tax	3,389,305,733	2,999,764,116
Total	3,389,305,733	2,999,764,116

NOTES TO THE REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

17.9. Surplus Funds

TAX HEAD		Actual for year ended 30th June 2022	Actual for year ended 30th June 2021
S/N	SURPLUS FUNDS DIRECTLY RECEIVED IN KRA ACCOUNT	KSH	KSH
1	Capital Markets Authority	165,880,000	286,000,000
2	Competition Authority Of Kenya	-	42,624,757
3	Energy Regulatory Commission	2,171,545	-
4	Retirement Benefits Authority	228,789,152	199,018,355
5	Kenya Dairy Board	4,522,997	-
6	National Campaign Against Drug Abuse Authority Board	-	14,042,034
7	Kenya National Bureau Of Statistics (KNBS)	126,150,771.00	-
8	Communications Authority Of Kenya	3,028,334,000	1,517,015,600
9	Tourism Regulatory Authority	57,652,196	1,428,503
10	Insurance Regulatory Authority	1,123,941,406	681,742,430
11	Kenya Civil Aviation Authority	-	1,356,394,038
12	National Construction Authority	544,627,287	772,218,746
13	Water Resources Management Authority	1,000,000	7,000,000
14	Kenya Maritime Authority	511,122,944	114,701,539
15	National Environment Management Authority (NEMA)	-	32,383,800
16	The Sacco Societies Regulatory Authority (SASRA) Kenya	-	42,127,140
	SUBTOTAL	5,794,192,298	5,066,696,942
	SURPLUS FUNDS REMITTED DIRECTLY TO NATIONAL TREASURY		
1	Central Bank of Kenya	-	7,500,000,000
2	Communications Authority Of Kenya	-	2,777,185,000
	SUBTOTAL	-	10,277,185,000
	GRAND TOTAL	5,794,192,298	15,343,881,942

Note:

Surplus funds relate to surrendered end of year unexpended voted or excess Appropriation in Aid by the Accounting Officers of the State Corporations as per the Public Finance Management Act. During the financial year 2020/2021, Surplus amount of Ksh. 10,277,185,000 was remitted directly to The National Treasury. Central Bank of Kenya had not declared any dividend for FY 2021/2022 by 30th June 2022.

NOTES TO THE REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

17.10. (A) Agency collections

TAX HEAD	Principal	Agency Accounts Nos.	Actual for year ended 30th June 2022	Actual for year ended 30th June 2021
			KShs	KShs
1	Airport Revenue	1,000,007,451	8,183,833,397	3,059,390,644
2	Aviation Revenue	1,000,007,826	4,171,684,917	3,319,280,585
3	Petroleum Development Fund	1,000,007,435	26,849,415,861	25,879,926,923
4	Road Maintenance Levy	1,000,007,818	86,399,339,834	87,315,731,714
5	K.A.A. Concession Fees	1,000,008,121	148,572,096	144,904,072
6	Road Transit Toll Levy	1,000,007,818	1,404,543,509	1,185,487,458
7	Sugar Levy	1000007729/ 1000008113	700,225	1,103,659
8	Petroleum Regulatory Levy	1,000,009,004	1,232,495,966	1,251,686,348
	Merchant Superintendent			
9	Shipping Levy	1,000,008,598	1,606,746,419	1,686,317,232
12	KEBS Levy	1,000,007,702	528,549,709	503,370,848
13	Traffic Fees-Agency	1,000,007,486	510,762,424	586,264,510
14	Housing Levy	1,000,411,562	431,566	238,797
	Total		131,037,075,923	124,933,702,789

17.10 (B) NITA Levy

	Actual for year ended 30th June 2022	Actual for year ended 30th June 2021
	KShs	KShs
NITA Levy	430,896,554	101,850,583
Total	430,896,554	101,850,583

17.11. AIA Miscellaneous Revenue

	Actual for year ended 30th June 2022	Actual for year ended 30th June 2021
	KShs	KShs
Miscellaneous	13,459,368	10,290,847
Total	13,459,368	10,290,847

NOTES TO THE REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

Note: Miscellaneous Revenue mainly comprises of collections on overtime fees and sale of Tamperproof seals for the year ended 30th June, 2022. This is an Appropriation-In-Aid for Kenya Revenue Authority.

17.12 Nairobi County Government Collections

S/NO	Revenue Stream	Actual for year ended 30th June 2022 KShs	Actual for year ended 30th June 2021 KShs
1	Land Rates	2,478,094,339	2,772,029,171
2	Parking fees (total)	1,877,868,787	1,573,968,020
3	Single Business Permits	1,367,598,024	1,314,275,582
4	Plans and Inspections (Building Permits)	591,874,934	726,576,022
5	Billboards and advertisements	931,012,932	746,605,152
6	House and Stall Rent	438,600,376	547,005,607
7	Fire Inspection Certificates	192,997,729	174,109,586
8	Food Handlers Certificates	134,585,878	124,755,150
9	Markets	382,531,510	374,269,069
10	Other Incomes	572,258,672	1,403,969,279
	Total	8,967,423,181	9,757,562,638

17.13. Transfer to receivers of Revenue -- Treasury

	Tax Head	Actual for year ended 30th June 2022 KShs	Actual for year ended 30th June 2021 KShs
1	Income Tax from Individuals (PAYE)	462,070,880,302	363,125,334,452
2	Income Tax from Corporations	413,284,770,011	326,202,251,009
3	Land Rent	310,069,262	521,693,300
4	VAT on Domestic Goods and Services	244,616,505,254	197,103,763,996
5	VAT on Imported Goods and Services	277,835,957,601	213,811,135,356
6	Excise Domestics	71,351,287,539	63,188,571,066
7	Excise Airtime	36,281,039,700	29,296,601,610
8	Excise on Financial Services	37,240,424,100	20,550,708,804
9	Excise Imports	110,147,780,594	105,050,636,109
10	Customs Duties(Import)	118,392,047,922	108,135,360,322
11	Other Taxes on International Trade and Transactions (IDF Fee)	55,632,453,517	44,117,705,921
12	Stamp Duty	13,441,294,759	12,977,728,203
13	Railway Development Levy	36,338,620,108	28,504,273,688

NOTES TO THE REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

14	Traffic revenue		4,426,546,500	4,546,499,704
15	KRA- Tax on Winnings-KSh (Sports Fund Coll Account)		13,454,888,486	6,793,907,917
16	Surplus Funds(Banked in Income tax A/c)		5,794,192,298	5,066,696,942
	Total		1,900,618,757,953	1,528,992,868,399

17.14. Agency Transfers

(A) Transfers to Principals by Bank Account

The following is a breakdown of the transfers from holding accounts to principals;

S/NO.	Agency accounts	Agency Accounts Nos.	Principal	Actual for year ended 30th June 2022	Actual for year ended 30th June 2021
				KShs	KShs
1	Airport Revenue (APSC)	1000007451	Kenya Airports Authority	7,870,408,492	2,651,327,374
2	Petroleum Deve Fund (PDF Levy)	1000007435	National Treasury	26,131,950,550	24,925,249,268
3	Road Transit Toll Levy	1000007818	Kenya Roads Board	1,354,323,454	1,109,456,585
4	Sugar Development Levy (SDL)	1000008113	Sugar Directorate (Agriculture and Food Authority)	677,138	1,078,233
5	K.A.A. Concession Fees	1000008121	Kenya Airports Authority	145,222,994	139,266,495
6	Aviation Revenue (DCA Aviation)	1000007826	Kenya Civil Aviation Authority	4,025,749,163	3,391,715,880
7	Petroleum Regulatory Levy	1000009004	Energy Regulatory Commission	1,201,910,679	1,208,605,401
8	Merchant Superintendent Shipping Levy (MSS)	1000008598	Kenya Maritime Authority	1,563,059,322	1,646,632,839
9	Road Maintenance Levy (RML)	1000007516	Kenya Roads Board	84,293,857,339	84,698,536,625
10	KEBS LEVY	1000007702	Kenya Bureau of Standards	516,035,479	487,838,763
11	Traffic Fees - Agency	1000007486	National Transport & Safety Authority	544,451,032	559,107,749
	Total			127,647,645,644	120,818,815,211

NOTES TO THE REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

(B) Transfers to KRA (AIA- Miscellaneous Revenue)

S/NO.	AIA	Actual for year ended 30th June 2022	Actual for year ended 30th June 2021
		KShs	KShs
	Miscellaneous	13,184,272	9,805,404
	Total	13,184,272	9,805,404

Note: Miscellaneous Revenue mainly comprises of Transfers on overtime fees and sale of Tamperproof seals for the year ended 30th June 2022.

(C) Transfers to-Nairobi County Government Fund & related Charges

	Actual for year ended 30th June 2022	Actual for year ended 30th June 2021
	KShs	KShs
Nairobi County Government Revenue	8,955,545,981	9,765,943,979
Total	8,955,545,981	9,765,943,979

(D) NITA Levy

	Actual for year ended 30th June 2022	Actual for year ended 30th June 2021
	KShs	KShs
NITA Levy	430,590,354	101,798,033
Total	430,590,354	101,798,033

NOTES TO THE REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

17.15. Agency Commission and 16% VAT

S/NO	Agency accounts TAX HEAD	Actual for year ended 30th June 2022			Actual for year ended 30th June 2021		
		Commission excluding 16% VAT	16% VAT Component	Commission+ 16%VAT	Commission excluding 14%/16% VAT	14%/16% VAT Component	Commission+ 14%/16% VAT
		KShs			KShs		
1	Airport Revenue (APSC)	162,929,440	26,068,710	188,998,150	56,874,759	8,738,662	65,613,421
	Petroleum Development						
2	Fund (PDF Levy)	538,949,794	86,231,967	625,181,761	507,669,674	76,153,289	583,822,963
3	Road Transit Toll Levy	27,729,800	4,436,768	32,166,569	24,451,172	3,650,940	28,102,112
	Sugar Development						
4	Levy (SDL)	13,864	2,218	16,083	22,073	3,352	25,426
5	K.A.A. Concession Fees	2,973,444	475,751	3,449,195	3,050,695	455,368	3,506,063
6	Aviation Revenue (DCA Aviation)	80,930,903	12,948,945	93,879,848	66,836,695	10,079,353	76,916,048
7	Petroleum Regulatory Levy	24,709,166	3,953,467	28,662,633	26,187,045	3,903,088	30,090,133
	Merchant Superintendent Shipping Levy						
8	(MSS)	32,003,672	5,120,587	37,124,259	35,920,043	5,350,499	41,270,542
	Road Maintenance Levy						
9	(RML)	1,725,918,455	276,146,953	2,002,065,408	1,733,842,313	259,736,701	1,993,579,014
10	KEBS - Levy	10,565,837	1,690,534	12,256,371	9,986,552	1,502,263	11,488,814
11	Traffic Fees - Agency Fees	10,123,895	1,619,823	11,743,718	11,029,410	1,639,557	12,668,967
	Total	2,616,848,271	418,695,723	3,035,543,994	2,475,870,431	371,213,073	2,847,083,504

Note: In the Financial Year 2020/2021, VAT was charged at 14% from July to December, 2020 and later increased at 16% from January 2021.

NOTES TO THE REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

17.16. Closing Balances

The following is the movement in the closing balances:

A. Closing Balances -Treasury Collections

S/NO	TREASURY COLLECTIONS	Cash in Transit as at	
		30th June 2022	June 2021
		KShs	KShs
1	Income Tax from Individuals (PAYE)	73,327,545	341,405,239
2	Income Tax from Corporations	4,710,387,984	6,732,554,684
3	Land Rent	93,263	531,376
4	VAT on Domestic Goods and Services	865,720,251	773,465,674
5	VAT on Imported Goods and Services	372,264,135	241,282,005
6	Excise Domestics	6,233,640	982,026
7	Excise Imports	99,108,133	1,375,178,042
8	Excise Financial Services	13,597,283	20,000
9	Customs Duties(Import)	1,717,522,060	1,333,719,491
10	IDF Fee	892,969,657	508,482,937
11	Stamp Duty	24,600,944	115,727,766
12	Railway Development Levy	66,903,307	44,714,872
13	Traffic revenue	103,854,437	109,262,361
14	KRA- Tax on Winnings-KSh (Sports Fund Coll Account)	-	97,495
TOTAL		8,946,582,639	11,577,423,967

B. Closing Balance Analysis – Agency Collections, commissions & 16% VAT

	AGENCY ACCOUNTS	Cash in Transit as at	
		June 2022	30th June 2021
		KShs	KShs
1	Airport Revenue (APSC)	110,782,685	46,972,240
2	Petroleum Development Fund (PDF LEVY)	289,503,300	308,635,095
3	Road Transit Toll Levy	4,041,709	2,727,507
4	K.A.A. Concession Fees	204,500	3,982,475
5	Aviation Revenue (DCA Aviation)	390,276,688	202,911,836
6	Petroleum Regulatory Levy	1,039,880	1,170,083
7	Merchant Superintendent Shipping Levy (MSS)	3,733,011	1,001,299
8	Road Maintenance Levy (RML)	110,730,946	84,245,904

NOTES TO THE REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

9	KEBS - Levy	96,463,563	96,340,749
10	Traffic Revenue Fees (Agency)	43,269,021	88,694,246
11	Housing fund	1,034,854	651,022
	Total	1,051,080,157	837,332,457

C. Closing Balance Analysis – AIA Revenue

AIA Revenue (Miscellaneous)		Cash in Transit as at 30th June 2022	Cash in Transit as at 30th June 2021
1	Miscellaneous	KShs -	KShs 760,436
	Total	-	760,436

Note: This relates to Miscellaneous Revenue in the closing Bank balances

D. Closing Balance as at 30th June 2022 -Nairobi County Government collections

AGENCY ACCOUNTS		Cash in Transit as at 30th June 2022	Cash in Transit as at 30th June 2021
1	Nairobi County Government	KShs 26,919,997	KShs 15,042,797
	Total	26,919,997	15,042,797

E. Closing Balance Analysis – NITA Levy

Agency Account		Cash in Transit as at 30th June 2022	Cash in Transit as at 30th June 2021
1	NITA Levy	KShs 358,750	KShs 52,550
	Total	358,750	52,550

Note on closing balances:

The closing balances at the agent banks comprise collections that were within the T+2-transfer arrangement. The variances in amounts across the revenue items is dependent on the level of activities and remittances on the last two days of the month.

NOTES TO THE REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

17.17. (A) (i) Statement of Revenue Debt as at 30th June 2022

Statement of Revenue Debt (Collectible) As At 30th June 2022		
	FY 2021/22	FY 2020/21
Customs and Border Control	8,186,606,421	2,934,756,403
Domestic Taxes	77,659,676,047	87,509,816,151
Total (a)	85,846,282,468	90,444,572,553
Statement of Ledger Debit Balances under Validation 30th June 2022		
	FY 2021/22	FY 2020/21
Customs and Border Control	4,725,923,738	11,015,613,644
Domestic Taxes	1,467,686,366,516	1,499,672,836,246
Total (b)	1,472,412,290,254	1,510,688,449,890
Grand Total (a + b)	1,558,258,572,722	1,601,133,022,443

(A) (ii) Statement of Revenue Debt by Tax Head as at 30th June 2022

Tax Head	Balance as at June 2021	Arrears Received /accounted During the Year	Additions in Arrears for the Current Year to 30th June 2022	Total Arrears as at 30th June 2022
	Kshs.	Kshs.	Kshs.	Kshs.
Tax on income profits and capital gains	1,197,677,507,185	387,672,276,601	389,136,873,264	1,199,142,103,848
Taxes on goods and services	389,505,145,211	160,356,575,373	117,055,368,877	346,203,938,714
Sub total	1,587,182,652,397	548,028,851,974	506,192,242,140	1,545,346,042,563
Taxes on International Trade and Transactions	13,950,370,047	11,283,237,088	10,245,397,200	12,912,530,159
Sub total	13,950,370,047	11,283,237,088	10,245,397,200	12,912,530,159
TOTAL	1,601,133,022,443	559,312,089,062	516,437,639,341	1,558,258,572,721

NOTES TO THE REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

(A) (iii) Statement of Revenue Debt by age of the debt as at 30th June 2022

TAXHEAD	Less than 1 Year	Between 1 to 2 Years	Between 2-3 Years	Over 3 Years	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Taxes on income profits and capital gains	389,136,061,812	163,882,409,255	407,226,074,462	238,897,558,319	1,199,142,103,848
Taxes on goods and services	117,056,180,328	79,249,842,304	90,101,745,085	59,796,170,998	346,203,938,714
Sub-total	506,192,242,140	243,132,251,559	497,327,819,547	298,693,729,317	1,545,346,042,563
Taxes on International Trade and Transactions	1,483,677,950	2,182,619,956	915,650,809	8,330,581,444	12,912,530,159
Sub-total	1,483,677,950	2,182,619,956	915,650,809	8,330,581,444	12,912,530,159
GRANDTOTAL	507,675,920,090	245,314,871,515	498,243,470,356	307,024,310,761	1,558,258,572,722

(A) (iv) Breakdown of Revenue Debt as at 30th June 2022

Department	Debt Breakdown			Total Debt (Kshs)
	Principal (Kshs)	Penalty (Kshs)	Interest (Kshs)	
Customs	7,005,943,553	4,650,006,671	1,256,579,935	12,912,530,159
Sub Total	7,005,943,553	4,650,006,671	1,256,579,935	12,912,530,159
Domestic Taxes Department(Legacy)	83,881,666,513	18,940,703,570	74,965,408,823	177,787,778,906
Domestic Taxes Department(iTax)	869,107,382,526	194,679,003,171	303,771,877,959	1,367,558,263,657
Sub Total	952,989,049,039	213,619,706,741	378,737,286,782	1,545,346,042,563
Grand Total	959,994,992,592	218,269,713,412	379,993,866,717	1,558,258,572,722

Note:

1. The Domestic Taxes debt (iTax debt) reflected in the system as at 30th June, 2022 was Kshs **1,501,668,734,932** The figure of Kshs **1,367,558,263,657** reflected in **Note 17.17 (A) (i)** above has excluded the identified errors of Kshs. **134,110,471,276** and is still undergoing validation

2. **Legacy Revenue Debt of Kshs. 177,787,778,906**

The legacy debt figure was Kshs. **177,787,778,906** as at March 2019 when Legacy system was shut down to pave way for data cleaning, facilitate transition to i-Tax system and address identified system security risks. Nevertheless, the system has recently been re-opened to facilitate the Corporate Data Office (CDO) in updating the validated data into the taxpayer's ledgers. The validation process as a pre-requisite for updating taxpayer's ledgers is still on-going and hence the debt status still remains the same until the whole process of data cleaning is concluded

3. (a) Challenges in Debt Management

- i. Erroneous/Mis-declarations by Taxpayers during filing leading to invalid debts.
- ii. Objections and court cases that affect collections efforts
- iii. Semi-automated debt processes complicating debt processing
- iv. High number of Tax debtors compared Versus staff numbers
- v. Erroneous/incomplete Ledger data inherited from the Legacy system
- vi. Lack of and slow integration by other government agencies systems to iTax to facilitate seamless update of payment information into the Ledgers.

(b) Measures in Place to Improve Revenue Debt Arrears

- i. Continuous strengthening of the Corporate Taxpayer Account Management Division that is charged with debt management by improving structures and staff capacity (numbers and training).
- ii. Automation and roll out of debt module in iTax to transform the overall debt processes.
- iii. Implementation of a project approach to deal with huge debts owed by nil and non-filers for the various tax heads.
- iv. Building capacity on gathering intelligence information to facilitate effective utilisation of debt enforcement actions such as Agency Notices and distraint (auction of property) to deal with difficult and hard-core debt cases.
- v. Establishment of a full time project team to fast track debt validation of legacy system debts and creation of specific debt validation teams at TSOs
- vi. Strengthening of the Tax appeal processes including objections, ADR and TAT to enhance timely resolution of the many cases tying huge debt
- vii. Enhanced and comprehensive data cleaning and validation processes on Taxpayer records/Ledgers
- viii. Linking of IFMIS, iTax and CBK systems to avoid build up of invalid PAYE debts due to lack of uncredited payments in iTax.

NOTES TO THE REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

(B) Statement of Outstanding Refund claims as at 30th June 2022

DEPARTMENT	TAX HEAD	For the year ended 30th June 2022 Kshs.	For the year ended 30th June 2021 (Kshs)
Domestic Taxes	VAT	35,761,302,627	27,307,600,084
	Income Tax	86,411,223,973	82,416,546,208
	Excise Domestic	234,975,633	141,790,057
	Subtotal	122,407,502,232	109,865,936,349
Customs Services	Import Duty	10,811,565	2,074,900
	Excise Duty	89,496,416	3,055,101
	Subtotal	100,307,981	5,130,001
	GRAND TOTAL	122,507,810,213	109,871,066,350

Note:

Refunds claims rose sharply owing to growth of Income Tax applications that were triggered by amendment to Tax Procedures Act, 2015 that all tax overpayments to be utilized by way of refund (as later reinforced by Tax Appeals Tribunal rulings). The amendment led to corporate entities which previously preferred transfer of overpayments for utilization in subsequent periods, making huge refund applications that require audit given the self-assessment nature of taxation regime.

To hasten processing of outstanding claims, management has put the following measures in place:

- i. Given that increase in claims has not been accompanied with commensurate funding, we have successfully engaged The National Treasury and Economic Planning to enhance funding for payment of verified and approved claims. Even though funding has been enhanced (VAT from Kshs. 1.67B to 2.2B monthly and Income Tax from Kshs. 90M to 100M quarterly in current FY), we continue engaging The National Treasury in pursuit of one-off allocations for payment of approved unpaid claims worth Kshs. 13B (as at 31.1.2023).
- ii. Management successfully proposed legislative changes to TPA, 2015 to reintroduce options for cash refund or offset of overpayment which is expected to reduce future claims as we concentrate on clearing huge outstanding ones. The change will similarly reduce necessity for increased funding and time consuming audits in view of constrained resources.
- iii. Management has proposed further legislative changes to the VAT Act 2013 to reduce the number of zero rated transactions, zero rating being the key driver of VAT refunds.
- iv. Management has embarked on robust Business Process Reengineering to improve refund efficiency and administrative measures including additional staffing and creation of teams dedicated to audit of refund applications given that most claims are high risk type resulting from self-assessment declarations that are prone to errors. Another team has been established to handle debt validation to speed up ledger reconciliations/corrections which similarly cause delays in claims processing given the requirement to recover valid debt from refund claimants.

NOTES TO THE REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

(C) Statement of Waivers and Tax Variations as at 30th June 2022

DEPARTMENT	For the year ended 30th June 2022	For the year ended 30th June 2021
	Kshs.	(Kshs)
Domestic Taxes	164,211,751	157,633,633
Customs Services	54,232,017	161,417,827
Total	218,443,768	319,051,460

17.18. (A) (i) Central Bank of Kenya (CBK) Refund Payment Accounts Movement Schedule for year ended 30th June 2022

Payment Account	Opening balance as per CBK accounts as at 01/7/2021	Provision for Refund	Receipts/Returned payments/ Penalty Payments	Total Amount available	Refunds Payments for the period	Remittances to Principals	Amount for Error correction & Provision for refunds re-allocation	Closing bank Balances as at 30.06.2022
Customs Services Payments Account	4,573,735,312	660,000,000	96,184,768,535	101,418,503,847	1,266,044,693	96,063,820,756	714,917,836	3,373,720,562
Income Tax Payments Account	224	1,741,104,816	2,145,620,548	3,886,725,588	1,741,160,943	-	5,600,646	2,139,964,000
Value Added Tax Payments Account	-	20,540,000,000	33,084,448	20,573,084,448	20,573,053,198	-	-	31,250
Stamp Duty Payment Account	13,543,842	-	-	13,543,842	2,163,000	-	-	11,380,842
Excise Duty Domestic Payment account	1	-	-	1	-	-	1	-
TOTAL AGENCY	4,587,279,379	22,941,104,816	98,363,473,531	125,891,857,726	23,582,421,834	96,063,820,756	720,518,483	5,525,096,654

NOTES TO THE REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

17.18. (A) (ii) Central Bank of Kenya (CBK) Refund Payment Accounts Movement Schedule for year ended 30th June 2021

Payment Account	Opening Balance as at 01.07.20	Provision for Refund	Receipts/ Returned payments	Total Amount available	Total Refunds	Remittances to Principals	Amount for Error correction	Closing bank Balances as at 31.07.2021
Customs Services Payments Account	4,401,338,662	660,000,000	94,291,837,822	99,353,176,484	1,239,993,740	93,487,360,037	52,087,396	4,573,735,311
Income Tax Payments Account	41,870	941,223,449	31,930	941,297,249	941,297,024	-	-	224
Value Added Tax Payments Account	774,750,436	22,900,000,000	-	23,674,750,436	23,674,750,436	-	-	-
Stamp Duty Payment Account	13,173,822	2,400,000	-	15,573,822	2,029,980	-	-	13,543,842
Excise Duty Domestic Payment account	1	-	-	1	-	-	-	1
TOTAL AGENCY	5,189,304,790	24,503,623,449	94,291,869,752	123,984,797,991	25,858,071,180	93,487,360,037	52,087,396	4,587,279,378

Note;

1. The above tables 17.18 (A) reflects funds movement in the Refunds Payment Accounts held at the Central bank of Kenya. The funds and disbursements on each account is explained as follows;
 - i. The Customs Payment Account receives funds allocated for payment of customs refunds and Agency revenues that are subsequently remitted to the agency principals.
 - ii. The Income Tax Payment Account receives funds allocated for Income Tax refunds and reflects payment made for approved Income Tax Refund claims. Included in the balance is a Payment of Kshs. **2,139,811,241.15** received from KCB for penalties on delayed remittances for collections to CBK. The amount is proposed to be utilised in funding critical KRA projects/programmes.
 - iii. The VAT Payment Account receives funds allocated for VAT refunds and also reflects payments made for approved VAT refund claims.
 - iv. The Stamp Duty Payment Account receives funds allocated for both Stamp Duty and Land Rent refunds and also reflects payment made for approved refund claims.
 - v. The Excise Duty Payment Account receives funds allocated for both Excise refunds and also reflects payment made for approved refunds claims.
 - vi. Included in Table 17.18 A (i) on the total Provision for Refunds figure of **Kshs 22,941,104,816** set aside for purpose of refund of claims during the 2021/2022 financial year, is an additional funding of **Kshs. 2,361,104,816** received from the National Treasury on VAT, income Tax, Excise Duty to assist clear the refund claim backlog.

NOTES TO THE REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

B) (i) Statement of utilization of Funds allocated for Refunds as at 30th June 2022

Payment Account	Opening balance as per CBK accounts as at 01/7/2021	Provision for Refund	Receipts/Returned payments	Total Amount available	Refunds Payments for the period	Remittances to Principals	Amount for Error correction & Provision for refunds re-allocation	Total Payments	% utilization
Customs Services Payments Account	4,573,735.312	660,000,000	96,184,768,335	101,418,503,847	1,266,044,693	96,063,820,756	714,917,836	98,044,783,285	97%
Income Tax Payments Account	224	1,741,104,816	2,145,620,148	3,886,725,588	1,741,160,943	-	2,145,411,887	3,886,572,830	100%
Value Added Tax Payments Account	-	20,540,000,000	33084148	20,573,084,448	20,573,953,198	-	-	20,573,953,198	100%
Stamp Duty Payment Account	13,543,842	-	-	13,543,842	2,163,000	-	-	2,163,000	16%
Excise Duty Domestic Payment account	1	-	-	1	-	-	1	-	-
TOTAL AGENCY	4,577,279,379	22,941,104,816	98,363,473,531	125,891,857,726	23,582,421,834	96,063,820,756	2,860,329,724	122,506,572,313	97%

B) (ii) Statement of utilization of Funds allocated for Refunds as at 30th June 2021

Payment Account	Opening balance as per CBK accounts as at 01/7/2020	Provision for Refund	Receipts/Returned payments	Total Amount available	Refunds Payments for the period	Remittances to Principals	Amount for Error correction	Total Payments	% utilization
Customs Services Payments Account	4,401,338,662	660,000,000	94,291,831,822	99,353,176,484	1,239,993,740	93,487,360,037	52,087,396	94,779,441,173	95%
Income Tax Payments Account	41,870	941,223,449	31,930	941,297,249	941,297,024	-	-	941,297,024	100%
Value Added Tax Payments Account	774,750,436	22,900,000,000	-	23,674,750,436	23,674,750,436	-	-	23,674,750,436	100%
Stamp Duty Payment Account	13,173,822	2,400,000	-	15,573,822	2,029,980	-	-	2,029,980	13%
Excise Duty Domestic Payment account	1	-	-	1	-	-	-	-	-
TOTAL AGENCY	5,189,304,790	24,503,623,449	94,291,861,752	123,984,797,991	25,858,071,180	93,487,360,037	52,087,396	119,397,518,613	96%

NOTES TO THE REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

17.19 (A) (i) Unallocated Revenue for the year ended 30th June 2022

S/NO	BANK NAME	BANK ACCOUNT NO.	Amount (Kshs)
1	Standard Chartered Bank Kenya Limited	0108023908300	383,738
2	I&M Bank Limited	100816369910	267,378
3	Citibank N.A. Nairobi	0300093093	-
4	Co-operative Bank of Kenya Limited	01136001340300	399,280
5	Coop bank -Customs and Excise(Nkrumah)	01136006150701	6,925,446
6	Kenya Commercial Bank Limited	1108976298	49,613
7	Equity Bank Limited	240299657063	791,361
8	Stanbic Bank Kenya Limited	100002716307	781,100
9	National Bank of Kenya Limited-Customs PRE-IDF	01002305340900	145,047,134
10	National Bank of Kenya Limited	01001005109600	755,787
11	Commission of Customs Services-NBK	01001005070700	621,268
12	Mpesa paybill		15,500
13	Kenya Post Office Savings Bank	0744130010262	2
	TOTAL COMMERCIAL BANK BALANCES		156,037,607
	DEBITS (BANK ERRORS & CHARGES)		
1	Access bank	18942001	(17,352)
2	Kenya Commercial Bank Limited	1108976298	(216,308)
3	Imperial Bank	ITAX-L121422/7224000607	(550)
	TOTAL		155,803,397

17.19 (A) (ii) Unallocated Revenue for the year ended 30th June 2021

S/No	Bank Name	Bank Account No.	Amount(Kshs)
1	Standard Chartered Bank Kenya Limited	108023908300	2,000
2	Eco bank	6580000121	367,408
3	Sidian Bank Limited	100110000038	6,000
4	Absa	2031960749	4,462,894
5	Co-operative Bank of Kenya Limited	1136001340300	430,003
6	Coop bank -Coop House	1136006150700	-
7	Coop bank -Customs and Excise(Nkrumah)	1136006150701	8,574,309
8	Kenya Commercial Bank Limited	1108976298	157,649,577

NOTES TO THE REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

9	Kenya Commercial Bank Limited	1108976999	190,536
10	Kenya Commercial Bank Limited	1107699460	102,935
11	Equity Bank Limited	240299657063	729,610
12	Stanbic Bank Kenya Limited	100002716307	504,232
13	Access bank	18942001	1,806,405
14	National Bank of Kenya Limited-Customs PRE-IDF	1002305340900	5,991,702
15	Mpesa paybill .	572572	118,013
16	HFC	7040000604-0	16
	TOTAL		180,935,640
	DEBITS (BANK ERRORS & CHARGES)		
1	NCBA		(7,318)
2	Co-operative Bank of Kenya Limited	1136001340300	(9,252)
3	Absa	2031960749	(48,341)
4	Imperial Bank	ITAX-L121422/7224000607	(550)
	TOTAL		180,870,179

Note:

Unallocated Revenue relate to payments remitted to KFA collection accounts but with missing mandatory information especially Taxpayer details, PRN Numbers or where the PRN Number was already expired. Follow up is being made with the respective taxpayers and the bank to provide the missing information to allow utilization. Debit balances relates to bank errors and erroneous charges, which are followed up and regularized by banks in subsequent periods. All the above debits will be regularized in July 2022 except for the amounts of Kshs 550 for Imperial Bank, which is currently under statutory management/receivership.

17.19 (B) Funds available for Transfer from Prior years

	FY 2021-2022	FY 2020-2021
Opening Cash in Transit	17,198,761,766	13,488,058,894
Prior year adjustments	75,473,679	(381,335,498)
Funds Available for Transfer from Prior years	17,274,235,445	13,106,723,396

Note: The figure of Kshs. 75,473,679 relates to adjustments for prior year transactions recognized as collections and payments in the current financial year.

NOTES TO THE REVENUE ACCOUNTABILITY STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

17.19 (C) Exchequer Receipts for VAT, Excise Duty & Income Tax Refunds (Additional Funding from Treasury)

DEPARTMENT	TAX HEAD	For the year ended 30th June 2022 Kshs.	For the year ended 30th June 2021 (Kshs)
Domestic Taxes	VAT	500,000,000	2,500,000,000
	Income Tax	1,381,104,816	-
	Subtotal	1,881,104,816	2,500,000,000
Customs Services	Excise Duty	480,000,000	-
	Subtotal	480,000,000	-
	GRAND TOTAL	2,361,104,816	2,500,000,000

Note: The figure of **Kshs, 2,361,104,816** shown in the table above relate to additional funding allocated by the National Treasury to settle pending approved refund claims over and above the normal annual allocation.

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18. APPENDICES

(i) Customs Services Department

The following is a detailed collection analysis of Customs Services Department

a) Statement of Target Vs Actual Performance by Department

Tax Head	Actual for the year ended 30th June 2022		Actual for the year ended 30th June 2021	
	Target Kshs.	Actual Receipts Kshs.	Target Kshs.	Actual Receipts Kshs.
		% target realised %		% target realised %
<i>Exchequer</i>				
Gross Import Duty	116,049,300,658	118,968,100,214	102,597,770,241	108,616,237,518
Gross Excise Duty - Imports	110,142,182,342	109,351,754,129	105,960,112,116	106,457,729,782
VAT - Imports	268,094,252,974	277,969,181,488	183,747,812,016	188,631,653,989
Import Declaration Fees	42,614,691,563	56,016,940,366	35,642,409,348	44,182,508,341
Railway Development Levy	31,639,052,742	36,360,699,782	33,231,313,281	28,503,689,719
Sub-Gross total Exchequer	568,539,480,279	598,666,675,978	461,179,417,002	476,391,819,349
Less: Prov. for Refunds (Import Duty)	(180,000,000)	(180,000,000)	(180,000,000)	(180,000,000)
Less: Prov. for Refunds (Excise Duty)	(480,000,000.00)	-	(480,000,000)	(480,000,000)
Net total Exchequer	567,879,480,279	598,486,675,978	460,519,417,002	475,731,819,349
<i>Agency</i>				
Airport Revenue	3,789,715,781	8,183,833,397	10,681,079,823	3,059,390,644
Aviation Revenue	3,748,540,809	4,171,684,917	4,417,261,740	3,319,280,585
Petroleum Development Fund	28,562,251,912	26,849,415,861	23,570,000,000	25,879,926,923
Road Maintenance Levy	94,110,945,257	86,399,339,834	78,479,520,758	87,315,731,714
K.A.A. Concession Fees	161,331,358	148,560,096	135,393,544	144,904,072
Road Transit Toll Levy	1,296,558,247	1,404,543,509	1,026,066,694	1,185,487,458
Sugar Levy	-	700,225	-	1,103,659
Petroleum Regulatory Levy	1,372,844,009	1,232,495,966	1,031,560,768	1,251,686,348
Merchant Superintendent Shipping Levy	1,901,490,896	1,606,746,419	1,765,620,156	1,686,317,232
Miscellaneous	8,467,976	13,459,368	9,102,000	10,290,847
Sub-total Agency	134,952,146,244	130,010,791,592	121,115,605,482	123,854,119,481
Total CSD	702,831,626,523	728,497,467,570	581,635,022,484	599,585,938,830
		104%		103%

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iii) ROAD TRANSPORT DEPARTMENT

The following is the detailed collection analysis for Traffic Revenue;

Statement of Target Vs Actual Performance by Department

Tax Head	Actual for the year ended 30th June 2022		Actual for the year ended 30th June 2021	
	Target	Actual Receipts	Target	Actual Receipts
	Kshs.	Kshs.	Kshs.	Kshs.
Exchequer	5,106,206,554	4,420,991,923	3,947,778,070	4,584,147,694
Agency	630,871,519	510,762,424	476,005,734	586,264,510
Total RTD	5,737,078,073	4,931,754,347	4,423,783,804	5,170,412,204
		% target realised		% target realised
		87%		116%
		81%		123%
		86%		117%

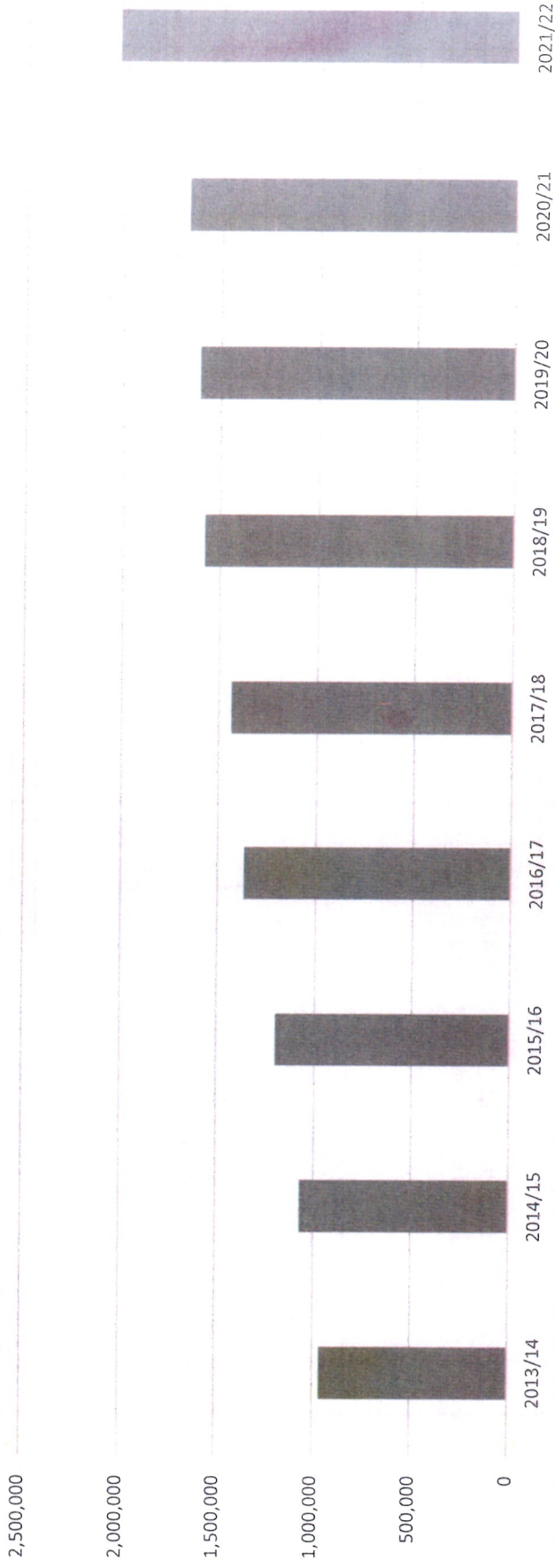
IV) Collections trend for the financial years 2013/14 to 2021/22 (Net figures in Kshs Millions)

DEPT	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
C&BC									
Exchequer	289,689	313,291	325,272	352,939	375,888	423,227	414,465	500,932	598,487
Agency	42,142	45,132	60,731	90,585	94,180	102,110	96,183	123,854	130,007
Total C&BC	331,831	358,423	386,003	443,524	470,068	525,337	510,648	624,786	728,494
DTD									
Exchequer	626,335	705,718	808,702	917,061	961,406	1,049,912	1,092,126	1,038,691	1,296,640
Agency	1,966	1,508	1,543	581	506	511	560	605,46	959,8778
Total DTD	628,301	707,226	810,245	917,642	961,912	1,050,423	1,092,686	1,039,297	1,297,600
TRD									
Exchequer	2,959	2,964	2,859	3,060	2,961	3,834	3,592	4,584	4,421
Agency	732	982	1,052	1,042	405	468	415	586	511
Total DTD	3,691	3,946	3,911	4,102	3,366	4,302	4,007	5,170	4,932
Exchequer	918,983	1,021,973	1,136,833	1,273,060	1,340,255	1,476,973	1,510,183	1,544,207	1,899,547
Agency	44,840	47,622	63,326	92,208	95,091	103,089	97,158	125,046	131,478
Total	963,823	1,069,595	1,200,159	1,365,268	1,435,346	1,580,062	1,607,341	1,669,253	2,031,025

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KRA Revenue performance for FY 2013-2014 to FY 2021-2022 Annual Revenue collections in Kshs.
(Millions)



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(V) Reconciliation between the Financial year 2021/22KRA collections and the Published Treasury Figures (Kenya Gazette Vol. CXXIV-No. 141 of 22nd July, 2022)

Reconciliation item	Kshs	Kshs
Gross Treasury collections as per the KRA Records (Notes 12 & 14)		1,919,749,532,946
KRA Collections for Financial year 2021-2022 received by The National Treasury in the current Financial year 2022-2023	4,826,248,199	
ADD:		
Prior year adjustments and net Mispostings included in The National Treasury Figures	64,517,911	
Refund amounts received from The National Treasury	1,209,104,816	6,099,870,928
Provision for Refunds (Note 17.18 A)	(22,941,104,816)	
Collections remitted to Fund Accounts	(55,378,217,898)	
Closing Cash-in Transit	(2,161,994,606)	
KRA Collections for July 2021 included in The National Treasury Figures for Financial year 2020-2021	(1,157,207,473)	
LESS:		
Items classified as Non Tax by The National Treasury		
Traffic Revenue	(4,426,546,500)	
Land Rent	(310,069,262)	(86,375,140,555)
Total		1,839,474,263,317
LESS: Amount Omitted in the Exchequer figure		(1,100,984)
Treasury Published figure		1,839,473,162,334

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(IV) PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDIT RECOMMENDATIONS

Audit Reference	Audit title	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Time
1	Outstanding Revenue	<p>The revenue accountability statements as at 30 June, 2021 continues to reflect an outstanding revenue balance of Kshs.1,601,133,022,443 compared to an outstanding revenue balance of Kshs.1,421,103,946,493 in June 2020</p> <p>Management has indicated that the exercise of validating the debt, as a prerequisite for updating taxpayers ledgers, is ongoing and various measures have been put in place with a view of reducing the debts. These measures includes enhanced and comprehensive data cleaning and validation processes on taxpayers records, automation and roll out of debt</p>	<p>The increase of debt by Kshs. 142,103,946,493 from Kshs. 1459,029,075,950 in June 2020 to Kshs. 1,601,133,022,443 in June 2021 can be attributed to accumulation of penalties and interest of Kshs.126,547,796,815 (89.1%) and increase in principal tax of Kshs. 15,556,149,678 (10.9%) during the period. The growth in principal tax can be attributed to increase in audit related tax assessments.</p> <p>Out of the debt of Kshs. 1,601 billion in June 2021, only Kshs. 90 billion (5.6%) is estimated to be collectible while Kshs 1,510 billion (94.4%) is considered uncollectible and doubtful due to various factors including;</p> <p>a) A significant proportion of debt constitutes old debts as follows;</p> <p>i). There are income tax arrears for 1992 and prior years amounting to Kshs. 4,766M that is yet to be collected because of challenges relating to untraceable taxpayers, disputes and the available documentation is either inadequate or incomplete.</p> <p>ii). There are estimated assessments amounting to Kshs. 14,329M that accrued over time (since 1994) and arose when the taxpayers failed to file self-assessment returns, yet the legacy systems (that are no longer in use) generated them automatically. Majority of the taxpayers cannot be traced making it difficult to validate the correctness of the debts.</p> <p>b) 37.05% of the total debt (i.e. Kshs.593,213 M) constitutes penalties and interest which are difficult to recover and continue accumulating.</p> <p>The recovery process of this category of debt has been difficult due to challenges relating to validation, disputes, untraceable taxpayers, etc.</p> <p>c) A significant proportion of debt remain uncollectible due to challenges related to data validation (correctness) due to data capturing errors, ledgers not updated with payments due to system challenges and integrations and erroneous tax returns declarations e.t.c</p> <p>d) A significant proportion of the debt is tied in tax appeal processes including Tax Appeal Tribunal (TAT) Alternative Dispute Resolution (ADR) and Tax objections.</p> <p>These take long to conclude due to lengthy litigation process that delays debt recovery.</p> <p>KRA is implementing the following specific measures to address growth of tax debt portfolio (i.e. collectible and uncollectible/doubtful debts):-</p>	Deputy Commissioner - Corporate Tax Account Management (CTAMD)	Not Resolved	Ongoing

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<p>module in iTax to transform the overall debt processes, establishment of a full time project team to fast track debt validation of legacy system debts, and strengthening of the tax appeal processes, among other measures. However, should the strategies implemented fail to yield results, the outstanding revenue balance will keep on increasing as indicated.</p>	<p>a) Implementing aggressive debt recovery initiatives - during the period, July 2021 – May 2022, KRA has collected a total of Kshs. 92,078,314,233</p> <p>b) Enhanced manual reconciliations - during the period, July 2021 – May 2022, KRA has reduced debt portfolio by Kshs. 186,011,575,067 through reconciliation of taxpayer ledgers.</p> <p>c) Vacation of erroneous debt (penalties and interest) in KRA systems - during the period, July 2021 – May 2022, KRA has reduced debt portfolio by Kshs. 21,107,255,464 through this initiative.</p> <p>d) Undertaking tax return amendment to reverse erroneous declarations for identified taxpayers - during the period, July 2021 - May 2022, KRA has reduced debt portfolio by Kshs. 39,319,359,276 through this initiative.</p> <p>As a result of these measures, KRA has reduced the debt portfolio for the financial year (2021/22; July - May) by Kshs. 262.9 billion as highlighted in the table below;</p>																													
	<table border="1"> <thead> <tr> <th>Debt Reduction Initiatives</th> <th>FY 2020/21</th> <th>July 2021 to May 2022</th> <th>Variance</th> </tr> </thead> <tbody> <tr> <td>1. Debt Recovery</td> <td>93,790,521,861</td> <td>92,078,314,233</td> <td>-1,712,207,628</td> </tr> <tr> <td>2. Manual Reconciliations</td> <td>160,785,138,886</td> <td>186,011,575,067</td> <td>25,226,436,181</td> </tr> <tr> <td>3. Vacation of Erroneous Debt (Penalties & Interest)</td> <td>1,102,225,833</td> <td>21,107,255,464</td> <td>20,005,029,631</td> </tr> <tr> <td>4. Returns Amendment (Erroneous Declarations)</td> <td>6,888,259,251</td> <td>39,319,359,276</td> <td>32,431,100,025</td> </tr> <tr> <td>5. Waivers Granted</td> <td>319,051,459</td> <td>13,520,528</td> <td>-305,530,931</td> </tr> <tr> <td>Total Debt Reduction</td> <td>262,885,197,290</td> <td>338,530,024,568</td> <td>75,644,827,278</td> </tr> </tbody> </table>	Debt Reduction Initiatives	FY 2020/21	July 2021 to May 2022	Variance	1. Debt Recovery	93,790,521,861	92,078,314,233	-1,712,207,628	2. Manual Reconciliations	160,785,138,886	186,011,575,067	25,226,436,181	3. Vacation of Erroneous Debt (Penalties & Interest)	1,102,225,833	21,107,255,464	20,005,029,631	4. Returns Amendment (Erroneous Declarations)	6,888,259,251	39,319,359,276	32,431,100,025	5. Waivers Granted	319,051,459	13,520,528	-305,530,931	Total Debt Reduction	262,885,197,290	338,530,024,568	75,644,827,278	
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	<p>Other general measures KRA has taken to improve the debt performance include:</p> <p>a) Continuous strengthening of the Corporate Taxpayer Account Management Division (CTAMD) that is charged with debt management at corporate level by improving structures and staff capacity (numbers and training).</p> <p>b) Automation and roll out of debt module in iTax to transform the overall debt management.</p> <p>c) Establishment of Corporate Data Office (CDO) at corporate level to fast track debt validation of legacy system debts and migration of the same to iTax system.</p> <p>d) Strengthening of the tax appeal processes including objections, ADR and TAT to enhance timely resolution of the many cases tying huge debts.</p> <p>e) Implementation of the new law (Finance Act 2021) that has made it easier to identify and recommend abandonment of uncollectible debts to the National Treasury.</p> <p>f) Implementation of business process re-engineering (BPR) initiatives to provide system-based solutions to minimize erroneous debts in KRA systems.</p>																													

place to hasten processing of refunds. However, should the Authority fail to get enhanced funding from The National Treasury, the refund claims will keep on escalating as indicated.

- i. Enhancement of Income Tax Refund allocations from Kshs 75 million per quarter in the year 2019 to Kshs 90 million per quarter in the 2021/22 financial year.
- ii. Additional allocations of Kshs 1.8 billion between the year 2019 and January 2022 to reduce the backlog of Income tax refunds.
- b) VAT Refunds
 - i. Enhancement of VAT Refund allocations from Kshs 1.2 billion per month in the year 2019 to Kshs 1.7 billion per month in the 2021/22 financial year.
 - ii. Additional allocations of Kshs 13 billion as a relief against the Covid-19 pandemic.
- c) Excise Refunds (Domestic)

The processing of applications tied to the balance of 11,803,475 stalled owing to a dispute that arose regarding implementation of the legislation of refund of excise duty to users of illuminating kerosene. The dispute is at the Tax Appeals Tribunal. The amount will be cleared once the dispute is resolved.

In view of the above, the current reduction status of the 30th June, 2020 outstanding refunds is as reflected in the table below;

Reduction Status on the outstanding refund claims

Claim Type	Outstanding As At 30.6.20	Processed	Outstanding As At 31.3.22
Domestic Taxes Department			
Income Tax	78,125,176,501	10,154,540,207	67,970,636,294
VAT	28,442,975,831	18,968,700,133	9,474,275,698
Excise Duty	34,296,362	22,492,887	11,803,475
Subtotal	105,602,448,694	29,145,733,227	77,456,715,467
Customs and Border Control Department			
Import Duty	52,499,903	45,733,715.67	6,766,187
Excise Duty	43,898,767	23,799,708.31	20,099,059
Subtotal	96,398,670	69,533,423.98	26,865,240
GRAND TOTAL	105,698,847,364	29,215,266,651	77,483,580,713

Besides the funding aspect, administrative actions have been taken to create positive impact in refunds processing (including, additional staffing, restructuring and continued prompt resolution of system issues). Legislative changes were proposed and adopted in the Finance Bill, 2022 which when passed into law will reintroduce transfer of Income Tax overpayments to set off future tax liabilities and thus largely reduce refund applications. We are similarly undertaking Business Process Re-engineering to enhance system capacity to detect and block false claims at application point to reduce claims that require extensive human verification in view of limited resources to verify all claims.

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(vi) OPERATIONS OFFICES & BRANCHES

The operations of the Authority are carried out at the following branches;

Name of Station	Address	Telephone Number
Nairobi Region		
Sameer Business Park	P.O. Box 46285-00100 Nairobi	0202396006/8
KESRA Centre, Nairobi	P.O. Box 30332-00100, Nairobi	0715877539
Ushuru Pensions Tower (CBC)	P. O. Box 48240 -00100 Nairobi	0709011501/2/3
Ushuru Pension Plaza	P. O. Box 48240 -00100 Nairobi	0709011501/2/3
Nairobi Railway Club	P. O. Box 48240 -00100 Nairobi	0202398470/8534, 0771628105
JKIA, Forodha House	19070 - 00501 Embakasi	0206822854-8
Namanga OSBP	9-00207, Namanga	0722602465, 0722787396
Loitokitok	P.O.Box 44 - 00209, Loitokitok	723450186
Inland Container Depot Embakasi	P.O.Box 19070 - 40100 Embakasi	0712863504, 0203546092
Wilson Airport	P. O. Box 48240 -00100 Nairobi	0206005635-6
Western Region		
Kisumu	P. O. Box 3636 - 40100 Kisumu	057-2020509/10
Forodha, Kisumu	P. O. Box 94 - 40100 Kisumu	0572022832/5
Kisumu Pier	P. O. Box 94 - 40100 Kisumu	0572024009
Kisumu KPC	P. O. Box 94 - 40100 Kisumu	0572024998
Kisumu Airport	P. O. Box 94 - 40100 Kisumu	0776016121
Kisumu PPO	P. O. Box 94 - 40100 Kisumu	057202488
Bungoma	P. O. Box 2576 - 50200 Bungoma	0552030840
Kakamega	P. O. Box 1776 - 50100 Kakamega	0562030358
Kisii	P. O. Box 2 - 058 Kisii	0582030908/925
Kopanga	P. O. Box 67 - 40400 Suna, Migori	0733770010
Nyamtiro	P. O. Box 94 - Kehancha	0733770008
Muhuru Bay	P. O. Box 24 - 40409 Muhuru Bay	0711635560
Usenge	P. O. Box 15532 - 00100 Usenge	0700930622
Sio Port	P.O.Box 6-50401, Sio Port	0733770606
Lwakhakha	P. O. Box 16 Lwakhakha	0725358018
Mbita	P.O BOX 262-40305, Mbita	0737729688
Isebania	P. O. Box 22 - 40414, Isebania	059-7252507, 0733770008
Malaba	P.O.Box 235, Kamuriae	055-54026, 055-54174, 0713141513
Busia	P. O. Box 54-50400	055-22040, 055-22218, 0202442296
SOUTHERN REGION		
Mombasa	P. O. Box 90601- 80100	0412314044/5
Ngomeni	P. O. Box 90601-80100 Mombasa	0746133685
Lamu	P. O. Box 30 - 80500 Lamu	0792973791
Voi	P. O. Box 644 - 80300 Voi	043203119
Malindi	P. O. Box 10- 80200	0422130955/0422130256
Diani	P. O. Box 90601 - 80100 Mombasa	0740131070/0742986134
KESRA Mombasa	P. O. 95705 - 80106 Mombasa	0736424200
Kilifi	P. O. Box 95707 - 30315 Kilifi	0709747429
Shimoni	P. O. Box 50 Shimoni	0791480247
Vanga	P. O. Box 7 - 80402 Lungalunga	0732255571/0724479067
Taveta OSBP	P. O. Box 197-80302, Taveta	0741443164/0741443176
Mazeras	P. O. Box 90601- 80100	0746133673
Kiunga	P. O. Box 30, Kiunga	0712250558
Port Operations	P. O. Box 95300- 80107, Kilindini	041225811/0412225812

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Mombasa Airport	P. O. Box 90603- 80100	0791480247/0775232705
NORTH RIFT REGION		
Eldoret	P. O. Box 402 - 30100 Eldoret	053-2062300/2062607
Eldoret KPC	P. O. Box 402 - 30100 Eldoret	0202003797/0202003799
Eldoret EIA (Eldoret Airport Warehouse)	P. O. Box 402 - 30100 Eldoret	053-2061299
Eldoret EIA (Eldoret Airport Bargage Hall)	P. O. Box 402 - 30100 Eldoret	053-2062839
Eldoret EIA (Scanner)	P. O. Box 402 - 30100 Eldoret	053-2061299
Eldoret Postal Corporation	P. O. Box 402 - 30100 Eldoret	0774914443
Kitale	P. O. Box 2673 - 30200 Kitale	0202398707/0207859501
Lodwar	P. O. Box 438 - 30500 Lodwar	0202398852/0778016179
Suam River	P. O. Box 524 - 30200 Suam	0202001070
Lokichoggio	P. O. Box 121 - 30503 Lokichoggio	0774914485
Lokichoggio Airport	P. O. Box 121 - 30503 Lokichoggio	0774914485
Nadapal	P. O. Box 121 - 30503 Lokichoggio	0774914490
SOUTH RIFT REGION		
Nakuru	P. O. Box 270 Nakuru	0512213926, 0512213927, 512213883, 0512213891
Maralal	P. O. Box 114 Maralal	0202397073, 0776746515
Kericho	P. O. Box 796 Kericho	052220104, 0711590909
Kericho-DC'S Office	P. O. Box 796 Kericho	0798482065, 0798482065
Nyahururu	P. O. Box 446 Nyahururu	0522021122
Narok	P. O. Box 1161 Narok	0798482066
Naivasha	P. O. Box 1645 Naivasha	0770972346, 0770591459, 0709678601
Nakuru-PPO	P. O. Box 270 Nakuru	0502030085, 0502030086
Nakuru-KPC	P. O. Box 270 Nakuru	0774502982
		0778010929
NORTHERN REGION		
Embu	P. O. Box 495 - 60100 Embu	0730716071
Elwak	P. O. Box 218-70200 Elwak	0774356219
Mandera	P. O. Box 96 - 70301 Mandera	0774356219
Garissa	P. O. Box 1145 - 70100 Garissa	0709016403
Wajir	P. O. Box 218-70200 Wajir	0776018838
Machakos	P. O. Box 756-90100 Machakos	0773394344
Kitui	P. O. Box 195 - 90200 Kitui	0771095882
Meru	P. O. Box 256-60200, Meru	202000237, 0773394344
Isiolo	P. O. Box 722-60300, Isiolo	0773394344
Moyale	P. O. Box 6-60700 Moyale	020200249
Diffu	P. O. Box 218 - 70200 Wajir	C/o Wajir office
Kajiado	P. O. Box 720 - 01100 Kajiado	770495367
Liboi	P. O. Box 218-70200	
CENTRAL REGION		
Nyeri	P. O. Box 677 - 10100 Nyeri	061-2030726-9, 0732697130, 0702697805
Nanyuki	P. O. Box 1787-10400, Nanyuki	062 - 2030000, 062 - 2031874
Kerugoya	P. O. Box 142 - 10300, Kerugoya	060 - 2021003, 709 - 752 722
Murang'a	P. O. Box 426-10200, Murang'a	060-2030700-4
Thika	P. O. Box 893-01000, Thika	067 - 2221701-5, 741 - 852
Kiambu	P. O. Box 2007-00900, Kiambu	0709752723, 0770804037, 0774779403, 0770806787