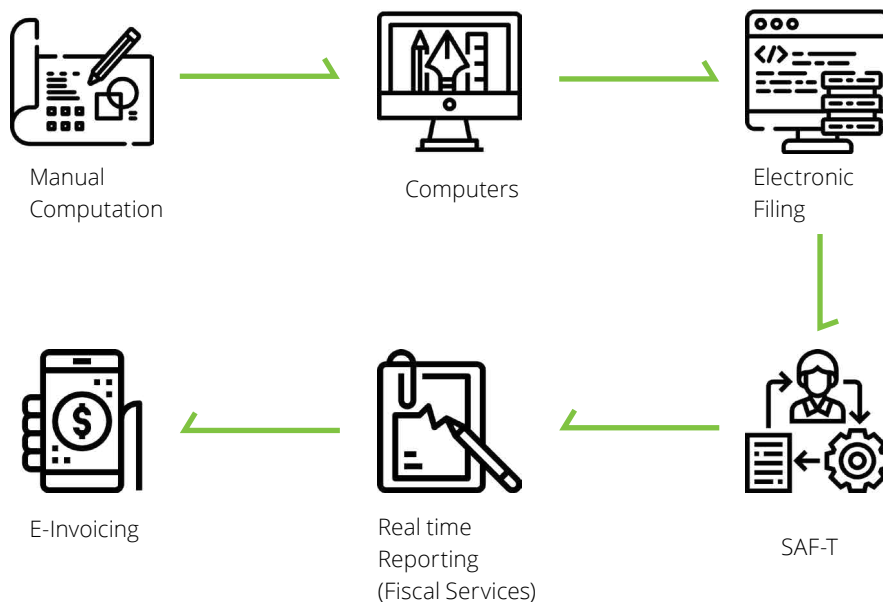


Tax Administration is Going Digital

The revenue authorities have over the past years adopted various technologies in an effort to enhance tax compliance and grow tax revenue. The complexities of tax administration as well as increase of information is driving tax authorities to digitalize their tax administration process. The diagram below shows the digital evolution of tax authorities.



Mumbi Wambugu is a Manager with Deloitte. She can be reached at mwambugu@deloitte.co.ke.

The Kenya Revenue Authority (KRA) started their digitisation journey by providing taxpayers with an editable online tax return form. Thereafter KRA invested in Simba custom platform, a legacy system. Later on, they introduced TEAMS, the first attempt on e-filing, which culminated to iTax, the current electronic filing system. With the iTax platform, taxpayers can file their tax returns, receive assessment notifications and submit responses.

The KRA has made significant progress in digitalization. However, there is still a lot of ground to be covered. A look at other revenue authorities reveals the trends and possible direction that the KRA is likely to take. For instance, in America and Europe, some tax authorities have invested in technology solutions which have cognitive computing to identify possible tax evasion. There is also a growing use of data analytics to detect taxpayers' declaration inconsistencies.

Some of the tax authorities in Europe are now demanding real time invoice reporting. Real time invoice reporting demands a taxpayer to report their business-to-business (B2B) sales data to the tax authority in real time using the invoicing system. The Hungarian tax authority requires the B2B taxpayer to file their accounts receivable and payable ledger on a daily basis, using real time reporting technology.

To bring it back home, KRA is currently considering the introduction of real time invoice reporting for the purposes of VAT compliance and also replacing the ETR/ESD machines with an E-invoicing system. In South Africa the South African Revenue Service (SARS) requires taxpayers to reconcile their VAT returns with the general ledgers and report the same while filing the VAT tax return.

It is then expected that KRA might adopt such technologies. For example, using blockchain for administration of taxes such as payroll and value added tax. Blockchain technology collates data and shares information without the need of a central server. The use of such technologies may seem far-fetched but with the increased pressure to expand the tax base and grow tax revenue, the use of technologies like blockchain and cognitive computing in tax administration is imminent.

To allow for adoption of the streamlining solutions, it calls for businesses to invest in technology-enabled solutions that will provide deep tax insights, ensure efficient management of tax affairs and enable data driven decision-making.

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