

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 09 MAY 2019

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THURSDAY

TABLED
BY:

HON. ADEN DUALE
LEADER OF MAJORITY

CLERK AT
THE TABLE:

INZOU MWAHE

REPORT



OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
REVENUE ACCOUNTABILITY STATEMENT
OF KENYA REVENUE AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE 2018**



KENYA REVENUE
AUTHORITY

**REVENUE ACCOUNTABILITY STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018 .**

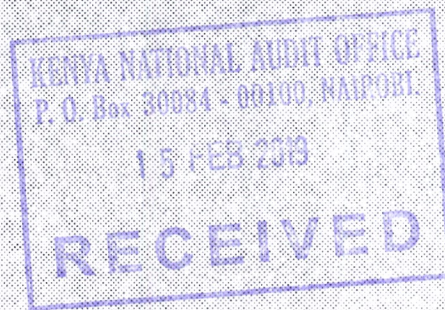


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1. KEY INFORMATION AND MANAGEMENT

(a) Background Information

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

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

(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.

(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 Service & Board Coordination Department

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

- 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

John K. Njiraini
Benson Korongo
Julius Musyoki
Ezekiel Saina
David Yego
Mohamed Omar
Wairimu Nganga
James Mburu

**Kenya Revenue Authority Annual Report And Revenue Accountability Statements For
The Financial Year Ended 30th June 2018**

(e) Headquarters

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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 Ltd,
Harambee Avenue Branch,
P.O. Box 41862-00100 Nairobi, Kenya

(h) Independent Auditors

Auditor General
Kenya National Audit Office
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

2. BOARD OF DIRECTORS

1. AMB. DR. FRANCIS MUTHAURA, MBS, EGH

Amb. Dr. Muthaura was appointed as the Chairman of the Board with effect from 1st May, 2018.

He holds a Bachelor of Arts Degree in Economics and Political Science and a Graduate Diploma in International Relations from the University of Nairobi. He is also a holder of Honorary Doctorate Degrees from the Kenyatta University and Ken Methodist University.

He has served as a career diplomat; Chairman of the Lamu Port and Lamu-Southern Sudan-Ethiopia Transport (LAPSSET) Corridor Development Authority; Britam Holdings Limited; Head of Public Service and Secretary to the Cabinet.

2. HON. MS. ROSE WARUHIU

Hon. Rose Waruhiu was appointed as a Member of the Board with effect from 21st October, 2016.

She holds a Bachelor of Arts (Economics) Degree, from Makerere University College, and a Certificate in Higher Education Administration from the University of Manchester.

She has worked as a consultant in the private and public sector, undertaking assignments in policy formulation and documentation; public management; strategy development; planning and advocacy.

She has served as a Board Member of the Kenya Post Bank Board and Council Member of the Jomo Kenyatta University of Science and Technology University Council. In 1990, she was offered a fellowship at the Harvard Institute of Politics.

She has held leadership positions as Chair/Convenor of several initiatives in the pro-democracy movement in Kenya and civil society. She served as a Member of Parliament in Kenya and East Africa Legislative Assembly.

She has been Chairperson and Member of the Audit and Risk and Strategy, Policy and Research Committees of the Authority's Board of Directors respectively.

3. MR. PAUL ICHARIA

Mr. Paul Icharia was appointed as a Member of the Board with effect from 11th November, 2016.

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

He has served as a Financial Consultant and in senior positions at the Royal Bank of Canada (RBC) and Citigroup in the United States of America.

**Revenue Authority Annual Report And Revenue Accountability Statements For
Financial Year Ended 30th June 2018**

He has been the Chairman and Member of the Strategy, Policy and Research, and Audit and Risk Committees respectively.

ENG. LEONARD ITHAU

Eng. Leonard Ithau was appointed as a Member of the Board with effect from 30th May, 2018.

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

He has served in the public service at the Kenya Ports Authority and as Projects Management Consultant in various private bodies. He is currently the Executive Director of Quemec Limited.

He is a registered engineer (Engineers Board of Kenya) and a Member of the Association for Project Management (UK).

5. MR. CHARLES MAKORI OMANGA

Mr. Charles Makori Omanga was appointed as a Member of the Board with effect from 30th May, 2018.

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

He has served in the private sector as Relationship and Product Manager at Citibank Kenya; Regional Head, Trade Finance (EA); Head, Public Sector at the Barclays Bank of Kenya; Head, Corporate Banking, CFC Stanbic Bank Limited and on Boards of several companies. He is currently co-Managing Principal, Horizon Africa Capital Limited.

He is a member of the Institute of Certified Investment and Financial Analysts (ICIFA).

6. MR. MUKESH K R SHAH

Mr. Mukesh K. R. Shah was appointed as a Member of the Board with effect from 30th May, 2018.

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

Previously, he worked for Price Waterhouse UK and Pricewaterhouse Kenya for eighteen (18) years and held a position of partner for over nine (9) years.

He holds directorships in private companies mainly in a professional capacity, and is a non-executive Director of Carbacid Investments Limited, a company listed on the

Nairobi Stock Exchange and of Commercial Bank of Africa Limited, a leading bank in East Africa.

He is also a Fellow of the Chartered Association of Certified Accountants (UK), Member of the Institute of Certified Public Accountants of Kenya (ICPAK) and Institute of the Certified Public Secretaries of Kenya (ICPSK).

7. MS. SUSAN MUDHUNE, MBS

Ms. Susan Mudhune was appointed as a Member of the Board with effect from 30th May, 2018.

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

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

She has served as a non-executive director in various Boards, been Chairperson of the Board of Kenya Commercial Bank Group and past National Chairperson of the Kenya Girl Guides Association.

She is a Certified Corporate Governance trainer and Member of Women Corporate Directors (Kenya Chapter) and Institute of Directors (Kenya).

In recognition of her outstanding achievements, she is a holder of the Moran of the Burning Spear (MBS), Fellow of the Institute of Bankers; Management; and Directors.

8. COMMISSIONER GENERAL, MR. JOHN K. NJIRAINI, CBS

He was appointed Commissioner General of Kenya Revenue Authority on 3rd March, 2012. Previously, he had served as the Commissioner in charge of Large Taxpayers Office.

He holds a Bachelor of Commerce Degree and Master of Business Administration Degree, both from the University of Nairobi.

He served as the Chief Executive of the Institute of Certified Public Accountants of Kenya (ICPAK) between 1996 and 2006; Lecturer, Department of Accounting, University of Nairobi between 1984 to 1994 and in various audit capacities with Deloitte Haskins & Sells (now Deloitte) and Price Waterhouse (now PricewaterhouseCoopers).

He has also served in various Government Boards and Task Forces including the Permanent Public Service Remuneration Review Board, Local Authorities Transfer Fund Advisory Board, Registration of Accountants Board and Pending Bills Closing Committee, among others.

EX OFFICIO MEMBERS

9. Cabinet Secretary, the National Treasury– Mr. Henry K. Rotich

Mr. Henry K. Rotich is the Cabinet Secretary for the National Treasury. He holds a Master's Degree in Public Administration (MPA) from the Harvard Kennedy School, Harvard University. He also holds Masters and Bachelor degrees in Economics from the University of Nairobi. Prior to his appointment, he had worked at the Treasury, Ministry of Finance and the Central Bank of Kenya. He had been earlier attached to the International Monetary Fund (IMF) local office in Nairobi.

He has been a Director of several Boards of State Corporations including; Insurance Regulatory Board, Industrial Development Bank, Communication Commission of Kenya and Kenya National Bureau of Statistics.

10. CPA Mr. Bernard Ndung'u, MBS

He was appointed as a Member of Board with effect from 15th September 2014 as the alternate to the Cabinet Secretary National Treasury.

He holds a Bachelor's Degree in Commerce from Nairobi University and a Master's degree in Public Finance Management from the University of London. He is also a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

He is the Director General, Accounting Services and Quality Assurance at the National Treasury.

He is the Chairman of the Public Sector Accounting Standards Board (PSASB) of Kenya and represents the Cabinet Secretary, National Treasury in the boards of Kenya Revenue Authority (KRA), Kenya Accounting and Secretaries Examination Board (KASNEB) and Kenya Medical Supplies Authority (KEMSA).

He has worked on a wide range of public and private finance management specialties having worked with accounting firms PricewaterhouseCoopers (PwC) and Ernst & Young (EY) prior to joining National Treasury.

11. Attorney General- Honorable Paul Kihara Kariuki

He was admitted to the Bar in 1978 after completing his Post Graduate Diplomain Law at the Kenya School of Law Nairobi. He practiced law at Ndung'u, Njoroge and Kwach Advocates, Hamilton, Harrison and Mathews Advocates as well as other legal establishments.

In 2003 he was appointed to serve as Principal and Chief Executive Officer at the Kenya School of Law. In the same year, he was appointed Judge of the High Court of Kenya where he served in both the Civil and Commercial Divisions for several years. Between 2009 and 2013, he served as the first Director at the Judiciary Training Institute, where he established operational systems for the

technical arm of the Judiciary incorporating professional development for all Judges, Magistrates and Paralegal Staff of the Judiciary. He was appointed the President of the Court of Appeal in 2013 and as the Attorney General of the Republic of Kenya in March 2018.

As the President of the Court of Appeal he was instrumental in decentralization of the court to Malindi, Kisumu and Nyeri Counties. He also led the development of the blue print 10 point strategy for the transformation of the courts that culminated in the Court of Appeal Bill and the Strategic Plan of the Court of Appeal of Kenya.

He has served as the Chancellor or the Honorary Legal Advisor for the Anglican Church of Kenya, Member of the Kenya Anti-Corruption Authority Advisory Board and the Chairman of the Thomas Banados House and Rotary International.

He is an esteemed member of the Law Society of Kenya, Commonwealth Lawyers Association and International bar Association.

12. Mary Ann Muthoni Njau-Kimani (Alternate director to the Attorney General).

She is an advocate of the High Court of Kenya with thirty (30) years' post admission experience both in private and public law practice.

She also holds a Master's degree in Business and Administration from the University of Nairobi.

She a Senior Deputy Solicitor General and the Secretary Justice and Constitutional Affairs, the current Head of the State Department of Justice, Office of the Attorney General & Department of Justice.

She is an accredited mediator and a certified Justice Rapid Response UN-Women SGBV Justice Expert, with management, financial, research, consultancy and training experience and skills.

**DIRECTORS WHOSE TERMS TERMINATED DURING THE 2017/2018
FINANCIAL YEAR**

1. DR. EDWARD SAMBILI, CBS

Dr. Edward Sambili was appointed as the Chairman of the Board with effect from 21st October, 2016.

He holds a Doctor of Philosophy degree in Economics from the University of Lancaster. He has experience and expertise in sustainable development, national planning and poverty analysis; human security and governance; macroeconomic issues; Public Sector Reforms, Results Based Management; Policy formulation, implementation and Monitoring and Evaluation.

He has served in the public service as a Senior Lecturer in Economics at the Egerton University, Permanent Secretary - Ministry of State for Planning, National Development and Vision 2030 and Deputy Governor, Central Bank of Kenya.

He has also been a Consultant/Advisor for United Nations bodies.

2. MR. EVANS KAKAI

Mr. Evans Kakai was first appointed as a Member of the Board with effect from 3rd October, 2013. He was reappointed with effect from 21st October, 2016.

He holds a Business Administration Degree, from the Catholic University of East Africa, and Master of Business Administration (Strategic Management) Degree from the University of Eastern and Southern African Management Institute.

He is a Certified Public Accountant of Kenya (CPA-K) and Managing Director of EKV Consultants Limited, a consultancy firm offering consultancy services in Kenya, Uganda, Tanzania and South Sudan. He is a UN agency Certified Auditor, undertaking donor confirmation assignments in Kenya, Uganda and South Sudan for various international UN Agencies.

He was Chairman of the Support Services Committee, Vice Chairman of the Staff Committee, Member of the Strategy, Policy and Research and Trustee of the KRA Staff Pension Scheme.

3. MS. CONSTANTINE KANDIE

Ms. Constantine Kandie was first appointed as a Member of the Board with effect from 14th August, 2013. She was reappointed with effect from 21st October, 2016.

She holds an International Business Administration Degree and Master of Business Administration (Marketing) Degree, both from United States International University. She has wide experience in governance, strategic management and leadership; management of staff teams, across a broad spectrum of professionals, and specialises in enterprise development.

She has served as Council Member and Chairperson of the Disciplinary Committee, Management University of Africa (MUA); Board Member and Secretary, Professional Women Empowered (ILO); Board Member, Eastern Africa Regional Board – Practical Action International; Director, Eastern Africa Grain Council; Director - World Fair Trade Organisation (WFTO) and Committee Member and Secretary, Kenya Federation for Alternative Trade (KEFFAT).

She is a Member of the Kenya Institute of Management.

She served as the Chairperson and Vice Chair of the Board of Trustees, KRA Staff Pension Scheme and Audit and Risk Committee of the Authority's Board respectively.

4. MR.ABDI BARE DUALE

Mr. Abdi Bare Duale was first appointed as a Member of the Board with effect from 3rd June, 2014. He was reappointed with effect from 15th June, 2017.

He holds a Master of Business Administration Degree from Edith Cowan University in Australia.

He has served in both public and private service as a Board Member, Kenya Bureau of standards and Nerix Pharma Limited; General Manager, Medina Pharmacy Limited; Managing Director, Medina Chemicals Limited and Executive Chairman, Nomad Palace Hotel limited.

He was the Chairman and Member of the Staff and Support Services Committees of the Authority's Board of Directors respectively.

5. AMB. DR. RASHID ALI, OGW, MBS, HSC

Amb. Dr. Rashid Ali was appointed a Member of the Board with effect from 11th November, 2016.

He holds a Doctor of Philosophy degree in Public Administration. He has expansive work experience in Private and Public Sectors.

He has served in the public service as an Ambassador of the Republic of Kenya to the Islamic Republic of Oman and Deputy Secretary, Administration (Ministry of Tourism, Trade and Industry; Ministry of Foreign Affairs and International Co-operation; Ministry of Environment and Natural Resources) and Assistant Secretary, Ministry of Lands and Settlement.

He has also served as Director, Kenya National Chamber of Commerce and Industry and Kenya Meat Commission.

He is a Fellow of the Institute of Directors (UK), The British Institute of Management; The Institute of Professional Manager and Administration and member of the Kenya Institute of Management.

He was a Vice Chairman and Member of the Support Services and Staff Committees of the Authority's Board of Directors respectively.

3. MANAGEMENT TEAM

1. John Njiraini, CBS

He was appointed Commissioner General of Kenya Revenue Authority on 3rd March, 2012 for a period of three (3) years. The contract was renewed for a further term of 3 years and subsequently extended up to 30th June 2019.

2. Julius Musyoki

He was appointed Commissioner of Customs & Border Control with effect from 1st August 2015. He left the Authority's service upon contract expiry on 31st October 2018.

3. Benson Korongo, HSC

He was appointed on a 3-year contract as Commissioner of Domestic Taxes with effect from 1st June 2016. He left the Authority's service upon resignation on 30th September 2018.

4. Ezekiel Saina, HSC

He was appointed on a 3-year contract as Commissioner of Corporate Support Services with effect from 1st June, 2016 and is still in service.

5. Mohamed Mohamud

He was appointed Commissioner of Strategy Innovation & Risk Management from 1st October, 2015 with the contract being renewed for a further 3-year term with effect from 1st October 2018.

6. Wairimu Ng'ang'a, OGW

She was appointed on a 3-year contract as Commissioner of Legal Services & Board Coordination with effect from 1st July 2016 with the contract subsequently extended to expire upon her retirement on 28th February 2019.

7. David Yego

He was appointed Commissioner of Investigations from 22nd March, 2017 and is still in service.

8. James Mburu

He was appointed Commissioner of Intelligence & Strategic Operations from 3rd April, 2017 and is still in service.

4. CHAIRMAN'S STATEMENT

Foreword

It is my singular honour and pleasure to present the Annual Report and Financial Statements of the Kenya Revenue Authority (KRA) for the Financial Year 2017/18, covering the final implementation period of the **Sixth Corporate Plan (2015/2016 - 2017/2018)** and **KRA Vision 2018**, anchored on the theme **"Building Taxpayer Trust Through Facilitation for Enhanced Tax Compliance"**. The focus of the KRA Vision 2018 was to enhance revenue collection with a view to enabling the Government to achieve fiscal surplus by 2018. To give traction to this vision, KRA initiated an ambitious Transformation Agenda, supported by technology as a game changer for enhanced service delivery and intelligence driven revenue administration.

It is important to place KRA's revenue collections for the 2017/18 within global and national contexts so as to get a realistic picture of the factors that underpinned its performance during the year under review.

Global Economy

For the first time in the post-2008 financial crisis, there was relative improvement in global economic and financial performance, leading to a growth rate of 3.6%. The improved performance was buoyed by a rebound in investments, improved international trade, favourable oil and commodity prices occasioned by increased capital spending in USA and Eurozone. The marginal gains in the Kenyan economy and tax revenues during the year under review were therefore, quite consistent with the global economic realities.

Kenyan Economy

The Kenyan economy had mixed fortunes during the FY 2017/18. Notwithstanding the disruptions occasioned by prolonged electioneering period, adverse weather and constricted credit disbursements to the private sector, the Kenyan economy remained largely resilient during the year under review. Notable performance was realized in such sectors as: Accommodation and Food Services; Information and Communication Technology; Education; Wholesale and Retail Trade; Insurance and Public Administration, which recorded growth of between 6.5% and 14.7%. This was however, tampered by a relative poor performance in key sectors, including Manufacturing, Agriculture, Forestry, Fishing and Financial Services (except Insurance). The depressed economic outlook in the course of the year under review led to revised growth projection to 4.8% from 5.8%. It is instructive to note that tax collections grew by 5.1% over 2016/17 collections, thus outperforming both the global and Kenyan economic growth by 1.5% and 0.3%, respectively.

Revenue Performance

During the FY 2017/18, the Authority collected **Kshs 1.435 trillion** against a target of **Kshs 1.541 trillion**. This represents a performance rate of **93.1%** and revenue growth of **5.1%** over **Kshs 1.365 trillion** collected in FY 2016/17. Revenue growth outperformed the economy by about 0.3%, an indication that the KRA Transformation Agenda has already begun to shore up revenue administration efficiency. Revenues collected by KRA are broadly divided into Exchequer Revenue and Agency Revenue.

Kenya Revenue Authority Annual Report And Revenue Accountability Statements For The Financial Year Ended 30th June 2018

Exchequer Revenue

Exchequer revenue comprises Income Tax, Value Added Tax, Customs Duty, and Excise Tax. During 2017/18, KRA collected Exchequer revenue totalling **Kshs 1.36 trillion** against a target of **Kshs 1.47 trillion**, translating to a performance rate of **92.2%**.

Agency Revenue

KRA collects Agency revenue on behalf of a number of government departments, state corporations and agencies. During the year under review, a total of **Kshs 95,091 million** was collected in Agency revenue against a target of **Kshs 87,965 million**, translating to a performance rate of **106%**.

Economic Outlook

Globally

The FY 2018/19 promises a positive outlook for the global economy, with a forecasted marginal growth of 3.9% compared to 3.7% realized in 2017/18. This is predicated primarily on improved domestic demand in advanced economies, and a marked improvement in performance of Emerging Market economies. Going forward, this positive economic growth is expected to shore up significant growth in economies with large export potential.

Kenya

Kenya's real GDP is projected to expand by 5.9% in FY 2018/2019. This growth will be supported mainly by investments in Manufacturing, Food Security, Universal Health, and Affordable Housing, which constitute strategic sectors of "The Big Four Agenda".

As the pre-eminent revenue collector for the Government, KRA is at the core of the implementation of "The Big 4 Agenda" as well as continue to improve the business climate of the country. Accordingly, the National Treasury has given KRA a revenue collection target of **KShs 1,809,999 million** for FY 2018/19, representing a growth of 26.1% over the revenue collection of FY 2017/18.

KRA is responding to this ambitious revenue target, by deepening the Transformation Agenda, which is expected to enhance its capacity for Domestic Revenue Mobilization. With the implementation of the Seventh Corporate Plan (2018/19 – 2020/21) underway, the focus shifts to key priorities of the country's development agenda as spelt out in the **Kenya Vision 2030**, the Third Medium Term Plan (MTP 2018 -2022), the Budget Policy Statement 2018, "**The Big Four Agenda**" as well as the country's commitment to the Sustainable Development Goals. To effectively discharge its mandate, KRA is transforming into an **intelligent tax administration** that efficiently utilises data and digital capabilities to revolutionize interactions with taxpayers, with the ultimate target of becoming "**simple at the front, smart at the back.**"

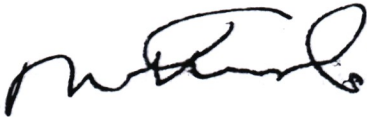
Appreciation

On behalf of the KRA Board of Directors, I wish to thank Management and Staff for their continued hard work, commitment and dedication to duty, that helped realize improved revenue collection by **Kshs 70,818 million** over the 2016/17 collections. We thank all the compliant taxpayers for honourably discharging their civic duty to this country. Last but not least, we thank all stakeholders who have availed time and resources to support KRA revenue mobilization initiatives.

In a very special way, I thank H. E. The President, the National Treasury and Planning Ministry, County Governments, and Parliament for standing by KRA Board, Management and Staff in the discharge of their onerous mandate of revenue collection

Lastly, I wish to extend my gratitude to my fellow Board Members for demonstrating commitment, collegiality and hard work during the just ended Financial Year 2017/18. It's my prayer and belief that these wonderful attributes will be sustained to help realize improved revenue performance Financial Year 2018/19.

Thank You.



**AMB. DR. FRANCIS K. MUTHAURA, MBS, EGH
CHAIRMAN**

5. COMMISSIONER GENERAL'S STATEMENT

Introduction

It gives me great pleasure to present to you the highlights of the Kenya Revenue Authority (KRA) performance for the FY 2017/18. This financial year was the third and last Plan Year in the 6th Corporate Plan under the theme "Building Taxpayer Trust through Facilitation for Enhanced Tax Compliance" and aimed at building trust-based relationships with the taxpayers to enhance voluntary compliance. Over the just concluded period, successes have been registered, challenges encountered and lessons learnt. These lessons and feedback from the implementation of the 6th Corporate Plan have been incorporated into the development of the 7th Corporate Plan running from FY 2018/19 to 2020/21.

Operating Environment

Kenya's GDP growth rate was estimated at about 5.0% in FY 2017/18 compared to a forecast of 5.3%. The GDP growth is expected to rise to 5.9% in FY 2018/19.

The key elements of the macro-economic environment that directly impacted revenue collection in the FY 2017/18 included the following:

- The overall rate of inflation declined from 9.2 percent in June 2017 to 4.50 percent in December 2017 and further to 4.3 percent in June 2018.
- The foreign exchange market remained relatively stable throughout the year.
- The exchange rate of Kenya Shilling to US Dollar averaged at 102.4 during the Financial Year compared to 102.5 for the FY 2016/17.
- The value of total exports decreased from KSh 52.7 billion in May 2017 to KSh 49.3 billion in December 2017, but increased to KSh 52.9 billion in June 2018. On the other hand, the value of imports declined from KSh 151.4 billion in May 2017 to KSh 141.8 billion in December 2017, but rose to KSh 160.6 billion in June 2018.
- The average yield rate for 91-day Treasury bill rate declined from 8.4 percent in June 2017 to 8.0 percent in January 2018. This further declined to 7.2 percent in June 2018, indicating a general decline in interest rates in the economy.
- The Nairobi Securities Exchange (NSE) 20 share index increased from 3,607 points in June 2017 to 3,811 points in December 2017, but declined to 3,286 points in June 2018.

The macro-economic indicators above show that the Kenyan economy experienced depressed performance in the FY 2017/18. Despite this relatively poor economic performance, the actual revenue collection grew by over KShs 69 billion.

Revenue Performance

Cumulative revenue collections (July 2017 - June 2018) stood at KShs 1,435.34 billion against a target of KShs 1,541.33 billion, representing a performance rate of 93.1 percent and growth of 5.1 percent.

Table 1: Revenue Collections (Ksh. Billion)

Department	Actual 2017/18	Target 2017/18	Performance Rate	Actual 2016/17	Growth Over 2016/17
	Kshs (B)	Kshs (B)	(%)	Kshs (B)	(%)
Customs Services	472.67	487.67	96.92%	446.32	5.90%
Domestic Taxes	976.30	1,066.53	91.54%	931.10	4.85%
Road Transport	3.37	4.44	75.90%	4.10	-17.80%
Total (Gross)	1,452.34	1,558.33	93.20%	1,381.52	5.13%
Less: Provision for Refund					
Customs Services	2.60	2.60		2.70	
Domestic Taxes	14.40	14.71		13.46	
Road Transport	-	-	-	-	-
Net Collections					
Customs Services	470.07	485.07	96.91%	443.62	5.96%
Domestic Taxes	961.91	1051.82	91.45%	917.64	4.82%
Road Transport	3.37	4.44	75.90%	4.10	-17.80%
Total (Net)	1,435.34	1,541.33	93.12%	1,365.36	5.13%

Customs and Border Control Department

Customs collections during FY 2017/18 amounted to KShs 470.07 billion against a target of KShs 485.07 billion translating to a performance rate of 96.9% and a growth of 6.0% over FY 2016/17. Net import duty grew by 7.9% to KShs 93.7 billion while net excise duty grew by 5.3% to KShs 83.4 billion. Annual collections in Petroleum Taxes amounted to KSh. 147.7 billion while Trade Taxes amounted to KShs 318.0 billion recording a growth of 5.4% and 6.8% respectively over FY 2016/17.

The recorded performance was buoyed by the change in composition of dry imports. The share to total imports of the value of goods in the 10%, 25% and the >25% tariff bands grew in 2017/18 over 2016/17, while that of the 0% tariff band declined resulting to a positive revenue impact of KShs 7.6 billion on import duty. The share of value of VATable goods

Kenya Revenue Authority Annual Report And Revenue Accountability Statements For The Financial Year Ended 30th June 2018

however decreased by 6.1 percentage points from 73.6% in 2016/17 to 67.5% in 2017/18 with a resultant adverse revenue impact of KShs 15.1 billion on import VAT.

Domestic Taxes Department

Domestic taxes collections during FY 2017/18 amounted to KShs 961.9 billion against a target of KShs 1,051.8 billion, translating to a performance rate of 91.5% and a growth of 4.8% over FY 2016/17.

Direct domestic taxes collected during the financial year amounted to KShs 654.8 billion representing a 90.2% performance rate and growth of 4.2% over FY 2016/17. Direct domestic taxes included: PAYE-56%; Corporate Taxes-24%, withholding taxes-15%, and the remaining 5% comprised individual taxes, Turn-Over-Tax, Capital Gains Tax and Rental Income Tax.

Indirect taxes collected during the Financial Year amounted to Ksh. 302.4 billion representing 93.6 % performance and a growth rate of 5.5% over FY 2016/17. This growth in indirect taxes was mainly driven by a 6.2% growth in VAT from KShs 193.1 billion to KShs 205.1 billion, 35.7% growth in withholding VAT from KShs 72.0 billion to KShs 97.8 billion, and 26.4% growth in excise duty on money transfer from KShs 12.6 billion to KShs 15.9 billion.

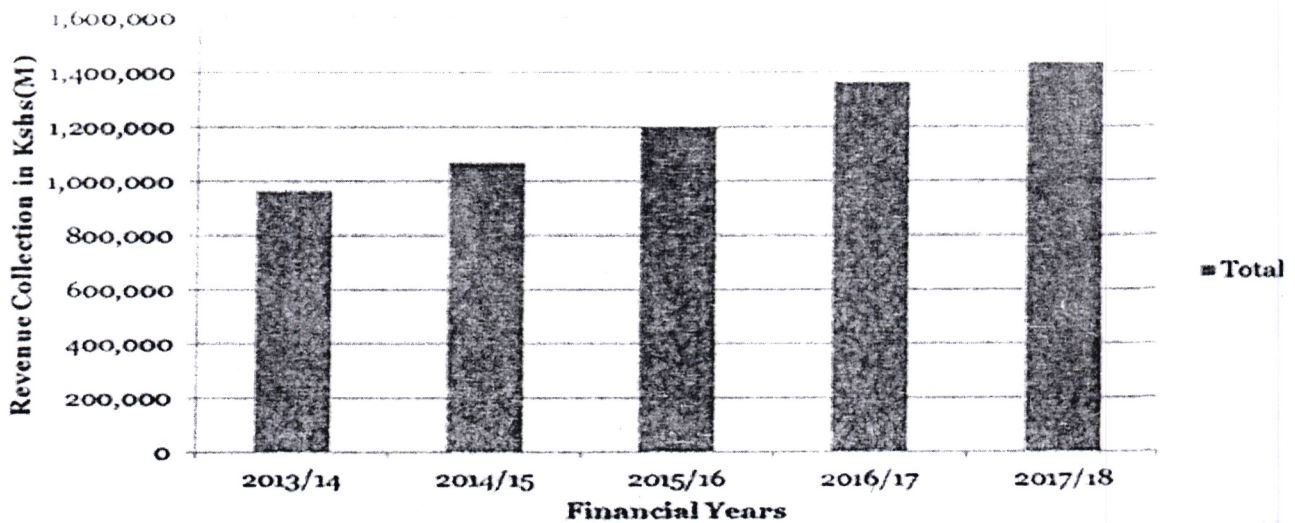
Road Transport Department

Transport revenue accounted for 0.23% of the total collections in FY 2017/18 recording a decline in growth of -17.9 % compared to FY 2016/17. This department has since been transferred to the National Transport and Safety Authority (NTSA).

COLLECTIONS TREND FOR THE FINANCIAL YEARS 2013/14 TO 2017/18 (KSHS MILLIONS)

	2013/14	2014/15	2015/16	2016/17	2017/18
	Kshs (M)	Kshs (M)	Kshs (M)	Kshs (M)	Kshs (M)
C&BC					
Exchequer	289,689	313,291	325,272	352,939	375,888
Agency	42,142	45,132	60,731	90,585	94,181
Total C&BC	331,831	358,424	386,002	443,524	470,069
DTD					
Exchequer	626,335	705,718	808,702	917,061	961,407
Agency	1,966	1,508	1,543	581	506
Total DTD	628,301	707,227	810,245	917,643	961,913
TRD					
Exchequer	2,959	2,964	2,859	3,060	2,961
Agency	732	982	1,052	1,042	405
Total DTD	3,691	3,947	3,911	4,102	3,366
Total					
Exchequer	918,982	1,021,974	1,136,833	1,273,060	1,340,256
Agency	44,841	47,623	63,326	92,209	95,092
Total	963,823	1,069,597	1,200,159	1,365,269	1,435,348

**KRA Revenue Performance 2013/14 – 2017/18
Annual Revenue Collection in Kshs (M)**



Notwithstanding the challenges enumerated above, revenue collections have consistently grown by an average of 14.3% while maintaining cost of collection consistently below 1.5%.

Revenue Administration Transformation

KRA continued to scale up its Transformation Agenda aimed at leveraging technology for enhanced service delivery and intelligence driven compliance. The transformation initiatives implemented during the year included:

iTax

This is a web-based system that provides tax administration services including electronic registration of taxpayers, electronic filing, self-service ledger accounts, electronic receipting of tax payments and back office functions for Domestic Taxes Department. During this financial year, key achievements included:

- Delivery of Debt module.
- Invoice auto reconciliation module under the last stage of Quality Assurance.
- Discussions on transition management given the huge impact to many stakeholders (ongoing).
- Implementation of online customer support framework (ongoing).
- Personal Identification Number, Business Process Reengineering (PIN BPR) completed and development discussions initiated.

Kenya Revenue Authority Annual Report And Revenue Accountability Statements For The Financial Year Ended 30th June 2018

New Data Centre (NDC)

This project aims at implementing an enterprise risk management framework that will help KRA build resilience for business processes recovery and resumption in case of a disaster. The project will also improve IT operational efficiency and reliability. The New Data Centre facility, which is about 98% operational, will enhance availability, continuity and response times of business systems. Progress made so far include:

- Systems migration, testing and changeover.
- Integration with iTax and payment gateway in progress.
- Prioritization of systems migration order completed and Migrations include iSupport, Corporate Website and Integrated Customs Management System (iCMS).

Integrated Customs Management System (iCMS)

The increasing trade volumes across Kenya's boundaries and the attendant risks call for a versatile Customs Management System in which stand-alone modules, systems, smart gates, and other security installations are integrated. The aim of the iCMS project is to automate all Customs processes while adopting best technology practices for trade facilitation by integrating the different systems used for Customs processes in the KRA. The progress made so far in implementation of iCMS include:

- 50% completion of the development work. (Full iCMS suite expected delivery date revised to September 2018).
- Completion and use of direct assessments.
- Quality assurance for warehousing module complete and due for pilot at Jomo Kenyatta International Airport (JKIA).
- Sea and Land Cargo for dry imports completed and pending integration with KPA system.
- Air Cargo module pilot and roll out is in progress at all airports.

iSupport System

To help enhance efficiency in its processes, KRA implemented a core technology application based on the SAP enterprise resource planning (ERP) platform, which is aimed at scaling and accelerating organizational decision-making and enhancing business management. This platform will assist KRA transform business operations and to meet the demands of a Digital Economy.

This project aims at;

- Providing timely and accurate information to support efficient tax administration operations, planning and reporting for the Authority;

- Stimulating integration of financial and operational activities through streamlined and efficient workflows and documents management;
- Building centralised service capability;
- Providing better business insight and
- Tracking key operational performance indicators on a real time basis, for prompt management decision making.

The iSupport system rollout rate is 90% and modules so far rolled out include Travel Management, Payroll, Performance Management, Medical Management, e-Recruitment, and Assets Disposal modules. Learning Management Solution is undergoing testing.

Tax Invoice Management System (TIMS)

Under the VAT enhancement strategy, the need for ensuring simplicity and accuracy in input, output, credit VAT information and reconciliation between filed returns and payments is paramount. In this regard, the Authority sought to implement a Tax Invoice Management System which is aimed at ensuring:

- Real time validation of invoices at the trader tills prior to issuance to the customer and KRA tax system.
- Standardization of tax invoices and receipts.
- Simplification of return filing in order to enhance voluntary compliance.
- Improve accuracy of VAT data for transactional purchases and sales information

Regional Electronic Cargo Tracking System (RECTS)

The Regional Electronic Cargo Tracking System (RECTS) was launched in March 2017 with the aim of boosting security by curbing diversion of transit cargo along the Northern Corridor, among other malpractices. The concept was anchored on the 2014 Northern Corridor directive to countries such as Kenya, Rwanda and Uganda to embrace electronic monitoring of cargo across the region. Besides securing the cargo, RECTS saves on time and cost of doing business. Less time is spent at border points disarming and arming of seals as the system allows for seals to be armed at starting point and disarmed upon reaching the final destination. RECTS and iCMS are set to be integrated to ensure high efficiency in cargo clearance as well as profiling of importers.

Integrated Scanner Management Solution (iSMS)

The objective of this project is to provide a centralized integrated scanner management solution with real time processing, inspection information collection, inspection data management and advanced analysis capability. Key achievements in this project include:

- Completion of network analysis to enhance bandwidth.

Kenya Revenue Authority Annual Report And Revenue Accountability Statements For The Financial Year Ended 30th June 2018

- Relocation of Inland Container Depot Embakasi scanners to Malaba.
- First version of the iSMS software was deployed for testing.
- Integration scoping with other systems is ongoing.

Key Achievements during the 6th Corporate Plan Period

FY 2017/18 marked the final year for the implementation of the 6th Corporate Plan (2015/16- 2017/18). The Plan represented a shift in KRA's focus from enforcement to taxpayer facilitation in line with the vision to "Facilitate Kenya's Transformation through Innovative, Professional and Customer Focused Tax Administration." In pursuit of this ambitious vision, KRA implemented the following four (4) key strategic objectives;

- i. Enhancing revenue mobilization by broadening the taxpayer base using smart intelligence and risk-based compliance strategies;
- ii. Strengthening administrative capacity and enhancing transparency and fairness through organizational change and business process optimization;
- iii. Creating a staff establishment that is professional, courteous, accessible and proactive in responding to customer problems; and
- iv. Enabling business by leveraging technology to achieve full electronic customer service leading to enhanced operational efficiency and high customer satisfaction.

Key Outcomes Achieved during the Plan Period

Revenue Enhancement Perspective: The cumulative revenue collection during the period under review amounted to KShs 4.0 trillion rising from Ksh. 1.069 trillion in FY 2014/15 to Ksh. 1.435 trillion in FY 2017/18. Active taxpayers grew from 1.6 million in FY 2014/15 to 3.94 million by June, 2018. Through the Alternative Disputes Resolution (ADR) initiatives, KShs 6.745 billion held up in tax disputes was freed up. The Authority continues to build capacity in ADR as this mechanism is speedy, non-adversarial and more effective. Further, the real estate sector contributed KShs 12.09 billion in revenue collected from 58,934 additional land lords recruited into the tax net. In addition, KRA has continued engagements with County Governments for collaborations in revenue collection. As at June, 2018, engagements with Kisii and Kericho County Governments were at an advanced stage.

Customer Perspective: To deliver customer focused services and raise customer satisfaction levels, KRA services were availed in 24 service centres and 52 Huduma Centres across the country. At least 78% of all complaints received were conclusively resolved and 276 stakeholder groupings were engaged by KRA. In addition, a taxpayer education strategy, tax curriculum proposal, tools for needs assessment and sector programme were implemented to enhance voluntary compliance. In line with this, KRA-wide customer service standards aimed at cultivating an all-inclusive and collaborative customer service environment were developed and implemented. An exit survey for FY 2016/17 established a customer satisfaction level of 71.9%.

People Perspective: KRA continued its endeavours to entrench its core values Trustworthy, Ethical, Competent and Helpful (*Kuwa* TECH) amongst the staff. This has been conducted through a review of sub-cultures, culture change assessment and communication, revamping of KRA's training, promoting innovation, knowledge management, enhancing integrity amongst staff and establishing KESRA as a choice institution for training in fiscal management. An exit survey for FY 2016/17 determined that the employee satisfaction level is 67%.

Internal Processes Perspective: Automation is key in enhancing transparency and fairness in government-to-business interactions. As at the end of FY 2017/18, KRA had been appointed the lead border agency in all land borders as well as custodian of One Stop Border Points. In a bid to become a fully automated single collector, the following KRA systems were implemented: iTax (100%), iCMS (80%), iSupport (90%), Customer Relationship Management (CRM) system (95% implemented), CCMS (100%) and New Data Centre (NDC) 98%. Over the same period, 86% of KRA's business units have implemented the five (5) enterprise Risk Management (ERM) framework tools. These tools are; Risk and Control Self-Assessment Tool; Control Compliance Tool; Key Risk Indicator Tool; Action Tracking Tool; and Incident Recording Management Tool. KRA was re-certified to ISO 9001:2015 Standard over the period.

Key Achievements in the Financial Year 2017/18

The key achievements during the FY 2017/18 include:

Expansion of the Tax Base

During the plan period, KRA sought to adopt a business classification, structure and tax rates similar to those being applied by the County Governments. This was so as to leverage the reach and closeness of local governments and taxpayers. This would be achieved through twinning of PIN to business licensing at the Counties and actively engaging the County Governments for collaborations. As at Quarter three of FY 2017/18, engagements with both Kisii and Kericho Counties were at an advanced stage.

During the FY 2017/18, 461,743 new active taxpayers were recruited resulting to 3,940,000 active taxpayers, cumulatively. The recorded recruitment of taxpayers was enhanced by KRA's deliberate effort to progressively contact non-compliant taxpayers and use of data to drive taxpayer recruitment. In addition, the taxpayer education programme was revamped to target non-compliance. To this end, four sector-based trainings targeting Architects, Engineers, School heads, Accountants, Withholding rental income agents, and Federation of Kenya Employers were held.

The Authority continued to leverage on government automation where various third-party systems (NTSA-TIMS, e-PromIS, NHIF, NSSF and IFMIS) were identified to further drive recruitment. KRAs integration with these systems is at different levels of implementation.

Kenya Revenue Authority Annual Report And Revenue Accountability Statements For The Financial Year Ended 30th June 2018

Revamped Debt Management Programme

During the Financial Year, a full-time team under Strategy, Innovation and Risk Management (SIRM) was formed to implement the Data Cleaning strategy. To do this, data cleaning business rules and a debt strategy were prepared to guide implementation of the initiative. As part of data cleaning, debt division staff were trained, backlog relating to returns were cleared and clearance of payments, waivers, and set-offs is underway.

Further, user acceptance testing was conducted on the debt module on the iTax system in March, 2018. Full roll out of the module will facilitate single view of all taxpayer transactions and improve debt collection.

In total, KShs 28.4 Billion was collected as debt revenue. Delays in forwarding mature debts (30 days) to Account Management Units from stations/divisions including the head office has had a negative effect on fast-tracking debt recovery.

Implementation of Alternative Dispute Resolution (ADR)

During the FY 2017/18, ADR workflows and staff structure were reviewed and approved and job descriptions developed, 33 officers were recruited to fill the ADR structure. At least 38% of disputes were settled through ADR out of which, KShs 3,011.9 million was collected as revenue.

VAT Enhancement Strategy

VAT's contribution to total revenue was envisaged to improve from 25% to 35% between FY 2014/15 and FY 2017/18. Amongst the measures proposed was implementation of the tax invoice management system (TIMS) to improve VAT data management and to ensure accuracy in input, output and credit VAT information and reconciliation between filed returns and payments.

To improve VAT data management and ensure accuracy in input, output and credit VAT information and reconciliation between filed returns and payments, iTax enhancements were proposed, TIMS implementation strategy documented and Public Key Infrastructure (PKI) for TIMS implemented. The Revenue Enhancement Initiatives aimed at improving VAT performance and reducing non-filing & non-payment led to the implementation of an aggressive stop filer and nil filer programme to reverse the non-filing and non-payment trend. Under this, unclaimed withholding VAT certificates worth KShs 1,903.7 million and unmatched invoices worth KShs 1,643.3 million were assessed. Collections out of these amounted to KShs 477.7 million and Ksh. 437.4 million respectively.

Customer Satisfaction with KRA Services

KRA services were offered in 24 service centres and 52 Huduma Centres across the country. Using the Corporate Complaints Management Framework, 78% of complaints were conclusively resolved. This framework is planned for regional roll-out in 2018/19 and additional staff for the centres have been recruited.

As at June, 2018, electronic filing rate stood at 76%, 60% and 44% for VAT, PAYE and Corporate Taxes respectively. Electronic payment rates also stood at 97%, 93%, and 93% for VAT, PAYE and Corporate Taxes respectively.

Strengthening Taxpayer Service and Marketing and Communication

During the past financial year, KRA fully engaged a media consultancy to offer strategic guidance on creative advertising, public relations and stakeholder engagement. The communication strategy, which aims at achieving effective communication to drive brand loyalty, promote customer centricism, knowledge sharing and KRA brand acceptance, was implemented. KRA has adopted a strategic approach towards International Affairs that facilitates continuous learning of industry best practices, and promotes experience and knowledge sharing. During 2017/18, KRA participated in eight (8) international engagements (in-bound and out-bound). The engagements were with South African Revenue Service (SARS), Rwanda Revenue Authority (RRA), Ghana Revenue Authority (GRA) and African Tax Administration Forum (ATAF), Authorised Economic Operators - Uganda, TMEA - China, Busia OSBP, 7th ATAF Country Correspondents Meeting, Co-hosted the ATAF Tax for Development Course with KESRA; and M&C outward benchmark to Netherlands Tax Administration.

Corporate Social Responsibility (CSR)

During the Financial Year, the CSR Policy was reviewed to guide measurement of CSR effectiveness. A total of 29 CSR activities and 33 publicity campaigns were undertaken to develop and enhance the brand value of KRA. A total of 969 out of 4,853 KRA staff were involved in Corporate Social Responsibility activities.

Promoting innovation

To better meet its customers' needs, KRA set out to introduce new ideas, workflows, methodologies, services and products in pursuit of its core business revenue mobilization for the Government. KRA embarked on an ambitious strategy to institutionalize innovation management, facilitate effective citizen participation, and to grow and innovate information technology to support, enable and optimise business operations. In line with these aspirations, Live Chats, Story za Ushuru Videos and USSD code campaigns were conducted among other sensitization campaigns.

Enhancing Integrity in Revenue Administration

KRA aspired to attain a "Zero-tolerance to Corruption" status by 2018 through a number of interventions including constant review of internal controls to mitigate corruption and a deliberate corporate effort to inculcate transparent, accountable and ethical culture amongst staff and customers. During the financial year under review, the vetting unit was operationalized, a draft lifestyle audit and background checks policy was developed. In line with this, a total of 4,286 staff and 4,893 stakeholders were sensitised on integrity, 2,073 staff sensitized on whistle blowing policy and 32 senior managers trained on corruption related audits.

Kenya Revenue Authority Annual Report And Revenue Accountability Statements For The Financial Year Ended 30th June 2018

Human Resource Review

Senior Staff Changes

Dr. Fred Mugambi Mwirigi was appointed on acting capacity as Head of Kenya School of Revenue Administration (KESRA) with effect from 5th March 2018.

Staff Compliment as at 30th June 2018

	Department	Count	Percentage (%)
1	Corporate Support Services	1,043	21.5
2	Customs & Border Control	1,562	32.2
3	Domestic Taxes Department	1,554	32.0
4	Intelligence & Strategic Operation	77	1.6
5	Internal Audit Department	31	0.6
6	Investigation & Enforcement	176	3.6
7	Kenya School of Revenue Administration	54	1.1
8	Legal Services & Board Coordination	75	1.5
9	Marketing & Communication	88	1.8
10	CG / Strategic Operation Office	23	0.5
11	Strategy Innovation & Risk Management	170	3.5
TOTAL		4,853	100

The staff numbers do not include short term contract staff

Staff Motivational and Welfare Programs

In the financial year 2017/18, KRA continued to implement various welfare activities that include wellness programs, health talks, health hikes as well as alcohol and drug abuse prevention programs. The Authority also provided motivational benefits including mortgages, car and laptop loans for staff.

Competency Development

KRA facilitated delivery of 51 technical and cross cutting programs for 1,839 staff and 50 Continuous Professional Development programmes for 296 staff. 317 staff attended phase one training on leadership development (Discovering Leadership Effectiveness) and 227 attended phase two of the same training (Leading at the Speed of Trust).

Automation of Human Resources Management Systems

KRA continued the process of automating Human Resource Division and functions automated during the FY 2017/18 include;

- Organization Management;
- Leave Management;
- Payroll;
- E-Recruitment and
- Medical Scheme Management.

Future Outlook

The Treasury revenue target for the financial year 2018/19 is KShs 1.81 trillion, of which KShs 1.72 trillion (94.9%) is Exchequer revenues and KShs 92.9 billion (5.1%) being the agency revenues that KRA collects. The Treasury target represents a growth of 26.1% over the revenue collection in FY 2017/18 (KShs 1.4 trillion). The revenue performance is expected to be influenced by the improving operating economic environment and the continued implementation of the Revenue Enhancement Initiatives (REI) programme.

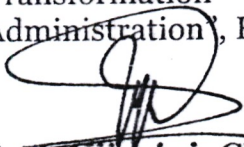
During FY 2018/19, Kenya's GDP is projected to expand by 5.9 % from the estimated performance of 5.0% in FY 2017/18. The 2018 Budget Policy Statement indicates that this growth will be supported mainly by the implementation of "The Big Four" Agenda, sustained investment in infrastructure, strong agricultural production due to improved weather conditions, buoyant service sector, continued recovery in tourism, increased investor and consumer confidence, and macroeconomic stability. Inflation is expected to remain within the Government's target range underpinned by prudent monetary and fiscal policies, favourable weather outlook, relatively lower international oil prices, and a stable exchange rate. The interest rates are expected to remain low and stable over the medium term supported by improved liquidity conditions, and the proposed fiscal consolidation.

FY 2018/19 marks the beginning of the implementation of the 7th Corporate Plan due to be implemented during the period the FY2018/19 to 2020/21. Our overarching goal in the plan period is 'Revenue mobilization through innovative use of the opportunities created by the reforms, change programme and transformation that the Authority has undertaken during the past plans'. To this end, we have identified four strategic outcomes in the corporate plan, that is: enhanced revenue through improved compliance; improved business climate with respect to taxation and trading across borders; public confidence in the integrity, professional competence and customer focus of our staff; and being data and intelligence driven organization.

Conclusion

In conclusion, I would like to thank the Board of Directors, Management and Staff for their support, hard work, and for embracing the Transformation Agenda that has enabled KRA to effectively discharge its mandate as the pre-eminent revenue collector for the Government of Kenya. The staff's dedication and commitment to duty led to the revenue growth of 5.1% over FY 2017/18. I also thank the National Treasury for according KRA the much needed goodwill and strong support that facilitated revenue administration in a tranquil environment. Lastly, I extend our gratitude to all our valued taxpayers, partners and stakeholders for their patriotism and unwavering support, without which KRA would not have achieved its strategic goals during the financial year under review.

I am confident that together, and guided by the vision "To Facilitate Kenya's Transformation through Innovative, Professional and Customer-Focused, Tax Administration", KRA is headed for greater heights.


J. K. Njiraini, CBS
COMMISSIONER GENERAL

6. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the structure and process used to direct and manage the business affairs of the Authority to enhance prosperity, corporate performance and accounting. The Board of Directors is the governing body of the Authority. It formulates policy and charts out the road map for goal attainment, including plans of action.

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, 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 Board's responsibilities are broadly set out in Section 6 (6) of the Kenya Revenue Act CAP 469 of the Laws of Kenya, and include:

- a) Review and approval of the policy of the Authority;
- b) Monitoring of the performance of the Authority in carrying out its functions; and
- c) Discipline and control of all members of staff of the Authority, appointed under the Act.

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 sixteen (16) Meetings during the period under review.

Board Committees

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

Staff Committee (Now 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 quarterly and its Members were:

Kenya Revenue Authority Annual Report And Revenue Accountability Statements For The Financial Year Ended 30th June 2018

	Previous Membership		Current Membership
1.	Mr. Abdi Duale (Retired).	1.	Ms. Susan Mudhune.
2.	Mr. Evans Kakai (Retired).	2.	Mr. Leonard Ithau.
3.	Dr. Rashid Ali (Retired).	3.	Mr. Paul Icharia.
4.	Ms. Mary Ann Muthoni Njau–Kimani.	4.	Mr. John K. Njiraini.
5.	Mr. John K. Njiraini.		

Support Services Committee (Now Finance, Administration and Procurement Committee)

The Committee is responsible for review of the Authority’s annual budget; Procurement and Disposal Plans, and related policies, among others. The Committee met monthly and its Members were:

	Previous Membership		Current Membership
1.	Mr. Evans Kakai (Retired).	1.	Ms. Rose Waruhiu.
2.	Dr. Rashid Ali (Retired).	2.	Mr. Charles Omanga.
3.	Mr. Abdi Duale (Retired).	3.	Mr. Bernard Ndung’u.
4.	Mr. Bernard Ndung’u	4.	Mr. John K. Njiraini.
5.	Mr. John K. Njiraini.		

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 quarterly and its Members were:

	Previous Membership		Current Membership
1.	Ms. Rose Waruhiu.	1.	Mr. Mukesh Shah.
2.	Ms. Constantine Kandie (Retired).	2.	Ms. Rose Waruhiu.
3.	Mr. Paul Icharia.	3.	Ms. Mary Ann Muthoni Njau–Kimani.
4.	Mr. Bernard Ndung’u.	4.	Mr. Bernard Ndung’u.

Strategy, Policy and Research Committee (Now 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 quarterly and the Members were:

Kenya Revenue Authority Annual Report And Revenue Accountability Statements For The Financial Year Ended 30th June 2018

Previous Membership		Current Membership	
1.	Mr. Paul Icharia.	1.	Mr. Leonard Ithau.
2.	Mr. Evans Kakai (Retired).	2.	Mr. Mukesh Shah.
3.	Ms. Rose Waruhiu.	3.	Ms. Rose Waruhiu.
4.	Dr. Rashid Ali (Retired).	4.	Ms. Susan Mudhune.
5.	Ms. Mary Ann Muthoni Njau–Kimani.	5.	Mr. Paul Icharia.
6.	Mr. Bernard Ndung’u.	6.	Ms. Mary Ann Muthoni Njau–Kimani.
7.	Mr. John K. Njiraini.	7.	Mr. Bernard Ndung’u.
		8.	Mr. John K. Njiraini.

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:

Previous KRA Board Representation		KRA Board Representation after Reconstitution of the Board	
1.	Ms. Constantine Kandie (Retired).	1.	Mr. Paul Icharia.
2.	Mr. Evans Kakai (Retired).	2.	Mr. Charles Omanga.
3.	Mr. Paul Icharia (Retired).	3.	Ms. Susan Mudhune.
4.	Mr. John K. Njiraini.	4.	Mr. John K. Njiraini.

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON REVENUE ACCOUNTABILITY STATEMENT OF KENYA REVENUE AUTHORITY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE REVENUE ACCOUNTABILITY STATEMENTS

Qualified Opinion

I have audited the accompanying Revenue Accountability Statement of Kenya Revenue Authority set out on pages 31 to 58 which comprises the Statement of Financial Position as at 30 June 2018, and the Statement of Revenue Collection and Transfers, Statement of Target vs Actual Performance by Tax Head and Agency and Statement of Target vs Actuals Performance by Department 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 effect of the matters described in the Basis for Qualified Opinion section of my report, the Report on Lawfulness and Effectiveness in use of Public Resources, Report on Effectiveness of Internal Controls, Risk Management and Governance, Report on Other Legal and Regulatory Requirements, the Revenue Accountability Statements presents fairly, in all material respects, the revenue position of Kenya Revenue Authority as at June 30 2018, and 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.

Basis for Qualified Opinion

1.1 PAYE Returns Without Corresponding Tax Collection.

Note 14.1 of the Revenue Accountability Statements reflect Income Tax - PAYE collected during the year amounting to Kshs.364,103,621,093. However, audit review of 47 County Governments, Assemblies and Executives taxpayers' ledger in the i-Tax system revealed that PAYE returns totaling Kshs.12,909,254,538 were posted in taxpayers' ledgers without any corresponding payments.

In the absence of the revenue receipts to support the reconciliations with the taxpayers' ledgers the completeness and accuracy of the Income Tax - PAYE revenue collection for the year ended 30 June 2018 could not be ascertained.

Report of the Auditor-General on the Financial Statements of Revenue Accountability Statement of Kenya Revenue Authority for the year ended 30 June 2018

1.2 Variance of Closing Cash and Cash Equivalent Balances

Cash and Cash equivalents in the Revenue Accountability Statement reflected a balance of Kshs.22,734,898,175. However, a comparison of the closing balance with the certificates of bank balances/ bank statement as at 30 June 2018 amounting to Kshs.21,830,770,108 revealed variance of Kshs.904,128,067 whose reconciliations could not be adequately explained as at the close of the audit.

In the absence of adequate explanation for the reconciliations of the closing balance and the certificate of bank balances, the completeness and accuracy of the Cash and Cash equivalents in the Revenue Accountability Statement for the year ended 30 June 2018 could not be ascertained.

	BANK NAME	BANK ACCOUNT NO.	Balance as per Revenue Accountability Statement as at 30 June 2018 (Kshs.)	Certificate of Bank Balance as at 30 June 2018 (Kshs.)	Differences (Kshs.)
1	Barclays Bank Of Kenya, Ltd.	2031960749	388,116,330.00	411,569,333.00	- 23,453,003.00
2	National Bank of Kenya Limited	0100132110600/ 01023015000700	5,485,194,241.99	5,136,907,505.21	348,286,736.78
3	Stanbic Bank Kenya Limited	100002716307	221,562,449.00	224,611,566.26	- 3,049,117.26
4	Equity Bank Limited	240299657063	376,837,932.15	448,621,251.15	- 71,783,319.00
5	Kenya Commercial Bank Limited	1108976298	2,059,513,276.30	2,100,879,608.91	- 41,366,332.61
6	Gulf African Bank Ltd	0004-001-210810- 05200000-000	33,992,333.00	57,800,450.00	- 23,808,117.00
7	Bank of Africa Kenya Limited	01075870000	6,414,513.00	897,704.00	5,516,809.00
8	Bank of India	2027000023049	24,187,002.00	24,429,910.00	- 242,908.00
9	Family Bank Limited	68000011053	1,348.00	2,306,551.00	- 2,305,203.00
10	Bank of Baroda	95900200001113	7,370,419.00	-	7,370,419.00
11	Imperial Bank	ITAX- L121422/7224000607	83,649,178.00	83,648,628.00	550.00
12	Chase Bank	0082078700001	165,626,448.70	165,626,448.70	-
13	Standard Chartered Bank Kenya Limited	0108023908300	93,306,358.25	53,813,738.25	39,492,620.00
14	I&M Bank Limited	100816369910	6,108,676.00	10,224,004.00	- 4,115,328.00
15	Credit Bank Limited	21015000002	1,365,314.00	1,357,912.68	7,401.32
16	Commercial Bank of Africa Limited	7135210017	13,876,904.00	5,452,673.02	8,424,230.98
17	Diamond Trust Bank Kenya Limited	0008527001	19,333,140.00	29,237,408.00	- 9,904,268.00
18	ABC Bank	1200001000724	937,872.00	907,859.00	30,013.00
19	Consolidated Bank of Kenya Limited	10021209000002	48,056.00	394,506.00	- 346,450.00
20	Co-operative Bank of Kenya Limited	01136001340300	330,615,397.47	330,615,397.47	-
21	ECOBANK	10135018639601	2,269,865.00	206,663.00	2,063,202.00
22	GUARANTY TRUST BANK KENYA(K)LTD	2110059658	3,154,189.00	3,154,189.00	-
23	Guardian Bank Limited	5501000001	149,472.00	230.00	149,242.00
24	National Industrial Credit Bank Ltd	1001314398	66,496,385.65	77,399,177.49	- 10,902,791.84
25	SIDIAN BANK LIMITED	010011000038	430,213.00	451,795.00	- 21,582.00

	BANK NAME	BANK ACCOUNT NO.	Balance as per Revenue Accountability Statement as at 30 June 2018 (Kshs.)	Certificate of Bank Balance as at 30 June 2018 (Kshs.)	Differences (Kshs.)
26	Victoria Commercial Bank Limited	001012150001	5,141,541.00	-	5,141,541.00
27	MIDDLE EAST BANK KENYA LTD	250609019	1,668,016.45	-	1,668,016.45
28	Citibank N.A. Nairobi	0300093093	807,919.00	3.19	807,915.81
29	Transnational Bank Ltd	18942001	240.00	1,820,617.00	- 1,820,377.00
30	National Bank of Kenya Limited	02023015100100	1,022,700,083.06	1,022,700,083.06	- 0.00
31	Central Bank	1000007389	5,341,732,040.00	4,267,553,652.15	1,074,178,387.85
32	Central Bank -KEBS	1000007718	93,466,743.64	93,616,744.64	- 150,001.00
33	Central Bank	1000007486	70,794,425.00	197,971,939.25	- 127,177,514.25
34	Central Bank of Kenya	1000007338	1,740,109,638.40	1,740,109,638.00	0.40
35	Central Bank of Kenya	100007354	541,976,580.35	541,976,580.00	0.35
36	Central Bank of Kenya	1000007419	944,888,579.00	944,888,579.00	-
37	Central Bank of Kenya	1000007408	919,370,781.00	919,370,781.00	-
38	Central Bank of Kenya	1000007443	222,312,400.00	222,312,400.00	-
39	Central Bank of Kenya	1000008318	78,382,516.00	78,382,516.00	-
40	Central Bank of Kenya	1000007478	14,280,203.00	14,280,203.00	-
41	Central Bank of Kenya	1000007435	20,637,647.05	20,637,647.05	-
42	First Community Bank	115768	7,350.00	7,350.00	-
43	National Bank of Kenya Limited-Customs PRE-IDF	1002305340900	525,227,873.05	749,000,565.00	- 223,772,691.95
44	National Bank of Kenya Limited	2023015100200	576,461,019.20	576,461,019.20	-
45	United Bank for Africa	5510030000857	151,243.00	151,243.00	-
46	Coop bank -Customs and Excise(Coop House)	1136006150700	10,856,492.23	10,856,492.23	-
47	Coop bank -Customs and Excise(Nkrumah)	1136006150701	4,347,939.85	4,347,939.85	-
48	CBK Income Tax Payments Account	1000007346	227,690,444.00	243,864,004.04	- 16,173,560.04
49	CBK-Value Added Tax Payments Account	1000007362	964,666,455.00	992,807,850.85	- 28,141,395.85
50	CBK -Stamp Duty Payment A/C	1000008512	2,292,634.00	2,724,701.90	- 432,067.90
51	Central bank	1000007737	14,370,058.00	14,413,049.00	- 42,991.00
	TOTAL		22,734,898,174.79	21,830,770,107.55	904,128,067.24

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Revenue Accountability Statement of the Kenya Revenue Authority in accordance with ISSAI 30 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 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 financial statements. Except for the matters described in the Basis for Qualified Opinion and Basis for Conclusions on Lawfulness and Effectiveness in

Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance sections, I have determined that there are no key audit matters to communicate in my report.

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 matters described in the Basis for Qualified Opinion and Basis for Conclusions on Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance sections 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 of Conclusion

Deficiencies in the Presentation of Statement of Budget and Actual Amount.

Statement of Target verses Actual Performance by Tax Head and Agency for the year ended 30 June 2018 reflect Nil budget amount against actual amount of Kshs.85,075,191 for AIA revenue collection. The AIA revenue (Miscellaneous) was unlawfully collected without budgetary approval. Similarly, no satisfactory reason has been provided for lack of budget figures for the collection of AIA.

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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, except for the matters described in the Basis for Qualified Opinion and Basis for Conclusions on Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis of Conclusion

Inadequately supported Payments of Income Tax-PAYE Refunds.

Note 14.14 to the Revenue Accountability Statement indicate that the Authority paid income tax refunds amounting to Kshs.892,536,189 for the year ended 30 June 2018 out of which refunds totaling Kshs.19,851,523 were paid to non-compliant taxpayers with outstanding tax balances, penalties and interest. No satisfactory reason has been provided for the non-compliance.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 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 Those Charged with Governance

Management is responsible for the preparation and fair presentation of these 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 governance.

In preparing the revenue accountability statements, management is responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the National Government either intends to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

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 resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity 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. Misstatements 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 these 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 resources are applied 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 misstatements 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 misstatements 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 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:

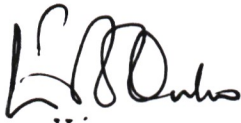
- Identify and assess the risks of material misstatement of the revenue accountability statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of 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 going concern 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 as a going concern or 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 as a going concern or 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.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

10 April 2019

7. REPORT OF THE BOARD DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June, 2018 which show 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 June, 2018 are set out on pages 33 to 58.

Directors

The Members of the Board who served during the year are shown on page 5 to 11.

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.



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By Order of the Board

Board Secretary

Date: 14th February 2019

8. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Kenya Revenue Authority Act require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

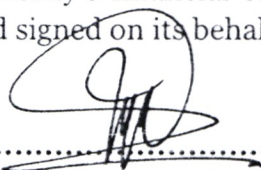
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate 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 financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, 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 financial statements, which have 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 financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2018, and of the Authority's financial position as at that date. 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 financial statements 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 financial statements

The Authority's financial statements were approved by the Board on 14th February 2019 and signed on its behalf by:



**J. K. NJIRAINI, CBS
COMMISSIONER GENERAL**



**AMB. DR. FRANCIS K. MUTHAURA, MBS, EGH
CHAIRMAN**

Kenya Revenue Authority Annual Report And Revenue Accountability Statements For
The Financial Year Ended 30th June 2018

9. STATEMENT OF REVENUE COLLECTION AND TRANSFERS

	Notes	FY 2017-2018	FY 2016-2017
		Actual Receipts for period ended 30th June 2018	Actual Receipts for period ended 30th June 2017
		Kshs	Kshs
Balance B/F (Opening Cash in Transit)		18,196,446,381	15,590,549,916
Current Year Collections (FY 2017-2018)			
Treasury collections			
Taxes on Income, Profits and Capital Gains	14.1	659,020,850,476	630,466,861,216
Taxes on Property	14.2	608,996,410	860,894,102
Taxes on Goods and Services	14.3	541,639,686,201	515,772,091,507
Taxes on International Trade & Transactions	14.4	120,106,572,980	111,647,243,398
Other Taxes not elsewhere classified (Stamp Duty)	14.5	12,142,665,725	8,614,660,367
Sales of Goods and Services (Traffic Fees)	14.6	2,961,271,047	3,059,861,430
Transfers to Treasury(Railway Dev Account)	14.7	20,780,085,649	18,902,516,338
Total		1,357,260,128,487	1,289,324,128,358
Agency collections	14.9	95,005,427,730	92,126,116,068
AIA Revenue(Miscellaneous Revenue)	14.8	85,975,191	83,003,417
Total Collections for the Year		1,452,351,531,409	1,381,533,247,842
Unallocated Revenue Balance	14.15	1,901,167,823	
Total funds available for Transfer during the year		1,472,449,145,611	1,397,123,797,758
Accounted for as follows:			
Transfers			
Transfers to Treasury	14.10	1,333,917,160,164	1,273,827,746,661
Agency Transfers	14.11 (A)	95,229,140,622	89,520,429,665
Agency commissions and 16% VAT deducted	14.12	2,260,730,112	2,137,325,893
Refund Payments	14.14	18,251,329,762	13,358,642,486
AIA-Revenue	14.11(B)	55,886,775	83,206,672
Total Collections, transfers and commission		1,449,714,247,435	1,378,927,351,378
Balance C/F (Closing Cash in Transit)		22,734,898,176	18,196,446,380

**Kenya Revenue Authority Annual Report And Revenue Accountability Statements For
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10. STATEMENT OF FINANCIAL POSITION

	Notes	As at 30th June 2018	As at 30th June 2017
		Kshs	Kshs
1	FINANCIAL ASSETS		
	CASH AND CASH EQUIVALENT		
	Closing Balance- Exchequer	14.13 (A) 13,016,174,584	7,091,206,261
	Closing Balance- Agency	14.13 (B) 6,047,921,522	6,049,505.478
	Closing Balance- Refund Payment Account	14.14 1,738,787,521	5,054,976,331
	Closing Balance- AIA (Miscellaneous)	14.13 (C) 30,846,726	758,310
	Balance on Unallocated Revenue	14.15 1,901,167,823	
	Total cash and cash equivalent	22,734,898,176	18,196,446,380
2	FINANCIAL LIABILITIES		
	Account payables		
	The National Treasury	14.13 (A) 13,016,174,584	7,091,206,261
	Payables to Principals:	14.13 (B) 6,047,921,522	6,049,505.478
	AIA Payable to KRA (Miscellaneous)	14.13 (C) 30,846,726	758,310
	Balance on Unallocated Revenue	14.15 1,901,167,823	
	Payment Accounts	14.14 1,738,787,521	5,054,976,331
	Total Accounts Payables	22,734,898,176	18,196,446,380

11. A) STATEMENT OF TARGET VS ACTUAL PERFORMANCE BY TAX HEAD AND AGENCY

Tax Head	Original Budget amount as per Treasury Estimates of Revenue Grants and Loans for the year ended 30th June 2018	Revised figure	Revised Budget amount as per Treasury Estimates of Revenue Grants and Loans for the year ended 30th June 2018	Actual Receipts for period ended June 2018	Target Realised for period ended 30th June 2018	Actual Receipts for period ended 30th June 2017	Year on year Growth
	Kshs	Kshs	Kshs	Kshs	%	Kshs	%
Collections							
Treasury collections							
Taxes on Income, Profits and Capital Gains							
Income Tax from Individuals (PAYE)	400,573,234,831	20,318,556,596.00	379,850,879,059				
Contribution from Govt Employees to WCPS	509,252,094	105,452,918.00	403,799,176	364,103,621,093	96%	336,596,366,498	8%
Income Tax from Corporations	365,629,097,723	35,910,811,405.00	329,718,286,318	278,277,265,116	84%	291,451,776,453	-5%
Capital Gain Tax	3,523,435,064	-14,967,347,626.00	18,490,782,690	16,639,964,267	90%	2,418,718,266	588%
	770,235,019,712	41,367,473,293	728,463,747,243	659,020,850,476	90%	630,466,861,217	5%
Taxes on Property							
Rent of Land	2,084,151,902	402,784,962.00	1,681,366,940	608,996,410	36	860,894,102	-30%
Taxes on Goods and Services							
Receipt from VAT on Domestic Goods and Services	227,644,484,494						
VAT on Imported Goods and Services	170,277,955,217	-5,351,515,506.00	232,996,000,000	219,499,363,434	94	206,545,137,254	6%
Excise Taxes	199,869,651,461	10,842,955,217.00	159,435,000,000	151,677,445,063	95	143,491,206,171	6%
	597,792,091,172	23,448,091,172	574,344,000,000	541,639,686,201	94%	515,772,091,507	5%
Taxes on International Trade & Transactions							
Customs Duties (Import duty)	102,605,321,783	-989,225,585.00	103,594,547,368	93,917,483,572	91%	87,161,153,323	8%
Import Declaration and Inspection fees	33,038,025,190	6,839,196,599.00	26,198,828,591	26,189,089,408	100%	24,486,090,075	7%
	135,643,346,973	5,849,971,014	129,793,375,959	120,106,572,980	93%	111,647,243,398	8%
Other Taxes Not Classified Elsewhere							
Stamp duty	13,523,973,937	1,446,511,024.00	12,077,462,913	12,142,665,725	101%	8,614,660,367	41%
Sale of goods and Services							

NOTES

1. The original targets were revised to accommodate the impact of the spillover adverse effect of the prolonged drought, labour industrial unrest, constricted credit disbursements to the private sector and the prevailing performance of other macroeconomic parameters.
2. The comparative targets between the current and prior year also differ as a result of changes in macroeconomic parameters and tax policy measures.
3. The current year's Gross actual collections against the revised Target reflect a performance of 93%. Notable performance areas were as follows;
 - i. Income Tax from Individuals (PAYE & WCPS) performed at Kshs 364.1 billion against a target of Kshs 380.2 billion with a performance of 96%. The shortfall is attributed to dip in number of employees that negatively affected the payroll taxes and the implementation of the new tax bands has eroded the PAYE base with associated loss estimated at Kshs.10.5 billion in FY 2017/18.
 - ii. Income Tax from Corporations performed at Kshs 278.3 billion against a target of Kshs 329.7 billion with a performance of 84%. The shortfall is attributed to decline in instalment tax remittances in the banking sector (21.4%) that was higher than the decline in profitability (9.8%). The decline in remittances was occasioned by deceleration of private sector credit from 5.4% in September 2016 to 2.1% in January 2018.
 - iii. Capital Gain Tax performed at Kshs 16.6 billion against a target of Kshs 18.5 billion with a shortfall of 10%. The shortfall is attributed to dissolution of Land Control Boards, which affected capital gains and stamp duty prior to their reconstitution.
 - iv. Rent of Land performed at Kshs 0.608 billion against a target of Kshs 1.7 billion. The shortfall is attributed to dissolution of Land Control Boards, which affected Land Rent collections.
 - v. VAT on Domestic Goods and Services performed at Kshs 219.5 billion against a target of Kshs 232.9 billion with a performance of 94%. The shortfall is mainly attributed to the underlying inflation - of taxable goods with an adverse revenue impact of Kshs. 17.6 billion and a decline in Local sugar production by 178,000 metric tons in 2017/18 which resulted to a revenue loss of Kshs 3.2 billion.
 - vi. VAT on Imported Goods and Services performed at Kshs 151.7 billion against a target of Kshs 159.4 billion with a performance of 95%. The shortfall is mainly attributed to reduction in share of vatable goods by 6.1 percentage points with a resultant adverse revenue impact of Kshs 15 billion on Import VAT.

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- vii. Excise Taxes performed at Kshs 170.5 billion against a target of Kshs 181.9 billion with a performance of 94%. The shortfall is mainly attributed to reduction in excisable volumes for cigarettes, beer, spirits and tobacco.
- viii. Customs Duties (Import duty) performed at Kshs 93.9 billion against a target of Kshs 103.6 billion with a performance of 91%. The shortfall is attributed to depressed cargo volumes.
- ix. Stamp Duty performed at Kshs 12.1 billion against a target of Kshs 12.07 billion with a performance of 101%. Hence, performance was within target.
- x. Airport Revenue performed at Kshs 10.4 billion against a target of Kshs 12.9 billion with a performance of 80%. The shortfall is because tourist arrivals did not meet the projections.
- xi. Road Maintenance Levy registered a performance of 117% with an actual collection Kshs 73.6 billion against a target of Kshs 63 billion. This is mainly due to the target levels.
- xii. Petroleum Regulatory Levy performed at Kshs 0.5 billion against a target of Kshs 0.8 billion with a performance of 67%. The shortfall is based on volumes which grew by only 3.2% which was consistent with actual revenue growth.

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For The Financial Year Ended 30th June 2018**

**B) STATEMENT OF TARGET VERSES ACTUAL REFUNDS FOR THE YEAR
ENDED 30TH JUNE 2018.**

Refunds	Original Budget amount as per Treasury Estimates of Revenue Grants and Loans for the year ended 30th June 2018	Current year final Budget Figures	Current year Actual amount spent	erformance in utilization of funds for period ended 30th June 2018
		Kshs	Kshs	%
CSD - Import & Excise Duty refund	2,704,000,000.00	2,604,000,000	870,535,577	33%
DTD - Income Tax refund	300,000,000	300,000,000	892,536,189	298%
DTD - VAT Domestic refund	14,400,000,000.00	14,448,000,000	16,475,012,100	114%
DTD - Stamp Duty refund	6,000,000	6,000,000	10,431,814	174%
TOTAL payments	17,410,000,000.00	17,358,000,000	18,248,515,680	105%

NOTE

Except for Import and Excise duty refunds, all other refund accounts registered an above 100% performance due to utilization of the brought forward funds from the 2016/17 Financial year

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12. STATEMENT OF TARGET VS ACTUAL PERFORMANCE BY DEPARTMENT

	Revised Budget amount as per Treasury Estimates of Revenue Grants and Loans for the year ended 30th June 2018	Actual Receipts FY 2017/18	Target Realised FY 2017/18	Actual Receipts FY 2016/17	Year on year Growth
	Kshs	Kshs	%	Kshs	%
Revenue collection					
1 Treasury collections					
Customs Services Department	401,497,560,201	378,491,892,262	94%	355,738,879,014	7%
Domestic Taxes Department	1,066,031,392,854	975,806,965,178	92%	930,525,387,914	5%
Traffic Revenues	3,145,640,814	2,961,271,047	94%	3,059,861,430	-3.20%
Total Treasury collections	1,470,674,593,869	1,357,260,128,487	92%	1,289,324,128,358	5%
2 Agency collections					
Customs Services Department	86,171,999,208	94,181,053,129	109%	90,585,497,282	4%
Domestic Taxes Department	494,994,000	505,605,437	25%	581,346,469	-13%
Traffic Revenues	1,298,361,320	404,744,355	31%	1,042,275,733	-61%
Total Agency collections	87,965,354,528	95,091,402,921	106%	92,209,119,485	3%
Total Revenue Collections	1,558,639,948,397	1,452,351,531,408	93%	1,381,533,247,842	5%

13. ACCOUNTING POLICIES

a. Reporting Entity

The Revenue Accountability Statements has been prepared by the Kenya Revenue Authority.

b. Basis of Preparation

The financial 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 years presented.

The financial statements are presented in Kenya Shillings (KShs), being the currency of legal tender in Kenya which 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 financial statements cover the period 1st July 2017 to 30th June 2018. The comparative figures reflect the 12 months ended 30th June 2017.

d. Significant accounting policies

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

(a) 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.

(b) 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.

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(c) Provisioning for refund

A total of Kshs **17,418,000,000.00** was set aside for purpose of refund of claims on items specified under table 14.26 below.

(d) Agency commission

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.

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.

(e) Cash and equivalents

Cash and equivalents comprises of cash in transit.

(f) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

14. NOTES TO THE REVENUE ACCOUNTABILITY

14.1 Taxes on Income, Profits and Capital Gains

		Actual Receipts for period ended 30 th June 2018	Actual Receipts for period ended 30 th June 2018	Actual Receipts for period ended 30 th June 2017	Actual Receipts for period ended 30 th June 2017
		Kshs	Kshs	Kshs	Kshs
1	Income Tax from Individuals (PAYE)		364,103,621,093		336,596,366,498
2	Income Tax from Corporations				
	a) Other Income Taxes	272,115,612,788		287,342,722,976	
	b) Turnover Tax	103,436,450		101,582,146	
	c) Capital Gains Tax	16,639,964,267		2,418,718,266	
	d) Rental Income	6,058,215,878	294,917,229,383	4,007,471,331	293,870,494,719
	Total		659,020,850,476		630,466,861,216

14.2 Taxes on Property

		FY 2017/18	FY 2016/17
		Kshs	Kshs
	Land Rent	608,996,410	860,894,102
	Total	608,996,410	860,894,102

14.3 Taxes on Goods and Services

		FY 2017/18	FY 2017/18	FY 2016/17	FY 2016/17
		KShs	KShs	KShs	KShs
1	VAT on Domestic Goods and Services		219,499,363,434		206,545,137,254
2	VAT on Imported Goods and Services		151,677,445,063		143,491,206,171
3	Excise Receipts (Air time + domestic + Import + Fin..Services)				
	a) Gross Excise Duty	85,927,788,571		81,697,913,107	
	b) Excise Duty Domestic	53,011,257,556		55,499,121,577	
	c) Excise Tax on Airtime	15,626,083,518		15,963,809,161	
	d) Excise Tax on Money Transfer	15,897,748,059	170,462,877,704	12,574,904,237	165,735,748,082
	Total		541,639,686,201		515,772,091,507

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14.4 Taxes on International Trade & Transactions

		FY 2017/18	FY 2016/17
		KShs	KShs
1	Customs Duties(Import Duty)	93,917,483,572	87,161,153,323
2	Other Taxes on International Trade and Transactions (IDF Fee)	26,189,089,408	24,486,090,075
	Total	120,106,572,980	111,647,243,398

14.5 Other Taxes not elsewhere classified

		FY 2017/18	FY 2016/17
		KShs	KShs
	Other Taxes not elsewhere classified (Stamp Duty)	12,142,665,725	8,614,660,367
	Total	12,142,665,725	8,614,660,367

14.6 Sales of Goods and Services

		FY 2017/18	FY 2016/17
		KShs	KShs
	Traffic revenue	2,961,271,047	3,059,861,430
	Total	2,961,271,047	3,059,861,430

14.7 Railway Development Levy

		FY 2017/18	FY 2016/17
		KShs	KShs
	Railway Development Levy	20,780,085,649	18,902,516,338
	Total	20,780,085,649	18,902,516,338

14.8 AIA Miscellaneous Revenue

		FY 2017/18	FY 2016/17
		KShs	KShs
	Miscellaneous	85,975,191	83,003,417
	Total	85,975,191	83,003,417

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14.9 Agency collections

		FY 2017/18	FY 2016/17
		Kshs	Kshs
1	Airport Revenue	10,413,991,987	11,199,227,642
2	Aviation Revenue	4,818,636,553	4,854,261,105
3	Petroleum Development Fund	2,262,677,077	2,167,775,822
4	Road Maintenance Levy	73,667,984,391	69,556,921,492
5	K.A.A. Concession Fees	131,093,783	127,310,088
6	Road Transit Toll Levy	766,371,282	737,105,165
7	Sugar Levy	15,926,344	114,599,625
8	Petroleum Regulatory Levy	520,964,380	497,737,887
9	Merchant Superintendent Shipping Levy	1,511,762,442	1,327,589,190
12	KEBS Levy	491,275,137	501,312,318
13	Traffic Fees-Agency	404,744,355	1,042,275,733
	Total	95,005,427,730	92,126,116,068

14.10 Transfers to Receivers of Revenue – Treasury

The following is a breakdown of funds transfer from the collections accounts to the Treasury Account E312 Account:

	Name of bank account by tax head	CBK Account Number	Funds transferred to Treasury FY 2017/18	Funds transferred to Treasury FY 2016/17
			KShs	KShs
1	Income Tax from Individuals (PAYE)	1000009877	363,078,966,072	337,063,037,248
2	Income Tax from Corporations	1000007338 1000008938 1000223577	293,355,184,847	290,555,554,930
3	Land Rent	1000008741	601,683,702	879,351,899
4	VAT on Domestic Goods and Services	1000007354 1000220023	204,350,518,705	192,965,995,329
5	VAT on Imported Goods and Services	1000007427	151,619,531,520	144,820,612,994
6	Excise on Domestic Goods & Services	1000008482	53,010,957,645	55,499,960,092
7	Excise on Airtime	1000007915	15,626,083,518	15,963,809,161
8	Excise on Financial Services	1000007923	15,609,414,543	12,581,311,066

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	Name of bank account by tax head	CBK Account Number	Funds transferred to Treasury FY 2017/18	Funds transferred to Treasury FY 2016/17
			KShs	KShs
9	Excise on Imports	1000007419	82,633,035,876	80,294,494,743
10	Customs Duties (Import Duties)	1000007408	92,291,215,357	88,000,518,471
11	Import Declaration Fees (IDF)	1000007443	25,871,392,341	24,780,448,028
12	Stamp Duty	1000008318	12,109,904,392	8,610,496,579
13	Railway Development Levy	1000180536	20,778,326,200	18,935,096,554
14	Traffic revenue	1000007478 /1000008148	2,980,945,448	2,877,059,567
	Total		1,333,917,160,166	1,273,827,746,661

14. 11 Agency Transfers

(A) Transfers by Bank Account

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

	Agency	Agency accounts	FY 2017/18	FY 2016/17
			Kshs	Kshs
1	Airport Revenue (APSC)	1000007451	9,691,633,385	10,941,509,395
2	Petroleum Development Fund (PDF LEVY)	1000007435	2,215,489,677	2,108,926,131
3	Road Transit Toll Levy	1000007818	742,983,977	738,248,791
4	Sugar Development Levy (SDL)	1000007729/ 1000008113	1,893,984	111,940,914
5	K.A.A. Concession Fees	1000008121	127,508,837	127,730,085
6	Aviation Revenue (DCA Aviation)	1000007826	4,495,451,200	4,756,185,012
7	Petroleum Regulatory Levy	1000009004	513,457,621	484,537,709
8	Merchant Superintendent Shipping Levy (MSS)	1000008598	1,482,280,584	1,296,789,121
9	Road Maintenance Levy (RML)	1000007516	75,149,951,961	67,438,287,835
10	KEBSLEVY	1000007702	387,058,036	490,413,941
11	TRAFFIC FEES - AGENCY	1000007486	421,431,360	1,025,860,731
	Total		95,229,140,622	89,520,429,665

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B) Transfers to KRA (AIA)

AIA	ACCOUNT NUMBER	FY 2017/18	FY 2016/17
		Kshs	Kshs
Miscellaneous	1000008598	55,886,775.00	83,206,672.00

(C) Agency Transfers by Principal

The following is the breakdown of the principals to whom funds were transferred to during the year:

	Name of Principal	Funds Transferred to Principals FY 2017/18	Funds Transferred to Principals FY 2016/17
		KShs	KShs
1	Kenya Airports Authority	9,691,633,385	10,941,509,395
2	National Treasury	2,215,489,677	2,108,926,131
3	Kenya Roads Board	742,983,977	738,248,791
4	Sugar Directorate (Agriculture and Food Authority)	1,893,984	111,940,914
5	Kenya Airports Authority	127,508,837	127,730,085
6	Kenya Civil Aviation Authority	4,495,451,200	4,756,185,012
7	Energy Regulatory Commission	513,457,621	484,537,709
8	Kenya Maritime Authority	1,482,280,584	1,296,789,121
9	Kenya Roads Board	75,149,951,961	67,438,287,835
10	Kenya Bureau of Standards	387,058,036	490,413,941
11	National Transport & Safety Authority	421,431,360	1,025,860,731
	Total	95,229,140,622	89,520,429,665

14.12. Agency commission and 16% VAT

Agency accounts	FY 2017/18	FY 2017/18	FY 2016/17
	KShs	KShs	KShs
	Commission	16%VAT	Commission/16%vat
1 Airport Revenue (APSC)	198,436,392	31,749,823	259,822,081
2 Petroleum Development Fund (PDF LEVY)	41,881,656	6,701,065	50,292,399
3 Road Transit Toll Levy	15,212,612	2,434,018	17,100,840
4 Sugar Development Levy (SDL)	38,779	6,205	2,658,711
5 Miscellaneous			
6 K.A.A. Concession Fees	2,610,746	417,719	2,953,594
7 Aviation Revenue (DCA)	92,044,455	14,727,113	112,618,858

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	Aviation)			
8	Petroleum Regulatory Levy	10,533,853	1,685,416	11,547,519
9	Merchant Superintendent Shipping Levy (MSS)	30,349,725	4,855,956	30,800,069
10	Road Maintenance Levy (RML)	1,538,696,805	246,191,489	1,613,720,579
11	KEBS - Levy	9,146,934	1,463,510	11,630,446
14	TRAFFIC FEES - AGENCY	10,240,313	1,305,527	24,180,797
	Total	1,949,192,271	311,537,841	
	Total Agency Commission Plus VAT		2,260,730,112	2,137,325,893

14.13. Closing balances

The following is the movement in the closing balances:

(A) Treasury Collections

			FY 2017/18	FY 2016/17
TREASURY COLLECTIONS		CENTRAL BANK ACCOUNTS	Cash In Transit as at 30th June 2018	Cash In Transit as at 30th June 2017
			KShs	KShs
1	Income Tax from Individuals (PAYE)	1000009877	1,236,995,622.50	212,340,601
2	Income Tax from Corporations	1000007338/ 1000008938/ 1000223577	3,798,889,019.81	2,536,844,484
3	Land Rent	1000008741	9,018,172.00	1,705,464
4	VAT on Domestic Goods and Services	1000007354/ 1000220023	974,582,265.35	273,737,536
5	VAT on Imported Goods and Services	1000007427	1,731,810,099.00	1,673,896,556
6	Excise Domestic	1000008482	349,911.00	50,000
7	Excise Imports	1000007419	2,131,939,139.39	1,237,186,445
8	Excise Financial Services	1000007923	298,137,126.10	9,803,610
9	Customs Duties(Import)	1000007408	1,874,822,642.00	452,554,427
10	IDF Fee	1000007443	482,540,549.00	164,843,482
11	Stamp Duty	1000008318	158,358,614.00	131,597,281
12	Railway Development Levy	1000180536	199,552,520.00	197,793,071
13	Traffic revenue	1000007478 / 1000008148	119,178,904.00	198,853,305*
	Total		13,016,174,584	7,091,206,262

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Note:

Closing Balance Exchequer (2016-2017)

		2016-2017
	Opening Balance -Traffic Revenue Account	2,929,147.00
ADD:	Prior year adjustment-	195,924,156.00
	Restated Opening Balance	198,853,305.00*

*The adjustment of Ksh.195, 924,158.00 relates to Cash in Transit at the end of 2016/2017 wrongly recognized as transfer to the Treasury hence the adjustment.

(B) Closing balance analysis - Agency Collections, commissions & 16% VAT

	Agency Accounts	Cbk Accounts	FY 2017/18	FY 2016/17 Restated
			Kshs	Kshs
1.	Airport Revenue (APSC)	1000007451	497,550,587.32	5,378,200*
2.	Petroleum Development Fund (PDF LEVY)	1000007435	29,471,409	30,866,729*
3.	Road Transit Toll Levy	1000007818	115,640,928.00	62,728,227*
4.	Sugar Development Levy (SDL)	1000007729/ 1000008113	14,370,058.00	382,682*
5.	K.A.A. Concession Fees	1000008121	21,397,706.00	11,082,622*
6.	Aviation Revenue (DCA Aviation)	1000007826	266,965,483.90	4,048,726*
7.	Petroleum Regulatory Levy	1000009004	97,128,954.06	55,319,447*
8.	Merchant Superintendent Shipping Levy (MSS)	1000008598	244,104,868.00	127,776,257*
9.	Road Maintenance Levy (RML)	1000007516	4,608,157,864.00	5,748,983,353*
10.	KEBS - Levy	1000007702	93,616,744.64	10,088.00
11.	Traffic Revenue Fees (Agency)	1000007486	59,516,919.00	2,929,147.00
	Totals		6,047,921,521.97	6,049,505,478*

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Note 1:

The above Closing balances includes balances held at the Commercial Banks and Central Bank of Kenya.

Note 2: Closing balance – Agency (FY2016-2017)

*The total amount of closing balances of an amount of Kshs. **6,049,505,478** included the following;

1. An amount of Kshs.4, 866,237,154.00 was reclassified from refund payments closing balance to the agency revenue opening balance.
2. Included in the Reclassification is the effect of **7,271,255.00** being the agency transfers wrongly incorporated as closing balance.

		2016-2017	2016-2017
	Opening Balance		1,190,539,579
Add:	Agency closing Balance initially wrongly classified as that of Refund Payment account		4,866,237,154.00
	Prior year adjustment- PRL Closing balance understatement	1,652,659.00	
Less:	Prior year adjustment- PDL Closing balance overstatement	(8,923,914.00)	(7,271,255.00)
	Restated Opening Balance		6,049,505,478

The composition of Ksh. 4,866,237,154.00 is as follows:

Tax Head	Amount
APSC- CBK	3,511,600.00
PDF Levy	5,140,078.00
Transit Road Toll	60,181,802.00
SDL	382,682.00
KAA Concession Fees	10,275,372.00
Aviation Revenue	2,315,694.00
PRL	47,867,016.00
MSS Levy	127,776,257.00
RML	4,608,786,653.00
Total	4,866,237,154.00

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(C) Closing balance analysis - AIA REVENUE

AIA REVENUE (MISCELLANEOUS)	FY 2017/18	FY 2016/17
	KShs	KShs
Miscellaneous	30,846,726	758,310
Total	30,846,726	758,310

14.13.

(A) Statement of Outstanding Revenue as at 30th June 2018

The following is a summary of Tax arrears owed by the Taxpayers as at 30th June

	Department	2017/18	2016/17
		Kshs	Kshs
1	Custom Services Department	15,995,696,997	-
2	Domestic Taxes Department	288,123,529,688	192,290,295,609
	Total	304,119,226,685	192,290,295,609

(B) Statement of Outstanding Refund claims as at 30th June, 2018

DEPARTMENT	TAX HEAD	FY 2017/18	FY 2016/17
		KShs	Kshs.
Domestic Taxes	VAT	15,499,514,032	15,892,247,513
	Income Tax	38,990,947,481	9,641,676,820
	Excise Domestic	-	5,515,000
	Subtotal	54,490,461,513	25,539,439,333
Customs Services	Import Duty	104,541,293	-
	Excise Duty Import	33,335,572	553,517,757
	Subtotal	137,876,865	553,517,757
GRAND TOTAL		54,628,338,378	26,092,957,090

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NOTE

1. Excise domestic refund claims were merged with Excise Import refunds. All excise claims are now being refunded from customs Payment account.
2. *An amount of **Ksh. 9,641,676,820** had been understated by **8,677,509,000** as a result of typographical omission whereby the amount of Ksh. 9,641,676,820 was reflected as Ksh. 964,167,820.

Comparative As per the 2017/2018 RAS originating from earlier submitted copy	17,415,448,090
Add: Typo Error.....	<u>8,677,509,000</u>
Correct 2016/2017 Comparative.....	<u>26,092,957,090</u>

14.14. Refund Accounts Movement Schedule for financial year 2017-2018

Provision	Opening Bank Balance	Prior year Adjustment	Adjusted Opening Balance	Provision for Refund	Total Amount available	Refunds Payments	Re-classification	Closing bank Balances
	Kshs			Kshs	Kshs	Kshs		Kshs
CSD - Import & Excise Duty provision for refund	6,046,918,444	4,866,237,154	1,180,381,289	2,604,000,000	3,784,381,289	870,535,577	2,398,038,430	515,807,282
DTD - Income Tax provision for refund	820,226,634	-	820,226,634	300,000,000	1,120,226,634	892,536,189	-	227,690,444
DTD - VAT Domestic provision for refund	2,991,678,555	-	2,991,678,555	14,448,000,000	17,439,678,555	16,475,012,100	-	964,666,455
DTD - Stamp Duty provision for refund	6,724,448	-	6,724,448	6,000,000	12,724,448	10,431,814	-	2,292,634
DTD - Excise Duty Domestic provision for refund	2,814,083*	-	2,814,083	-	2,814,083	2,814,083	-	-
RTD-Traffic Revenue Provision for Refund	53,151,322	-	53,151,322	60,000,000	113,151,322	-	84,820,616.00	28,330,706
Total payments	9,921,513,486	4,866,237,154	5,054,976,331	17,418,000,000	22,472,976,331	18,251,329,763	2,482,859,046	1,738,787,521

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Note:

1. The Balance of Kshs. 2,814,083* in the Excise Duty Domestic refund A/c was paid back to the Excise Domestic Revenue Collection A/c after the Refunds were merged with those of Excise Imports.
2. An amount of Kshs. 4,866,237,154.00 was reclassified from refund payments closing balance to the agency revenue opening balance.

Prior year Closing balance in refund Payment Account	Current Year refund account opening balance	Amount Reclassified to Agency Revenue
Kshs	Kshs	Kshs
9,921,213,485	5,054,976,331	4,866,237,154

3. An amount of Kshs. 2,482,859,046 was reclassified from refund payments closing balance to the agency revenue closing Balance balance.

The composition of Ksh. 2,482,859,046 is as follows:

Tax Head	Amount
	Kshs
Transit Road Toll	47,172,026.00
KAA Concession Fees	9,758,603.00
Aviation Revenue	46,502,973.00
PRL	46,522,018.00
MSS Levy	122,052,434
RML	2,126,030,375.00
Traffic Fees - Agency	84,820,617.00
Total	2,482,859,046.00

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14.15. UNALLOCATED REVENUE

	Banks	Account No.	Amount
			Kshs
1	First Community Bank	115768	7,350.00
2	National Bank of Kenya Limited-Customs PRE-IDF	01002305340900	525,227,873.05
4	National Bank of Kenya Limited	02023015100200	576,461,019.20
5	United Bank for Africa	5510030000857	151,243.00
6	Coop bank -Customs and Excise(Coop House)	1136006150700	10,856,492.23
7	Coop bank -Customs and Excise(Nkurumah)	1136006150701	4,347,939.85
8	National Bank of Kenya Limited	02023015100100	564,779,806.06
9	Co-operative Bank of Kenya Limited	01136001340300	219,336,099.47
	Totals		1,901,167,822.86

15. APPENDICES

(i) Customs Services Department

The following is a detailed collection analysis of Customs Services Department

	Target - Treasury Kshs	Actual Receipts FY 2017/18 Kshs	% target realised FY 2017/18	Actual Receipts FY 2016/17 Kshs	Year on year Growth
Exchequer					
Gross Import Duty	103,594,547,368	93,917,483,572	91%	87,161,153,323	8%
Gross Excise Duty	91,100,184,242	85,927,788,571	94%	81,697,913,107	5%
VAT - Imports	159,435,000,000	151,677,445,063	95%	143,491,206,171	6%
Import Declaration Fees	26,198,828,591	26,189,089,408	100%	24,486,090,075	7%
Railway Development Levy	21,169,000,000	20,780,085,649	98%	18,902,516,338	10%
Sub-Gross total Exchequer	401,497,560,201	378,491,892,262	94%	355,738,879,014	6%
Less: Prov. for Refunds on Imports	204,000,000	204,000,000	100%	300,000,000	-32%
Less: Prov. for Refunds on Excise	2,500,000,000	2,400,000,000	96%	2,500,000,000	-4%
Net total Exchequer	398,793,560,201	375,887,892,263	94%	352,938,879,014	7%
Agency					
Airport Revenue	12,936,769,850	10,413,991,987	80%	11,199,227,642	-7%
Aviation Revenue	4,629,991,588	4,818,636,553	104%	4,854,261,105	-1%
Petroleum Development Fund	2,298,819,234	2,262,677,077	98%	2,167,775,822	4%
Road Maintenance Levy	63,009,472,000	73,667,984,391	117%	69,556,921,492	6%
K.A.A. Concession Fees	135,563,882	131,093,783	97%	127,310,088	3%
Road Transit Toll Levy	870,720,183	766,371,282	88%	737,105,165	4%

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Sugar Levy	-	1,596,044	-	34,565,474	-95%
Petroleum Regulatory Levy	778,843,764	520,964,380	67%	497,737,887	5%
Merchant Superintendent Shipping Levy	1,511,818,707	1,511,762,442	100%	1,327,589,190	14%
Miscellaneous	-	85,975,191	-	83,003,417	4%
Sub-total Agency	86,171,999,208	94,181,053,129	109%	90,585,497,282	4%
Total CSD	484,965,559,409	470,068,945,392	97%	443,524,376,296	6%

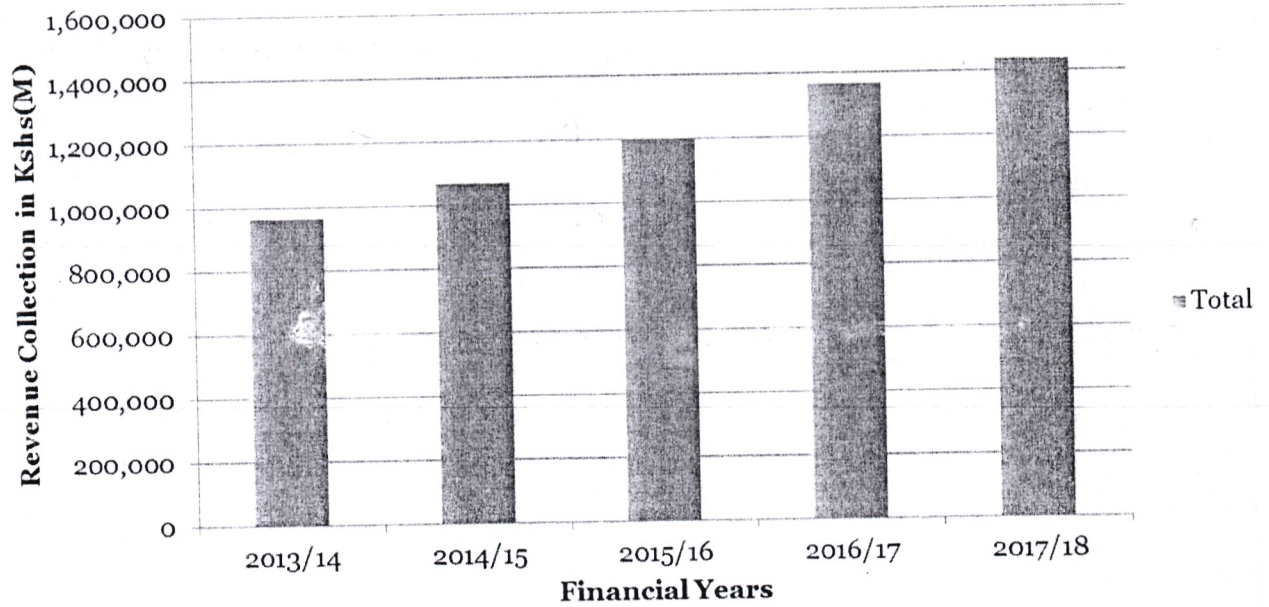
(ii) DOMESTIC TAXES DEPARTMENT

The following is the detailed collection analysis for Domestic Taxes Department;

	Target - Treasury	Actual Receipts FY 2017/18	Target Realised FY 2017/18	Actual Receipts FY 2016/17	Year on year Growth
	Kshs	Kshs	%	Kshs	%
Exchequer					
VAT-Gross Collection	232,996,000,000	219,499,363,434	94%	206,545,137,254	6%
Less Provision for Refunds	14,400,000,000	14,400,000,000	100%	13,464,000,001	7%
VAT Domestic	218,596,000,000	205,099,363,434	94%	193,081,137,252	6%
P. A. Y. E	380,254,678,235	364,103,621,093	96%	336,596,366,498	8%
Other Income Taxes	325,112,146,133				
Less Provision for Refunds	300,000,000	-	-	-	
Net income tax	324,812,146,133	272,115,612,788	84%	287,342,722,976	-5%
Turnover Tax	113,251,743	103,436,450	91%	101,582,146	2%
Capital gain Tax	18,490,782,690	16,639,964,267	90%	2,418,718,266	588%
Rental Income	4,492,888,442	6,058,215,878		4,007,471,331	
Excise Duty Domestic	60,903,627,016	53,011,257,556	87%	55,499,121,577	-4%
Excise Tax on Airtime	15,997,886,147	15,626,083,518	98%	15,963,809,161	-2%
Excise Tax on Financial Services	13,911,302,595	15,897,748,059	114%	12,574,904,237	0%
Stamp Duty	12,677,462,913				
Less Provision for Refunds	6,000,000				
Net Stamp duty	12,071,462,913	12,142,665,725	101%	8,614,660,367	41%
Land Rent	1,681,366,940	608,996,410	36%	860,894,102	-29%
Sub-Total Exchequer Revenue	1,051,325,392,854	961,406,965,178	91%	917,061,387,913	5%
Agency Revenue					
KEBS - Levy	494,994,000	491,275,137	99%	501,312,318	-2%
Sugar Levy	-	14,330,300	0%	80,034,151	-82%
Sub Total of Agency Revenue	494,994,000	505,605,437	102%	581,346,469	-13%
Total DTD	1,051,820,386,854	961,912,570,615	91%	927,099,263,052	4%

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**KRA Revenue Performance 2013/14 – 2017/18
Annual Revenue Collection in Kshs (M)**



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(iii) ROAD TRANSPORT DEPARTMENT

The following is the detailed collection analysis for Traffic Revenue;

	Target - Treasury	Actual Receipts FY 2017/18	% target realised FY 2017/18	Actual Receipts FY 2016/17	Year on year Growth
Exchequer	3,145,640,814	2,961,271,047	94%	3,059,861,430	-3%
Agency	1,298,361,320	404,744,355	31%	1,042,275,733	-61%
Total RTD	4,444,002,134	3,366,015,402	0.76	4,102,137,163	(0.18)

(iv) Collections trend for the financial years 2013/14 to 2017/18 (Net figures in Kshs Millions)

	2013/14	2014/15	2015/16	2016/17	2017/18
	Actual	Actual	Actual	Actual	Actual
	Kshs Bn	Kshs Bn	Kshs Bn	Kshs Bn	Kshs Bn
C&BC					
Exchequer	289,689	313,291	325,272	352,939	375,888
Agency	42,142	45,132	60,731	90,585	94,180
Total C&BC	331,831	358,424	386,002	443,524	470,068
DTD					
Exchequer	626,335	705,718	808,702	917,061	961,399.00
Agency	1,966	1,508	1,543	581	506.00
Total DTD	628,301	707,227	810,245	917,643	961,905
TRD					
Exchequer	2,959	2,964	2,859	3,060	2,961
Agency	732	982	1,052	1,042	405
Total DTD	3,691	3,947	3,911	4,102	3,366
Total					
Exchequer	918,982	1,021,974	1,136,833	1,273,060	1,340,248
Agency	44,841	47,623	63,326	92,209	95,091
Total	963,823	1,069,597	1,200,159	1,365,269	1,435,339