



**KENYA REVENUE
AUTHORITY**

Tulipe Ushuru, Tujitegemee!

TH



CORPORATE PLAN

2021/2022 – 2023/2024

FOREWORD BY THE COMMISSIONER GENERAL



This Plan is the eighth in the life cycle of the Authority and runs under the Theme: **Revenue Mobilisation through tax simplification, technology-driven compliance and Tax Base expansion**. The Plan is a culmination of extensive engagement with both internal and external stakeholders thus the focus areas are a reflection of the feedback provided by our customers. In addition, it takes cognisance of KRA's role in the national development agenda as espoused in the Third Medium Term Plan of Vision 2030, Sustainable Development Goals and Africa Agenda 2063.

Development of this Plan coincided with the period KRA celebrated the Silver Jubilee **'25 years since inception'**. Therefore, the 8th Corporate Plan will leverage on the gains made over time while deepening efforts towards tax simplification, application of modern technology and strategic partnerships.

In this Plan, our Vision remains to be **'A globally trusted revenue agency facilitating tax and customs compliance'**, while our Mission has been refocussed to read, **'To enhance mobilisation of government revenue and to facilitate growth in economic activities and trade by ensuring compliance with tax and customs laws'**. Given the clarion call by our customers to further simplify our processes and tax laws, we have expanded our Core Values to **TECHS** with the addition of **Simple**.

Over this Plan period, our overarching goals will be to:

- i.) Realise government revenue targets while building a sustainable tax base.
- ii.) Achieve exceptional customer service and community outreach.
- iii.) Reduce overall cost of collection while improving the quality of operations and services.
- iv.) Continue to build a performance-driven and ethical workforce.

These goals will be realised through the following enablers: customer service improvement, structured stakeholder engagements, adoption of modern technology, advanced data analytics and institutionalising a performance management culture and values among our staff. Furthermore, during this plan period we shall embark on the process of transitioning from an Authority to a Service.

Successful implementation of the strategies prioritised in this Plan is reliant on our staff and support by all our stakeholders. I therefore call upon all our staff to rededicate ourselves to maintain our leadership role in public service delivery thus achieving on our Vision and Mandate.

A handwritten signature in blue ink, appearing to read 'Githii Mburu'.

**Githii Mburu, CBS
Commissioner General**

THEME, VISION, MISSION AND CORE VALUES



Our Theme

Revenue mobilisation through tax simplification, technology-driven compliance and tax base expansion.



Our Vision

A globally trusted revenue agency facilitating tax and customs compliance.



Our Mission

To enhance mobilisation of government revenue and to facilitate growth in economic activities and trade by ensuring compliance with tax and customs laws.

Core values



Trustworthy

We interact with others in a way that gives them confidence in our intentions and those of the organisation



Ethical

We act with integrity, transparency and honesty in everything we do



Competent

We possess functional, technical knowledge and skills that ensure efficiency in the delivery of our services to our customers.



Helpful

We respond to and anticipate client needs in a timely, professional and courteous manner.



Simple

Our processes are straightforward and tax laws easy to understand.

Quality Policy Statement

Kenya Revenue Authority is committed to building trust through facilitation so as to foster Compliance with Tax and Customs Legislation. The Authority shall endeavour to continually improve service delivery and revenue collection by meeting the requirements of ISO 9001:2015 International standard on Quality Management Systems and complying with relevant Statutory Regulatory requirements

Quality Objectives

- Enhancing revenue mobilisation by broadening the tax base, combating tax evasion and using smart intelligence and risk-based compliance strategies.
- Strengthening administrative capacity and enhancing transparency and fairness through organisational change and business process optimisation.
- Creating a staff establishment that is trustworthy, ethical, competent and helpful.
- Enabling business by leveraging on technology to achieve full electronic service leading to enhanced operational efficiency and high customer satisfaction

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EXECUTIVE SUMMARY

I. Introduction

The Kenya Revenue Authority is established by an Act of Parliament, Chapter 469 of the Laws of Kenya, which became effective on 1st July, 1995. The Authority is charged with the responsibility of collecting revenue on behalf of the Government of Kenya. The Authority is guided by cycles of three-year Corporate Plans, which provide focus and direction in its operations.

The Eighth Corporate Plan 2021/22 – 2023/24 is aligned with 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 2021** and the **Big Four Agenda**. In addition, it has taken into account the Country's commitment under **Sustainable Development Goals (SDGs)** especially SDG 1, SDG 8, SDG 9, SDG 10, SDG 16 and SDG 17 and **Africa Agenda 2063** aspirations 1, 2 and 7.

The focus of the Plan is to enhance Government's revenue mobilisation and improve service delivery through tax simplification, technology driven compliance and tax base expansion.

II. Evaluation of Seventh Corporate Plan

The Seventh Corporate Plan Theme was **Revenue Mobilisation through Transformation, Data-driven Decision-Making and Tax Base Expansion**, and was aimed at growing revenue at **17.2%** annually, thereby eliminating the need for deficit financing. Implementation of the Plan was anchored on four key strategic thrusts with four main strategic outcomes monitored through **41** Key Performance Indicators (KPIs) and implementation of **114** initiatives.

The overall revenue performance was **Kshs. 4,849.3 billion** against the Plan's target of **Kshs 4,899.3 billion**, a deficit of **Kshs. 50 billion** and a performance of **99%**, with an average growth of **5.4%**. This represented a revenue to GDP ratio of **15.8%**. Out of the **41** KPIs that were monitored, **29** were achieved, **71%** performance while **99** of the **114** initiatives that were assessed were fully implemented, **87%** performance.

The challenges experienced in the implementation of the Plan were inadequate funding, the Covid-19 pandemic, overambitious targets and ineffective interdepartmental collaboration. We draw four key lessons from the Plan: Adequate funding should be provided for the prioritised initiatives; business continuity and disaster recovery plans should be developed; realistic targets should be set and interdepartmental collaborations should be enhanced.

III. Strategic Priorities in the Eighth Plan

The theme of the Eighth Corporate Plan is **Revenue Mobilisation through tax simplification, technology-driven compliance and tax base expansion**. Towards this, four strategic outcomes have been identified as follows:

- 1. Improved tax compliance:** KRA aims to reduce the tax gap and achieve revenue growth above the nominal GDP growth. Key objectives are:
 - i) Tax Base Expansion
 - ii) Strengthen compliance and enforcement
 - iii) Smart intelligence and investigation
 - iv) Integrated border management

- 2. Increased customer satisfaction:** KRA aims to achieve a high level of customer service and improve the Country's competitiveness. Key objectives are:

- i) Tax simplification
- ii) Trade facilitation
- iii) Improved dispute resolution processes
- iv) Achieve excellence in taxpayer services
- v) Enhance brand awareness
- vi) Structured stakeholder engagements

- 3. Improved Organisational effectiveness:** KRA intends to reduce the cost of collection, adopt modern technologies and improve the quality of operations and services in order to support the revenue mobilisation strategies. Key objectives are:

- i) Utilisation of modern technologies
- ii) Achieve integrated, simplified and cost-effective business systems and processes
- iii) Reliable and resilient IT infrastructure
- iv) Strengthen big data analytics to drive compliance
- v) Clean up the taxpayer database
- vi) Improved quality standards and operations
- vii) Reinforced business continuity and disaster recovery

- 4. Enhanced staff productivity:** KRA aims to achieve a competent, performance driven, customer focused, ethical and motivated staff complement. Key objectives are:

- i) Optimise human resource capacity and capability
- ii) Improve performance management
- iii) Institutionalise KRA culture and value system
- iv) Improve work environment
- v) Enhance integrity

IV. Implementation and coordination framework

1. Organisational structure and staffing

The Authority will implement an organisational structure that will ensure effective delegation and control of management processes. Recruitment of staff to the proposed level of **14,555 staff** will be given priority by progressively bridging the gap over the Plan period.

2. Financing of the Plan

The Authority forecasts that implementation of the Eighth Plan will require funding of **Kshs. 117,638 million** over the 3 years.

V. Monitoring and Evaluation

KRA's Monitoring and Evaluation framework conforms to the guidelines provided by the National Integrated Monitoring and Evaluation System (NIMES). Sixteen (16) Key Performance Indicators (KPIs) were selected, four (4) for national monitoring and twelve (12) for monitoring at ministerial level. In total, 47 indicators were identified for departmental monitoring.

The Plan will be implemented through Annual Plans and targets cascaded in the departmental and individual Performance Contracts. Monitoring of the Plan will be conducted quarterly as well as through mid-term and end-term evaluation.



Strategic Priorities in the Eighth Corporate Plan

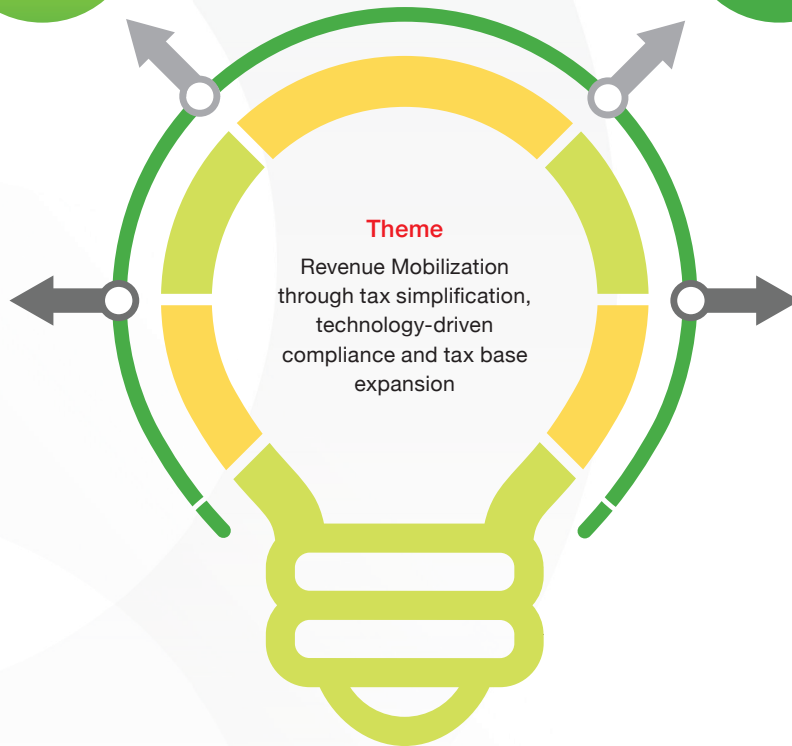
Revenue:
Realise government revenue targets while building a sustainable tax base



Customer:
Achieve exceptional customer service and community outreach



Business process:
Reduce overall cost of collection while improving the quality of operations and services



People:
Continue to build a performance-driven and ethical workforce





CHAPTER ONE
INTRODUCTION

INTRODUCTION

I. Introduction

1.0 Overview

This Chapter presents the mandate of Kenya Revenue Authority and outlines the role of the Authority in the realisation of the national development agenda.

1.1 Mandate of Kenya Revenue Authority

The Kenya Revenue Authority is established by an Act of Parliament, Chapter 469 of the Laws of Kenya, which became effective on 1st July, 1995. The Authority is charged with the responsibility of collecting revenue on behalf of the Government of Kenya.

The Authority is mandated to:

- i) Assess, collect and account for all revenues in accordance with specific laws set out in the first part of the First Schedule and the revenue provisions of the second part of the First Schedule (which contains written laws relating to revenue),
- ii) Advise on matters relating to the administration of, and collection of revenue under the written laws or the specified provisions of the written laws,
- iii) Perform such other functions in relation to revenue as the Cabinet Secretary to the National Treasury may direct.

In addition, KRA administers revenue aspects of the Acts listed in the First and Second Schedules of KRA Act (Cap 469) and collects levies for various Government Agencies under the provision of various Acts.



Fig 1.1: Mandate of Kenya Revenue Authority

1.2 Organisational Governance

The governance and management structure of the Authority is organised as per the recommended international best practice for Semi-Autonomous Revenue Authorities (SARAs). An independent Board of Directors is the governing body as set out in the Act. The Board is responsible for the review and approval of policies and monitoring of the functions of KRA. The day-to-day management of the Authority is the responsibility of the Commissioner General, assisted by Revenue and Support Commissioners and other departmental heads.

1.3 KRA Role in the Country's Development Agenda

The Eighth Corporate Plan is central in achieving various national policy objectives. These include the Constitution of Kenya 2010, Kenya Vision 2030, Third Medium Term Plan, Big Four Agenda and the Budget Policy Statements. The Plan also takes into account the Sustainable Development Goals (SDGs) and Africa Agenda 2063.

1.3.1 Mobilising government revenue

KRA plays this core role in support of the national development agenda. Over the Seventh Corporate Plan, KRA collected over **Kshs. 4.8 trillion** representing about **93 per cent** of government exchequer revenue. KRA is committed to increasing its revenue mobilisation efforts and raising the revenue to GDP ratio through the various revenue strategies set out in this Plan.

1.3.2 Kenya Vision 2030 and the Third Medium-Term Plan

The key national priorities under the Kenya Vision 2030 include:

- i) Achieving economic prosperity, broad and inclusive, covering all regions and achieving a higher growth rate of 7% by 2023;
- ii) Fostering job creation and reducing poverty and inequality; and
- iii) Affecting structural change to increase manufacturing share to 15 per cent, increasing industrial exports and exploiting the country's oil and mineral resources

In addition, the Third Medium Term Plan 2018-2022 (MTP III) proposes tax reforms that will enhance government revenue to finance development programmes and projects, which KRA is committed to implement over the Plan period. The Fourth Medium Term Plan (MTP IV) is expected to be released during implementation of this Plan. Thus, changes will be incorporated in the annual reviews as necessary.

1.3.3 Big Four Agenda

Over the Plan period, KRA shall continue to prioritise strategies that will support implementation of the Big Four initiatives, namely; enhancing manufacturing, food security and nutrition, universal health coverage and affordable housing. This will be through facilitating legitimate trade and implementation of tax incentives and measures as outlined in the Agenda.

1.3.4 Sustainable Development Goals

KRA plays a key role in implementation of **6** of the **17** Sustainable Development Goals (SDGs): 1, 8, 9, 10, 16 and 17 as explained below:

- i) **SDG 1 - No Poverty:** End poverty in all its forms everywhere: (1.a) - Resource mobilisation to implement programmes and policies to end poverty in all its dimensions.
- ii) **SDG 8 - Decent work and Economic growth:** Promote

INTRODUCTION

sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. Decent work and economic growth require support to sustain per capita economic growth (8.1) through revenue collection, (8.3) promote development-oriented policies and (8.8) protect labour rights and promote safe and secure working environment of all staff.

- iii) **SDG 9 - Industry, innovation and infrastructure:** Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation. (9.2) requires the promotion of inclusive and sustainable industrialisation and thereby raising industry's share of employment and GDP.
- iv) **SDG 10: Reduce Inequalities:** Reduce inequality within and among countries. KRA is responsible for implementation of an equitable tax administration system devoid of inequality.
- v) **SDG 16: Peace, justice and strong institutions:** Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels. (16.4) requires the reduction in illicit financial and arms flows and strengthening recovery of stolen assets, (16.5) the reduction in corruption and bribery (a KRA priority), and (16.6) accountable, effective and transparent institutions.
- vi) **SDG 17 – Partnership for the goals:** Strengthen the means of implementation and revitalise the global partnership for sustainable development. (17.1) requires strengthening of domestic resource mobilisation, (17.10) the promotion of universal, open rule-based multilateral trading system (where Customs is involved), and (17.11) the increasing of the share of developing country exports (where trade facilitation is critical).

Through its role in domestic revenue mobilisation, the Authority also contributes to the achievement of most of the SDGs including SDG 2 on Zero Hunger and SDG 3 on Affordable Healthcare.

1.3.5 Africa Agenda 2063

Africa's Agenda 2063's guiding vision is "an integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the international arena. KRA is central to 3 of the 7 Aspirations namely:

- i) **ASPIRATION 1:** A prosperous Africa based on inclusive growth and sustainable development. Mobilise resources to drive development in creating jobs and economic opportunities for all Kenyans
- ii) **ASPIRATION 2:** An integrated continent, politically united, based on the ideals of Pan-Africanism and the vision of Africa's Renaissance. Encourage cross border trade by free movement of people, capital, goods and services will result in significant increases in trade and investments
- iii) **ASPIRATION 7:** Africa as a strong, united and influential global player and partner by strengthening domestic resource mobilisation, building continental capital markets and financial institutions, and reversing the illicit flows of capital from the continent, in order to:
 - Build effective, transparent and harmonised tax and revenue collection systems and public expenditure;
 - Eliminate all forms of illicit flows; and
 - Take measures to ensure technology transfer, adaptation and support for innovation.

1.4 Focus of the Plan

The focus of the Eighth Corporate Plan is to enhance Government's revenue mobilisation and improve service delivery through:

- i) Tax simplification: simplification of the tax regime to ease tax and customs compliance,
- ii) Technology-driven compliance: application of cutting-edge technology to improve tax compliance and service delivery,
- iii) Tax base expansion: Taxation of digital economy, informal sector, real estate, agriculture, professionals, and High Net-Worth Individuals (HNWIs).

1.5 Assumptions

The successful implementation of the Eighth Corporate Plan is contingent on the following key assumptions:

- i) **Economy:** That the targets set out in the macroeconomic framework outlined in the 2021 Budget Policy Statement are achieved. In addition, that the Covid-19 pandemic will be contained with no further closure of the economy.
- ii) **Resources:** The National Treasury shall adequately fund the Authority in order to deliver on the programmes, projects and strategies.
- iii) **Political environment:** That there shall be a conducive political environment to support economic growth, business growth and revenue collection initiatives and actions.
- iv) **Technology:** That there will be a conducive IT policy environment and skilled labour to enable KRA to fully exploit the potential of technology.

1.6 Organisation of the Eighth Corporate Plan

The rest of the Plan has been organised as follows:

- i) Chapter 2 presents a review of the Seventh Corporate Plan
- ii) Chapter 3 analyses the Operating Environment
- iii) Chapter 4 outlines the Strategic Focus
- iv) Chapter 5 provides the Implementation and Coordination Framework
- v) Chapter 6 illustrates the Monitoring and Evaluation Framework



KRA is central to the following



His Excellency, the President commissioning the Moyale OSBP



CHAPTER TWO
REVIEW OF SEVENTH
CORPORATE PLAN
2018/2019 – 2020/2021

REVIEW OF SEVENTH CORPORATE PLAN

2.0 Overview

The Seventh Corporate Plan was anchored on the theme **Revenue Mobilisation through Transformation, Data-driven Decision-Making and Tax Base Expansion** with revenue expected to grow at 17.2% annually, thereby eliminating the need for deficit financing.

a) Strategic Thrusts

The Seventh Corporate Plan was guided by four key thrusts, namely:

- Enhanced revenue through tax compliance,
- Improved business climate and competitiveness,
- Enhanced efficiency in our operations, and
- Improved public trust and service orientation of our staff.

b) Strategic objectives

Guided by the above key thrusts, four (4) strategic objectives aligned to the four Balanced Scorecard perspectives were identified. These were:

- Revenue:** Enhanced revenue through improved compliance,
- Customer:** Improved business climate with respect to taxation and trading across borders,
- Business Process:** Data and intelligence driven organisation,

- People:** Public confidence in the integrity, professional competence and customer focus of our staff

To monitor progress in achieving the objectives, 41 Key Performance Indicators (KPI's) were determined. The KPIs would be achieved through implementation of 114 key interventions. Overall, KRA achieved the targets for 29 KPIs and completed 99 interventions, a performance rate of 71% and 87%, respectively, which represents a considerable improvement compared to Sixth Corporate Plan especially in the context of Covid-19 challenges that emerged in early 2020.

2.1 Performance of Seventh Corporate Plan Objectives

2.1.1 Revenue Perspective

Revenue mobilisation is KRA's overarching goal and hence dominates any assessment of the performance in any Plan period. This position is cemented by KRA's role as Government's pre-eminent revenue collection agency.

Table 1 below shows the performance against revenue forecasts over the Seventh Plan period. It presents the extent to which actual macroeconomic environment differed from the forecasts, and the estimated impact of the variance on revenue performance.

Table 1: Seventh Corporate Plan Revenue Performance

	2018/19	2019/20	2020/21*	Average/Sum
Revenue target (Kshs Bn)	1,643.2	1,641.0	1,615.1	4,899.3
Customs taxes	522.8	518.8	541.9	1,583.52
Domestic taxes	1,116.4	1,117.1	1,068.7	3,302.2
Other taxes	4.0	5.1	4.4	13.5
out of which (o/w) Exchequer	1,553.5	1,530.9	1,517.0	4,601.3
o/w Agency	92.9	103.4	98.1	297.97
Annual Performance	1,580.1	1,606.9	1,662.4	4,849.3
Customs taxes	525.3	510.6	618.8	1,654.8
Domestic taxes	1,050.4	1,092.2	1,038.5	3,181.2
Other taxes	4.3	4.0	5.0	13.3
o/w Exchequer	1,474.7	1,509.8	1,539.2	4,523.7
o/w Agency	105.4	97.1	123.1	325.6
Variance (Shortfall)	(63.1)	(34.2)	47.3	(50)
o/w explained by macroeconomic factors	(26.4)	(33.4)	(36.2)	(32.0)
Revenue Growth (%)	11.3	1.7	3.5	5.2
Macroeconomic Forecasts				
Real GDP growth (%)	5.9	6.2	6.2	6.1
Inflation rate (%)	5.0	5.0	5.0	5.0
Exchange Rate (Kshs/US Dollar)	103.5	102.1	101.0	102.2
US \$ value of imports (\$ mn)	24,599	25,333	24,080	24,671
Forecast Imports Growth (%)	14.1	3.0	-4.9	4.0
Actual performance of macroeconomic variables				
Real GDP growth (%)	5.9	3.0	3.8	4.2
Inflation rate (%)	5.1	5.2	5.1	5.1
Exchange Rate (Kshs/US Dollar)	102.4	105.6	108.8	105.6
US \$ value of imports (\$ mn)	19,400	19,941	20,009	19,783
Actual Imports growth (%)	3.1	2.8	0.3	2.1
Impact				
Real GDP growth (Kshs Bn)	0.00	-57.9	-43.20	-101.1
Inflation rate (Kshs Bn)	1.59	3.6	1.99	7.2
Exchange Rate (Kshs Bn)	-1	3.2	8	10.9
Imports (Kshs Bn)	0	0	0	0
Estimated impact of macroeconomic variance (Kshs. Bn)	0.3	(51.1)	(32.3)	(83.1)

*Annual performance for 2020/21 is the sum of cumulative actual collection up to May 2021 plus target for June 2021.

REVIEW OF SEVENTH CORPORATE PLAN

The overall revenue performance was **Kshs. 4,849.3 billion** against the Plan period target of **Kshs 4,899.3 billion**, a deficit of **Kshs. 50 billion** and a performance of **99%**, with an average growth of **5.4%**. This represented a revenue to GDP ratio of **15.8%**. The actual cumulative estimated impact of macroeconomic variance over the Plan period was **Kshs. 83.1 billion**. Variances in the Real GDP growth rates over the Plan period led to foregone revenue of **Kshs 101.1 billion** while variances in the inflation and exchanges rates yielded and **Kshs 7.2 billion** and **Kshs 10.9 billion**, respectively.

2.1.2 Performance of other Targets

Performance of the other key performance indicators selected for national and ministerial monitoring are illustrated in Table 2 below:

Table 2: Seventh Corporate Plan Performance

KPI	Measure	Baseline 2017/18	2018/19		2019/20		2020/21	
			Target	Actual	Target	Actual	Target	Actual
Exchequer Revenue collected	Kshs. (Mn)	1,516,000	1,553,462	1,474,673	1,530,900	1,509,751	1,543,845	1,539,242
Paying Taxes rank	No.	92	78	91	64	N/A	50	94 ¹
Cost of collection	%	1.44	1.4	1.27	1.4	1.52	1.4	1.49
EACC Integrity Levels	%	32	25	N/A	20	N/A	10	34.1
Collectible debt/Exchequer Revenue	%	25	20	8.6	15	7.2	10	10
VAT Gap	%	45	43	N/A	40	43	35	43
Active Taxpayers	No. (Mn)	3.94	5	5.1	6	5.77	7	6.1
% Reduction in identified illicit trade initiatives	%	N/A	100	100	100	100	100	100
VAT Refunds clearance	Days	133	120	207	90	112	60	102
Customer satisfaction rate	%	72	74	N/A	76	N/A	80	72.2
Trading Across Borders	Rank	106	90	112	70	N/A	50	117 ²
Increased Cargo uptake under Pre-arrival Processing (PAP)	% imports processed under PAP	42	56	30.2	23	15.69	23	20.03
SLA implementation	%	X	10	N/A	100	74.5	100	58
On-time filing	%	53	63	23.7	73	62.5	80	68
On-time payment	%	44	54	84.4	66	91.5	80	88
Automation level	%	95	96	93.1	95	95.7	97	95.7
Customer perception of KRA staff adherence to core values	%	74	80	N/A	85	N/A	90	71.7
Employee Engagement (Sikika survey)	%	67.4	72	N/A	76	N/A	80	67.4
Employee satisfaction	%	67	72	N/A	76	N/A	80	66.2

¹ Results from Doing Business 2020 report

² Results from DB 2020 report

REVIEW OF SEVENTH CORPORATE PLAN

2.2 Lessons Learnt

Implementation of the Seventh Corporate Plan was affected by the following challenges which provided lessons for the next planning cycle:

Table 3: Challenges and Way Forward

Challenge	Lessons learnt	Way forward for Eighth Corporate Plan
Funding	Need to ensure all activities in the Plan are adequately funded	Adequate funding should be provided for the prioritised initiatives and all of KRA's activities.
Covid-19	Covid-19 impacted on most of the revenue mobilisation activities hence need to plan well for business continuity.	Implement business continuity and disaster recovery plans and be dynamic in adapting and responding to new situations.
Overambitious targets	Most of the targets, especially perception indices from surveys, were unrealistic hence need to review future targets.	Incorporate realistic targets in the Plan.
	Inter-departmental collaboration in implementation of some strategies need to be enhanced to yield better results.	Enhanced inter-departmental collaboration by developing and implementing structured frameworks for inter-departmental collaboration that promote one organisational culture.
Interdepartmental collaboration	Interdepartmental collaboration in implementation of some strategies need to be enhanced to yield better results.	Enhanced interdepartmental collaboration by developing and implementing structured frameworks for interdepartmental collaboration that promote one organisational culture.



Destruction of illicit goods



CHAPTER THREE
OPERATING
ENVIRONMENT

OPERATING ENVIRONMENT

3.0 Overview

This Chapter presents the internal and external environment under which the Eighth Corporate Plan will be implemented. The key environmental factors and issues noted have been identified through PESTEL, SWOT and stakeholder analyses. The results of these analyses have been critically reviewed and, collectively, form the basis for the design, selection, and scope for many of KRA's strategies and initiatives.

3.1 Political, Economic, Social, Technological, Environment and Legal (PESTEL) Analysis

A review of the external environment in the form of a PESTEL analysis (i.e., political, economic, social, technological, environmental and legal) has provided us with a greater understanding of the broader dynamics within which KRA operates. The key factors and issues identified through this analysis are as follows:

3.1.1 Political Environment

Domestic Politics

The Government of Kenya is committed to enhancing revenue mobilisation through the various efforts including changes in the tax laws. The Building Bridges Initiative (BBI) is expected to bring a shift in the governance structure leading to constitutional changes that may require more resources. The Plan assumes that the general election in the second year of the Plan will be peaceful with little or no adverse impact on businesses and the economy.

Geopolitical environment

Globally, the emergence of cross-border initiatives to aid in combating tax evasion are likely to present new opportunities that KRA will exploit. Regionally, however, the situation remains uncertain due to the potential for instability in neighbouring countries, requiring planning for strengthened border management.

Membership in East Africa Community (EAC) and continental blocs

Within the East Africa Community (EAC), there will be implications with regards to Common External Tariff (CET) while the African Continental Free Trade Area (AfCFTA) will lead to new trade negotiations and partnerships. The Authority will therefore seek to strengthen the Rules of Origin office to manage this.

3.1.2 Economic Development

In 2020/21, the growth in the domestic economy is projected at 3.8 percent, before increasing to 6.1 percent in the medium term supported by the service sector and implementation of the Post Covid-19 Economic Recovery Strategy. The Government will also seek to attain a fiscal deficit of 3.6 percent of GDP by 2024/25 and ensure debt is within sustainable levels.

Key among the challenges expected are: balancing taxation, supporting business recovery and growth in the post-Covid era all of which impact revenue mobilisation.

More broadly, the Covid-19 pandemic has led to emergence of new business models, increased level of digital transactions and growth in the hard-to-tax sectors, such as, the informal sector, which has become a significant part of the Kenyan economy. The Authority will undertake an in-depth study on the informal sector to enhance the tax base.

3.1.3 Social Analysis

Demographics

Kenya's population is 47.6 million as per the population census carried out in 2019 with an annual growth of 2.3%. Of the working population, 3.1 million are engaged in formal employment and are hence already in the tax space.

The informal sector

The Economic Survey 2020 indicates that, in 2019, the number of persons estimated to have been engaged in the informal sector stood at **15.1 million** up from **12 million** in 2015. This represents a significant number of taxpayers that need to come into the tax space.

The new education system

This initiative presents an opportunity for the Authority to collaborate with the education sector to design and mainstream tax education in the Competency-Based Curriculum (CBC) to inculcate good values, including an appreciation of the national obligation to be tax compliant at a young age. Such values are ultimately expected to improve the country's overall tax morale.

Education and literacy levels

According to the 2020 Economic Survey, 9.3% of the population had no formal education. This means that the majority of the Kenyan population are literate. This will assist KRA in designing tailored tax education programmes to increase awareness and compliance levels.

Social media

Increased usage of social media provides KRA with an opportunity to market its services and increase awareness through tax education in order to enhance tax compliance.

3.1.4 Technological Analysis

With increased adoption of new technologies that drive how business transactions are conducted, the following will influence KRA's operations:

Growing digitalisation/e-commerce

Economic Survey 2020 indicates that there were **54.6 million** mobile phone subscribers by December 2019 up from **37.7 million** in 2015. Mobile money transfers totalled **Kshs. 4,346 billion** in 2019 up from **Kshs. 2,816 billion** in 2015, well over twice the revenues collected in 2019/20. Further, Mobile commerce transactions increased from **928 million** with a value of **Kshs. 1,750 billion** in 2016 to **2.24 billion** transactions with a value of **Kshs. 6,959 billion** in 2019. In addition, the 2020 Economic Survey indicates that **25.4%** of industries are engaging in e-commerce. The above scenario signals a shift into the digital economy and therefore presents an opportunity for KRA to collect Digital Service Tax (DST) as well as increase compliance on VAT and Income Tax.

Data analytics and emerging technology

Increased adoption of modern technologies, such as, artificial intelligence, machine learning, electronic invoicing and blockchain by businesses has potential to ease integration with strategic partners, thus facilitating acquisition of 3rd party data to support and enhance tax compliance.

Cyber security

The Authority envisages that with increased digitisation of the economy and more online access to KRA services, there will be increased exposure of the KRA systems to cybercrime hence data and information security will be crucial over this Plan period.

OPERATING ENVIRONMENT

3.1.5 Environmental Analysis

A number of statutes and regulations will guide the environmental considerations during the life of this Corporate Plan. These include:

- **EAC Customs Management Act 2004:** The Act restricts the entry of restricted and prohibited goods into the country, as outlined in the Second and Third Schedules of the Act.
- **Environmental Law – EMCA, 1999:** a key consideration here is the restrictions the environmental law places on disposal of unwanted products and e-waste, a key challenge in light of the growing automation of KRA activities and its attempts to adhere to the e-waste disposal guidelines.
- **Environmental Management and Coordination (Controlled Substances) Regulations, 2007:** This regulates the production, trade and use of controlled substances and products.

3.1.6 Legal Environment

The national government collects Income Tax, Value-Added Tax (VAT), Customs duties and other duties on import and export goods, as well as Excise Tax. These taxes are governed by the Income Tax Act of 1974, the Value-Added Tax Act of 2013, the EAC Customs Management Act (EACCMA) of 2004, the Excise Duty Act of 2015, the Tax Procedures Act 2015 and the Tax Appeals Tribunal Act 2013. Any amendments to these Acts will affect the operating environment.

- **Income Tax Act:** The modernisation of the Income Tax Act is expected to be complete in the first year of the Plan.

- **VAT Act:** Tax Laws Amendments No. 1 of 2020 and Finance Act 2020 introduced significant changes. The description of the VAT Act and the changes in the law requires review for clarity.
- **EACCMA:** With regard to trade taxes, major changes to EACCMA are expected to arise due to the trade agreements entered into by Kenya individually or as a member of EAC, which include Economic Partnership Agreement (EPA) between Kenya and United Kingdom, and African Continental Free Trade Area.
- **Excise Duty Act 2015:** Excise Duty Act accommodates both specific and ad valorem duty rates. Though inflation rate adjustment for items with specific rate was introduced to protect rate erosion, its implementation has been facing resistance from businesses. These changes, if not implemented, will lead to a fall in effective rates and hence collections.

3.2 Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis

A review of KRA's Strengths, Weaknesses, Opportunities and Threats is paramount to understanding the current situation. The factors and issues identified in the analysis are presented in Table 4. Their critical review has allowed KRA to fully exploit its strengths and opportunities as well as address the real and potential problems that can hinder the achievement of its goals.

3.2.1 SWOT Analysis

Table 4: SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Technical capacity to mobilise resources • High levels of automation and improved system reliability • Committed Board and Management • Competent workforce • National coverage (regional offices) • Independent control over the iTax system • Young, vibrant and energetic workforce 	<ul style="list-style-type: none"> • Partial integration across tax systems • IT systems and applications not keeping pace with rate of change in business needs • Weak interdepartmental/divisional cooperation/synergy • Inadequate office space and working tools • Outdated/inaccurate and incomplete taxpayer information • Internal communication • Demotivated staff in certain areas • Skills gaps in core competencies • Inadequate staff
Opportunities	Threats
<ul style="list-style-type: none"> • Use of third-party data to increase tax compliance • Technological advancement for ease of tax collection and efficient service delivery • Digital economy (Digitisation) to widen tax base and bolster revenue growth • Partnerships and collaboration to boost tax compliance • Regional integration to increase information sharing • Enabling legislation for improved service delivery • Informal sector that remains largely untapped • Simplification - in terms of making easier to understand laws and in implementation • Devolution system through collaboration with county governments 	<ul style="list-style-type: none"> • Corruption/perception of misuse of taxes leading to low tax morale • Inadequate funding resulting to inefficient service delivery and revenue mobilisation • Delays in getting information/data from regional counterparts leading to revenue loss • Cybercrime resulting in system downtime, information theft and loss of data • Rapid technological changes leading to obsolete processes • Tax evasion leading to revenue loss • Economic uncertainty from 2022 general elections • Covid-19 pandemic leading to loss of/closure of businesses and thus revenue

OPERATING ENVIRONMENT

3.2.2 Confrontation Matrix

Based on the SWOT analysis, the confrontation matrix enables the Authority to leverage on its strengths to maximise the opportunities, defend itself against the perceived threats and counter its weaknesses. Therefore, KRA shall:

Table 5: Confrontation Matrix

	Strengths	Weaknesses
Opportunities	<p>Use existing strengths to maximise on opportunities:</p> <ul style="list-style-type: none"> System integration with third party data providers to enhance tax compliance. Tax simplification through legislation review and system enhancements to improve tax compliance Expand digital taxation to exploit growing business transactions through the digital platforms Increase taxpayer education coverage by engaging micro and small enterprises to improve voluntary compliance Leverage on multi-agency task force and multilateral collaboration to curb tax evasion 	<p>Overcome our weaknesses so as not to miss any opportunities:</p> <ul style="list-style-type: none"> Full integration with internal and external systems Periodic addresses by management and Team building to enhance inter-departmental collaboration to enhance information sharing and culture of “one organisation” Leasing of working tools and equipment and promoting remote working to address space shortages Lobby for adequate funding Clean up the taxpayer database to enhance the integrity of the taxpayer records and hence confidence levels. Develop and implement a staff motivation programme Review KRA training for technical staff Develop training and implement training
Threats	<p>Use our strengths to minimise the impact of threats:</p> <ul style="list-style-type: none"> Leverage on iWhistle to curb tax evasion and provide a safe channel for corruption and non-compliance reporting Increased sharing and integration with third party systems to obtain data to drive tax compliance Recruitment of Digital Service Tax taxpayers to widen the tax base Build partnerships with industry associations, tax practitioners, trade unions and other community groups as trusted intermediaries Staff and taxpayer education on changes in legislation Strengthen TBE programme in the TSOs: culture, staffing and tools Strengthen Taxpayer education programme for enhanced service delivery 	<p>Work on our weaknesses to avoid threats:</p> <ul style="list-style-type: none"> Positive media campaigns to educate taxpayers on usage of taxes Collaboration with informal sector associations to expand the tax base Mobilise resources from development partners Taxpayer education Strengthen regional partnerships to enhance timely exchange of information for compliance purposes Implement security operation centre to safeguard KRA's systems and data System upgrades in tandem with technological changes and enhancements Encourage strong uptake of the Voluntary Tax Disclosure Programme (VTDP) Implement business continuity plans and new ways of working to mitigate impact of Covid-19

OPERATING ENVIRONMENT

3.3 Stakeholder Analysis

The analysis presented in Table 6 below enables KRA to understand its stakeholders, their needs and develop strategies to meet stakeholder expectations.

Table 6: Stakeholder Analysis

Stakeholder	Stakeholder expectations	Expectations that KRA has of its stakeholders
Primary Customers		
<ul style="list-style-type: none"> Taxpayers 	<ul style="list-style-type: none"> Timely and efficient service Low compliance costs Certainty and predictability Expedient and efficient refund processes Customer support services (call centres) Efficient and effective complaints handling Convenient automation/systems Prompt responses to queries 	<ul style="list-style-type: none"> Adherence to tax laws Compliance with filing, reporting and payment obligations Timely and accurate reporting of other information Engagement to cooperatively mitigate compliance risks Input during Revenue Acts legal reforms Constructive and open feedback
<ul style="list-style-type: none"> National Treasury 	<ul style="list-style-type: none"> Efficient revenue collection Meeting / exceeding targets Revenue reporting Enforcement of tax laws Prudent utilisation of resources 	<ul style="list-style-type: none"> Provide clear policy direction Support integration of systems Timely legislation of tax laws Adequate funding
Secondary Customers		
<ul style="list-style-type: none"> Staff 	<ul style="list-style-type: none"> Conducive and secure working environment Competitive remuneration Training 	<ul style="list-style-type: none"> Performance of all duties with care and diligence so as to provide the highest level of service to taxpayers Compliance with terms of engagement Uphold integrity at all times
<ul style="list-style-type: none"> MDAs County Governments 	<ul style="list-style-type: none"> Revenue collection Access to timely & accurate information 	<ul style="list-style-type: none"> Provision of data Integration of systems Adherence to tax laws
<ul style="list-style-type: none"> Employers 	<ul style="list-style-type: none"> Support on tax matters Access to timely & accurate information 	<ul style="list-style-type: none"> Timely remittances of taxes Accurate data Adherence to tax laws
<ul style="list-style-type: none"> Professional organisations Business associations Special groups Service providers 	<ul style="list-style-type: none"> Access to timely & accurate information Structured engagements Seamless processes Seamless integration of systems Timely services Timely payments Trade and investment facilitation 	<ul style="list-style-type: none"> Support integrity Sensitise their stakeholders on the importance of being responsible taxpayers Strategic partnerships Timely provision of goods and services Adherence to statutory regulations Provision of quality goods and services
<ul style="list-style-type: none"> Development partners International agencies Regional partners 	<ul style="list-style-type: none"> Fair administrative procedures Clear policies & procedures Transparent processes Effective and timely implementation of projects 	<ul style="list-style-type: none"> Strategic partnerships and collaboration on compliance matters Financial and technical support of specialist projects Compliance with terms of engagement
<ul style="list-style-type: none"> Media 	<ul style="list-style-type: none"> Access to accurate information Co-operation 	<ul style="list-style-type: none"> Accurate reporting Professionalism Enhance KRA's visibility Support for Taxpayer education Sensitisation of taxpayers to be responsible citizens



CHAPTER FOUR
STRATEGIC
FOCUS

STRATEGIC FOCUS

4.0 Introduction

This Chapter presents the strategic thrusts, expected outcomes and strategies to be implemented over the Plan period.

4.1 Strategic Thrusts

The following are the six strategic thrusts that drive this Plan:

- i) Revenue mobilisation
- ii) Tax base expansion
- iii) Simplification of the tax regime to ease compliance and service delivery
- iv) Application of cutting-edge technology
- v) Performance-oriented and ethical organisation culture
- vi) Strategic partnerships to bolster compliance

4.2 Strategic Goals and Outcomes

Building on the strategic thrusts, the following are the overarching goals aligned to the Balanced Scorecard perspectives and expected strategic outcomes:

Table 7: Strategic Goals and Outcomes

Perspective	Overarching Goal	Strategic Outcome
Revenue	Realise government revenue targets while building a sustainable tax base	Improved tax compliance
Customer	Achieve exceptional customer service and community outreach	Increased customer satisfaction
Business process	Reduce overall cost of collection while improving the quality of operations and services	Improved organisational effectiveness
People	Continue to build a performance-driven and ethical workforce	Enhanced staff productivity

4.3 Strategic Objectives

4.3.1 Revenue Perspective

Overarching Goal: Realise government revenue targets while building a sustainable tax base

Strategic Outcome: Improved Tax Compliance

Over the Plan period, KRA is expected to collect **Kshs 6,831 billion**. The core revenues are the Exchequer Revenues, Railway Development Levy (RDL) and the Road Maintenance Levy Fund (RMLF). The revenues are expected to grow by an annual average of **16.9 per cent** over the Plan period compared to **11.2 per cent** projected for nominal GDP. The nominal GDP is expected to grow from **Kshs. 11,169 billion** in FY 2020/21 to **Kshs. 15,373 billion** in FY 2023/24. The revenue forecasts are shown in Table 8 below:

Table 8: Revenue forecast for 2021/22 – 2023/24 (Kshs. Mn)

	2020/21 Estimates**	2021/22	2022/23	2023/24
Import duty	107,881	118,954	144,876	170,394
Excise	220,974	241,050	297,173	346,875
VAT	405,910	472,907	584,678	691,627
Income Tax	692,575	844,716	1,007,585	1,188,885
Other Taxes	37,636	29,352	30,687	32,386
Anti-adulteration levy	2,949	3,432	3,784	4,172
Import Declaration Fees	42,891	31,881	35,093	39,178
Railway Development Levy	28,425	27,822	30,396	33,232
Road Maintenance Levy	87,011	93,542	100,057	107,026
Other Agency Revenues	36,106	37,706	39,736	42,008
Total Revenue	1,662,360	1,901,362	2,274,065	2,655,783
o/w Exchequer	1,539,242	1,770,114	2,134,272	2,506,750
Required Growth Target (%)	6.5	14.4	19.6	16.8
Forecast Nominal GDP Growth (%)	9.8	11.0	11.0	11.7
Total Revenue to GDP (%)	14.9	15.3	16.5	17.3

STRATEGIC FOCUS

To reduce the tax gap and achieve revenue growth above the nominal GDP growth rate, KRA will focus on the following priority areas having potential for significant revenue growth and implement the respective strategies:

4.3.1.1 Tax base Expansion

The focus over the Eighth Plan period will be to implement the Tax Base Expansion (TBE) strategy through recruitment of new taxpayers and additional obligations. The target for new taxpayers will be in real estate, businesses in the Turnover Tax (ToT) regime, registered companies, agriculture sector, professionals, High Net-Worth Individuals (HNWI) and digital economy. Turning around perpetual non-filers into filers will also be key. These are expected to raise the number of active taxpayers from **6.1 million to 8.2 million**, implying an additional **2 million**. This will be achieved through the following:

- a. Taxation of the Informal Sector
- b. Use GIS for Block Management System
- c. Increase compliance by HNWI to promote equity
- d. Taxation of the digital economy
- e. Strategic collaboration and partnerships for revenue mobilisation

4.3.1.2 Strengthen Compliance and Enforcement

The aim is to enhance compliance and ensure a holistic approach to enforcement through centralised command and timely utilisation of intelligence. The strategies to be implemented include:

- a. Establish a corporate enforcement function
- b. Implement risk based audit programme
- c. Enhance measures to combat illicit trade
- d. Implement risk based compliance management
- e. Optimise debt management

4.3.1.3 Smart Intelligence and Investigation

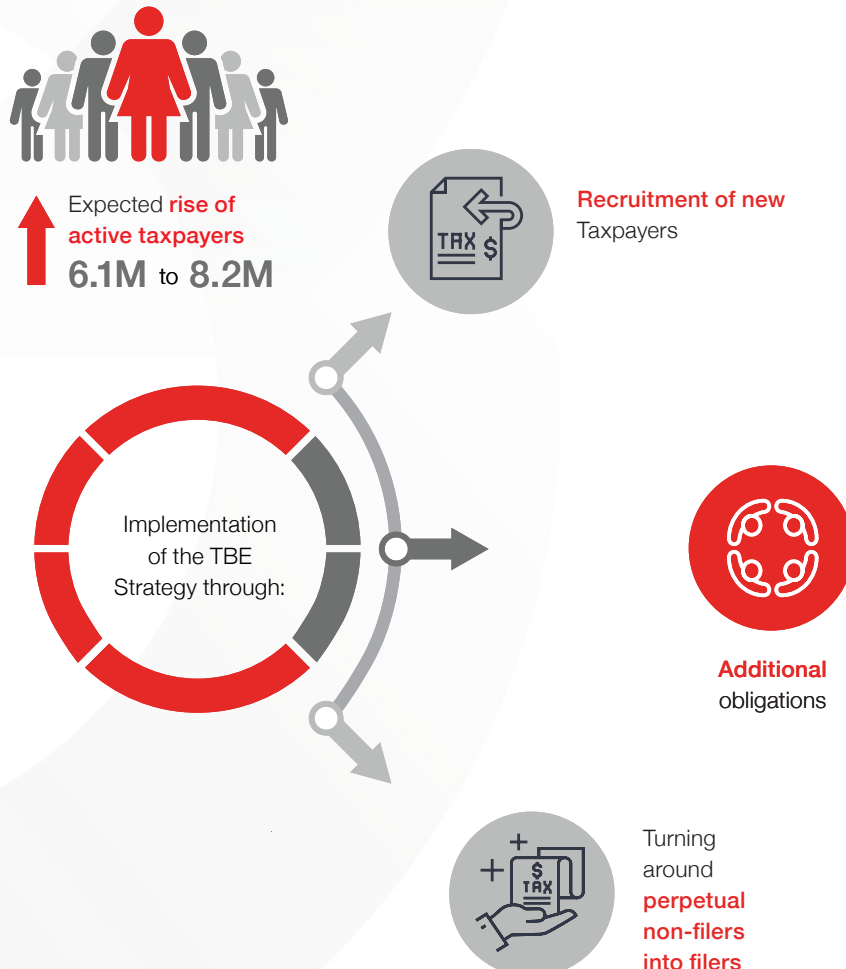
Information and intelligence will be paramount in enhancing tax compliance and curbing corruption, tax evasion and fraud. The main strategies to be implemented are:

- a. Undertake robust intelligence management
- b. Detect, disrupt and deter tax evasion

4.3.1.4 Integrated Border Management

Kenya has a vast border most of which is porous and not effectively manned, with respect to both land and sea borders. The monitoring of the borders will therefore be enhanced through the following:

- a. Expand and improve coordinated border management
- b. Strengthen the Marine Unit



STRATEGIC FOCUS

4.3.2 Customer Perspective

Overarching Goal: Achieve exceptional customer service and community outreach

Strategic Outcome: Increased customer satisfaction

KRA interventions to achieve high levels of customer service and improve the country's competitiveness will be:

4.3.2.1 Tax simplification

KRA will undertake to offer an easier interpretation of tax laws and simple customer-centric services: The key strategies to be implemented are:

- Simplify tax processes, forms and technology links, to make it easy to comply
- Implement tax policy reforms to ensure stability and clarity of tax laws.

4.3.2.2 Improved Trade Facilitation

This is aimed at enabling trade across borders. The key strategies to be implemented are:

- Facilitate legitimate trade
- Effective and efficient refunds management

4.3.2.3 Improved dispute resolution processes

The focus is to review objections before escalation to disputes and encouraging adoption of the alternative dispute resolution mechanism. In order to speed up resolution of cases, the following key strategies will be implemented:

- Fast track resolution of cases

- Strengthen the Alternative Dispute Resolution (ADR) Mechanism
- Strengthen Independent Review of Objection process

4.3.2.4 Achieve Service Excellence

KRA will pursue excellence in service delivery through provision of various channels of service delivery including expansion of customer service points to ensure the services are easily available to the customers. To achieve this objective, the following strategies will be implemented:

- Offer a multi-channel service to enhance service accessibility to taxpayers
- Service improvement – human interaction as well as technology
- Establish additional stations/satellite/service centres

4.3.2.5 Enhance Brand Awareness

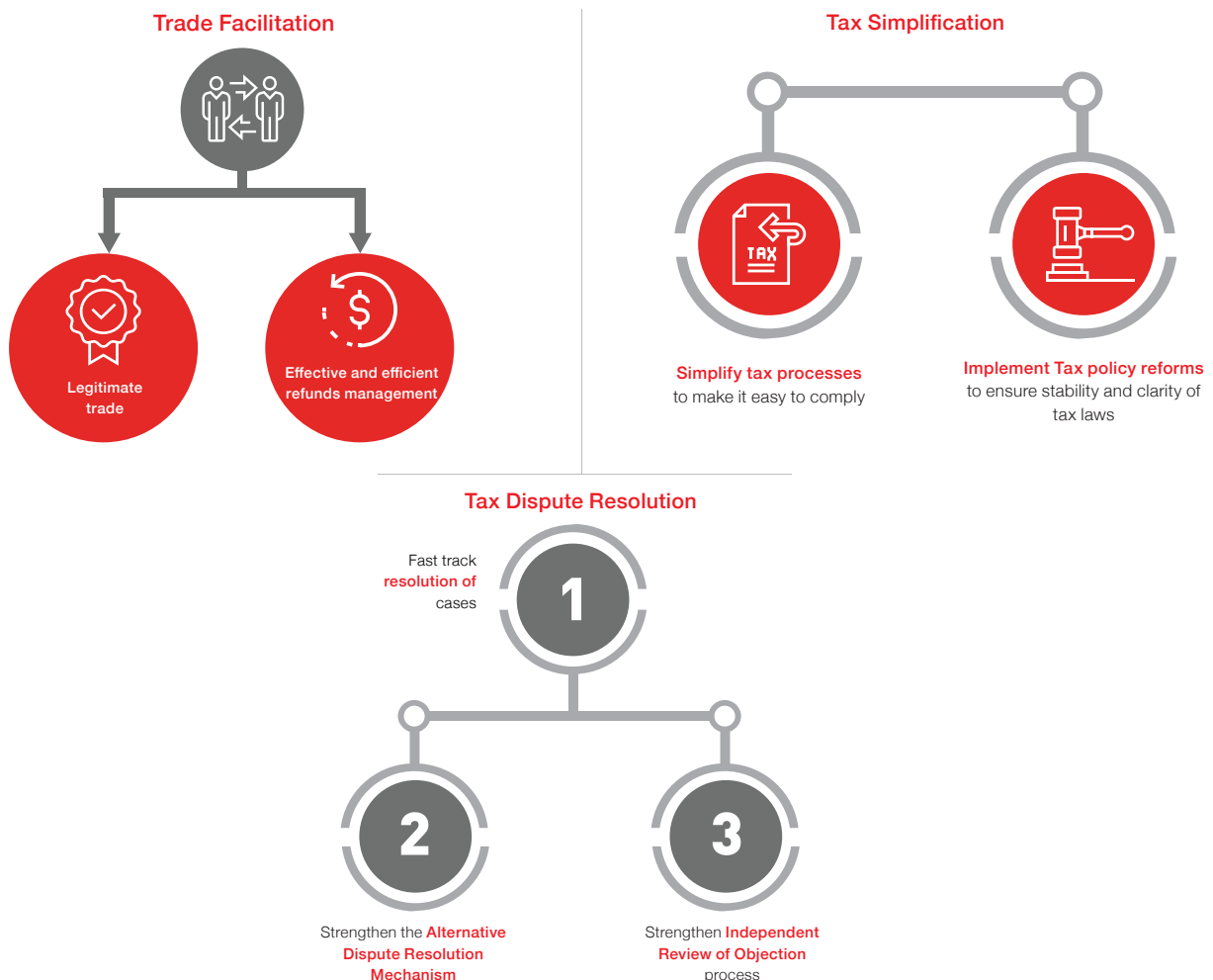
KRA will pursue improvement of its attractiveness as a brand and the key strategies to achieve this will be:

- Transition to Kenya Revenue Service (KRS) not only in name but also in terms of service delivery
- Scale up Communication with all stakeholders

4.3.2.6 Structured stakeholder engagements

In a bid to engage with the stakeholders more effectively, KRA will undertake the following strategies:

- Implement Segmented Taxpayer Education Framework
- Establish transformative partnerships
- Entrench Corporate Social Sustainability



STRATEGIC FOCUS

4.3.3 Business Process Perspective

Overarching Goal: Reduce the overall cost of collection while improving the quality of operations and services

Strategic Outcome: Improved organisational effectiveness

During the Plan period, the ultimate aim is to adopt modern technologies in order to support the revenue mobilisation strategies. The focus will therefore be on acquisition, utilisation and maintenance of the technologies and enhancement of existing systems through the following objectives and strategies:

4.3.3.1 Utilisation of Modern technologies

The key strategies to be implemented will be:

- Acquire and implement modern technologies that are relevant to KRA's business needs including Artificial Intelligence (AI), Blockchain and Machine Learning
- Enhance project completion rate and value realisation

4.3.3.2 Achieve integrated, simplified and cost-effective business systems and processes

The key strategies to be implemented:

- System integrations
- Complete iTax functionality and enhance to iTax 2.0
- Roll out simplified online self-services

4.3.3.3 Reliable and resilient IT infrastructure

The key strategies to be implemented:

- Upgrade IT infrastructure to meet emerging business needs, such as, agile development, remote working environment and telecommuting
- Achieve holistic cyber resilience

4.3.3.4 Strengthen big data analytics to drive compliance

KRA will build on the existing capacity to strengthen data analytics capability and its application to tax and customs compliance. The key strategies to be implemented include:

- Build advanced data analytics capability
- Utilise data and analytics
- Enhance data literacy and culture

4.3.3.5 Clean up the taxpayer database

A clean taxpayer database is critical for revenue mobilisation as it ensures that the taxpayers have the correct obligations and the ledger balances reflect the correct position. To ensure a clean taxpayer database, KRA will implement the following key strategies:

- Assure data quality
- Increase data coverage in internal processes/systems

4.3.3.6 Improved quality standards and operations

The key strategies to be implemented will be:

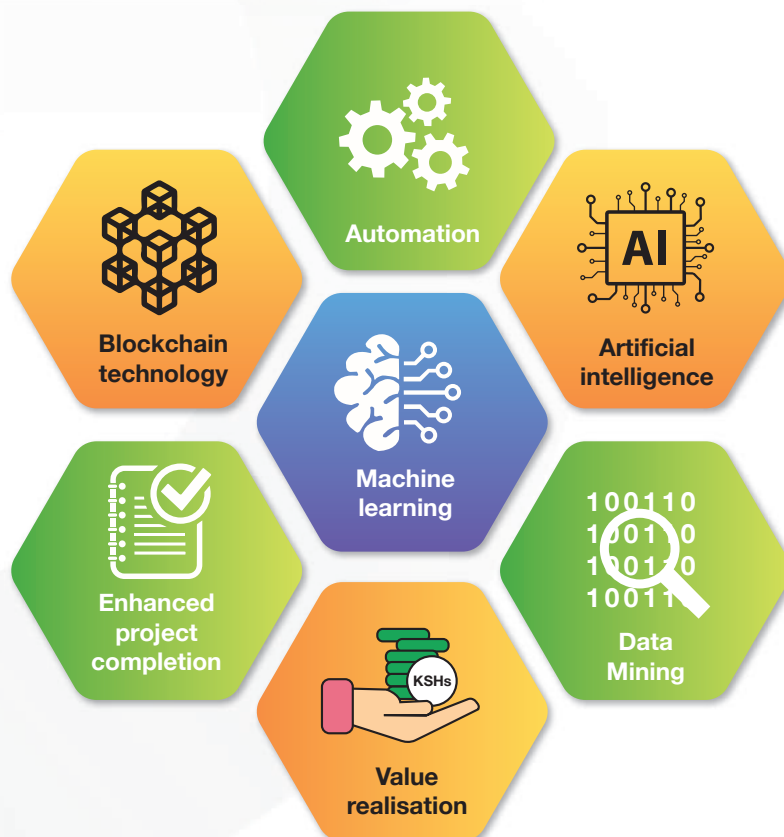
- Maintain Quality Standards
- Enhance scientific advisory service by expanding laboratory services to support tax and customs compliance

4.3.3.7 Reinforced business continuity and disaster recovery

The key strategies to be implemented:

- Improve Information Communication and Technology (ICT) Disaster Recovery and security
- Enhance business continuity capability

Utilisation of Modern technologies



STRATEGIC FOCUS

4.3.4 People Perspective

Overarching Goal: Continue to build a performance driven and ethical workforce

Strategic Outcome: Enhanced staff productivity

This perspective aims at supporting achievement of KRA's mandate through improving knowledge and skills of staff, work environment, organisation culture and governance. The following strategic objectives and strategies will be implemented to realise the strategic outcome:

4.3.4.1 Optimise human resource capacity and capability

This will include strategies that will attract and retain competent staff, entrenching positive organisational culture and provide continuous professional development.

The strategies to be implemented are:

- a. Talent management
- b. Structured training programmes
- c. Enhance staff engagement and welfare
- d. Reposition Kenya School of Revenue Administration (KESRA) as a premier learning and training institution

4.3.4.2 Improve performance management

This will entail engagement of staff and entrenching an agile performance improvement system that supports the mandate and strategic direction of the Authority.

The strategies to be implemented are:

- a. Build capacity on Performance Management Process

- b. Strengthen performance management and rewards & sanctions framework

4.3.4.3 Institutionalise KRA culture and value system

The focus is on ensuring staff live the TECHS core values and are responsive to customer needs through facilitation aimed at raising voluntary compliance. Key strategies are:

- a. Review staff recruitment and training
- b. Implement an organisational culture programme

4.3.4.4 Improve work environment

This will entail provision of working tools, equipment, office space and disposal of obsolete equipment to ensure a conducive working environment for staff.

The strategies to be implemented are:

- a. Operationalise an integrated security system
- b. Workspace improvement and provision of necessary tools of trade to facilitate effective hybrid/remote working

4.3.4.5 Enhance integrity


This includes mechanisms and processes put in place to enhance staff integrity levels, reduce corruption incidences and deter malpractices.

The strategies will be implemented:

- a. Undertake staff vetting and investigation
- b. Undertake Corruption risk analysis and prevention
- c. Create integrity awareness to both internal and external stakeholders

Human resource capacity capability optimisation





CHAPTER FIVE
IMPLEMENTATION
AND COORDINATION
FRAMEWORK

IMPLEMENTATION AND COORDINATION FRAMEWORK

5.0 Overview

The Authority will strengthen its institutional capacity and put in place the requisite implementation and coordination frameworks for successful implementation of the Eighth Corporate Plan.

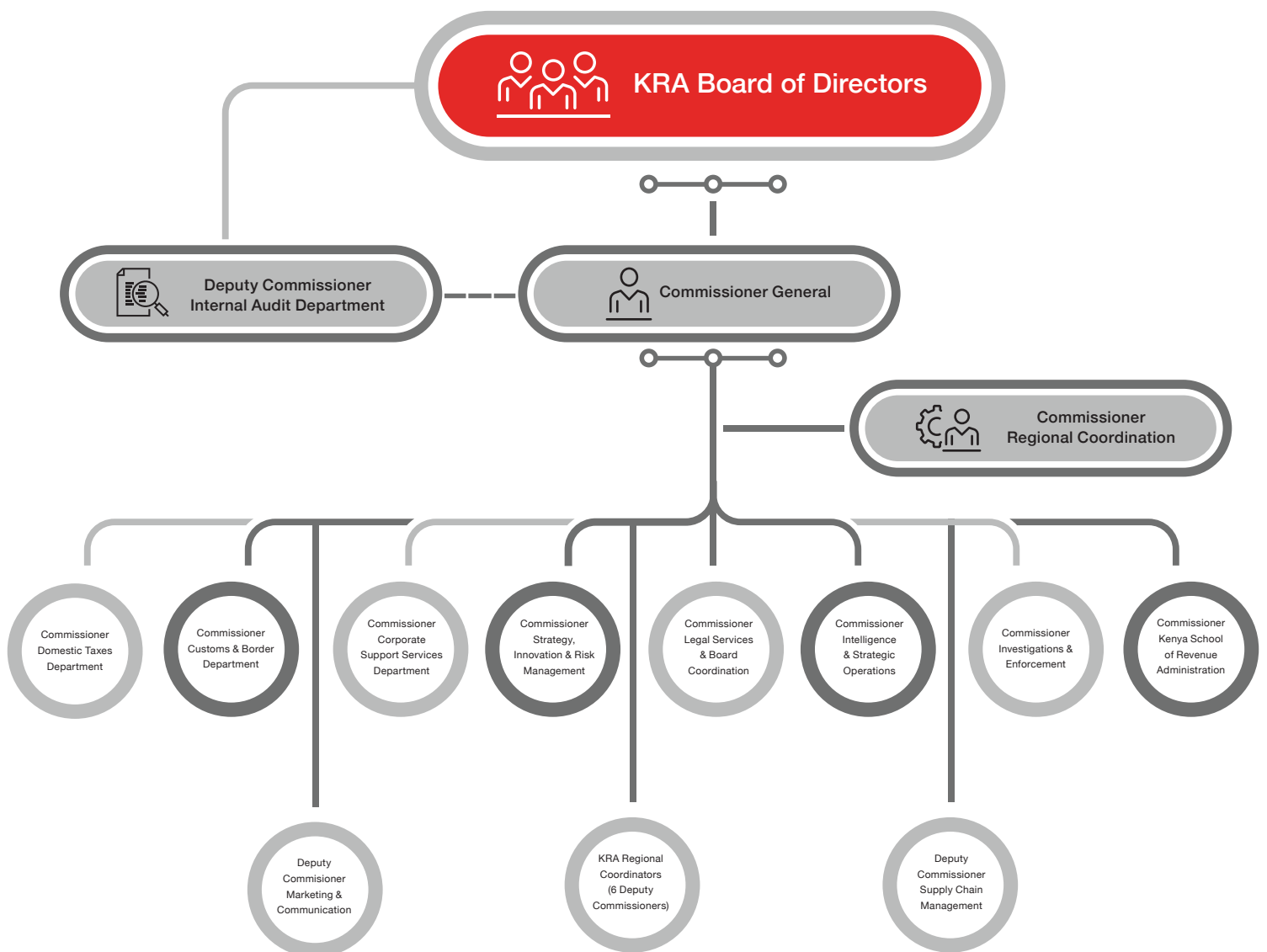
5.1 Structure of the organisation

The Commissioner General Authority, who reports to the Board of Directors heads the Authority. There are 11 departments: Domestic Taxes; Customs and Border Control; Intelligence & Strategic Operations; Investigations & Enforcement; Strategy, Innovation & Risk Management; Legal Services & Board Coordination; Corporate Support Services; Kenya School of Revenue Administration; Marketing and Communication; Internal Audit and Supply Chain Management.

During this Eighth Corporate Plan period, KRA will implement an organisational structure that is in conformity with the requirements of a technology-driven tax administration. In this regard, a new Division, Technology, Innovation and Artificial Intelligence (TI&AI) has been established within the Corporate Support Services Department.

The overarching goal of the structure is to align the Authority's functional units and activities with its strategic direction. The structure is presented in the following organogram:

Figure 1: Organogram



IMPLEMENTATION AND COORDINATION FRAMEWORK

5.2 Staff establishment

The current staff establishment is **7,955** and the aim is to recruit gradually over the Eighth Corporate Plan period in order to reach the approved establishment of **14,555**.

To effectively implement this Corporate Plan, recruitment of staff to optimal levels will be paramount. The focus will be to bridge the staff gaps as well as address gaps in critical and highly specialised skills. The table below summarises the staffing requirements by department.

Table 9: Staff Establishment

	Department/Division	In-post	Proposed numbers	Gap	Recruitment		
					2021/22	2022/23	2023/24
1.	CG Executive Office & Operations	37	99	62	20	21	21
2.	Domestic Taxes Department	3,006	4,926	1,920	640	640	640
3.	Customs & Border Control	2,136	5,708	3,572	1,190	1,191	1,191
4.	Corporate Support Services	1,261	1,748	487	162	162	163
5.	Strategy, Innovation & Risk Management	249	389	140	46	47	47
6.	Internal Audit Division	46	72	26	8	9	9
7.	Intelligence & Strategic Operations	212	322	110	36	37	37
8.	Investigations & Enforcement	204	200	-4	0	0	0
9.	Legal Services & Board Coordination	159	210	51	17	17	17
10.	Kenya School of Revenue Administration	129	244	115	38	38	39
11.	Marketing & Communication	462	557	95	31	32	32
12.	Supply Chain Management Division	54	80	26	8	9	9
	Total	7,955	14,555	6,600	2,196	2,203	2,205

IMPLEMENTATION AND COORDINATION FRAMEWORK

5.3 Financial Resources

The Authority, having identified strategies and initiatives that will be undertaken to realise the strategic objectives in this Corporate Plan, will allocate resources for the planned initiatives on an annual basis over the Plan period.

5.3.1 Financial Requirements

The Authority's budget during the Plan period is estimated at Kshs. 117,638 million, of which 88% is recurrent and 12% development, as summarised in Table 10 below.

Table 10: Budget Requirements 2021/2022 - 2023/24 (Kshs. Million)

Item	2020/21 Estimate	2021/22	2022/23	2023/24	Total
A. Expenditure					
1. Staff Salaries and Allowances (Incl. Gratuities, Bonuses)	18,488	22,120	26,375	31,863	80,358
2. Operational Expenses	6,203	6,576	7,217	8,036	21,829
3. Total Recurrent Expenses (1 + 2)	24,691	28,696	32,592	39,899	102,187
4. Capital expenses excl. of Development Projects	946	970	1,064	1,185	3,219
5. Development projects (Dev't Vote)	467	3,203	5,382	1,747	10,332
6. Total Development (4 + 5)	1,414	4,173	6,446	2,932	13,551
7. Recurrent, Capital and Development Capital Expenses (3 + 6)	26,104	32,869	40,038	42,832	115,738
8. Provision for contingent liabilities	126	1,300	300	300	1,900
9. Total Recurrent and Development (7 +8)	26,230	34,169	40,338	43,132	117,638
B. Expected Resources					
10. Total Agency Commission (11 + 12)	23,037	27,335	32,555	37,920	97,810
11. Grant from National Government	20,369	23,845	28,750	33,768	86,362
12. A-in-A	2,668	3,490	3,805	4,152	11,448
o/w Agency Fee	2,465	2,625	2,796	2,981	8,401
NCCG County Collections	204	217	231	246	695
13. Donor Funding	-	-	-	-	-
14. Rollover from previous years	2,543	-	-	-	-
15. Revenue enhancement initiatives	650	6,834	7,782	5,212	19,828
16. Total Resources (10 + 13 + 14 + 15)	26,230	34,169	40,337	43,132	117,638

IMPLEMENTATION AND COORDINATION FRAMEWORK

5.3.2 Resource Mobilisation strategies

In order to ensure full realisation of the planned activities, the following will be done:


- i) Negotiate with The National Treasury for adequate recurrent and capital expenditure funding
- ii) Expand the revenue collection service to other counties
- iii) Develop funding and partnership proposals in support of capacity building and capital-intensive projects

5.4 Risk Analysis

The preparation of this Corporate Plan took cognisance of the risks that can lead to challenges in unsuccessful execution of the Plan. The risks are categorised according to the Plan objectives as shown in Table 11 below. The mitigation measures have been incorporated within the Plan.

Table 11: Risk Analysis

Risk	Mitigation – Objective/strategy
<ul style="list-style-type: none"> • Non-registration of taxpayers 	<ul style="list-style-type: none"> • Tax base expansion strategies
<ul style="list-style-type: none"> • Taxpayers misreporting their financial position • Tax fraud • Payment risk • Filing risk 	<ul style="list-style-type: none"> • Strengthen compliance and enforcement • Risk based audit
<ul style="list-style-type: none"> • Smuggling • Societal security and safety risk 	<ul style="list-style-type: none"> • Enhance measures to combat illicit trade • Integrated border management
<ul style="list-style-type: none"> • Taxpayer/Customer experience risk • Policy Formulation, Advice & Design risk 	<ul style="list-style-type: none"> • Tax simplification
<ul style="list-style-type: none"> • Registration/licensing risk 	<ul style="list-style-type: none"> • Trade facilitation
<ul style="list-style-type: none"> • Reputation risk 	<ul style="list-style-type: none"> • Achieve service excellence • Enhance brand awareness
<ul style="list-style-type: none"> • Stakeholder and community engagement risk 	<ul style="list-style-type: none"> • Structured stakeholder engagement
<ul style="list-style-type: none"> • Data and information security risk • Cyber security risk • Data integrity risk • Internal fraud risk 	<ul style="list-style-type: none"> • Achieve holistic cyber security • Clean taxpayer database
<ul style="list-style-type: none"> • Project management risks • IT investment risks • IT sustainability and service delivery risks • Reliable and resilient IT infrastructure 	<ul style="list-style-type: none"> • Modern technologies and IT • Robust IT governance structure
<ul style="list-style-type: none"> • HR capacity risk • Succession risk • HR capability risk • HR connection/engagement risk • Work environment risk • Ethics and values risks (staff conduct risk) 	<ul style="list-style-type: none"> • Optimise human resource capacity and welfare



CHAPTER SIX
MONITORING AND
EVALUATION

MONITORING AND EVALUATION

6.0 Overview

Monitoring and Evaluation is central to the planning process in order to track implementation of various initiatives and provide feedback necessary in decision making.

KRA has adopted the Government's National Integrated Monitoring and Evaluation System (NIMES) guidelines that require each Agency to select 3-4 Key Performance Indicators (KPIs) to be monitored at National level and 12-15 KPIs to be monitored at Ministerial level. KRA has identified 16 indicators to be monitored at National and Ministerial levels, which are also aligned to the Balanced Scorecard framework.

6.1 Plan Implementation

The Eighth Corporate Plan will be implemented through Annual Plans that will comprise specific initiatives to be implemented with quarterly targets. The Annual Plan targets are cascaded through the departmental and individual Performance Contracts. This ensures that the planned initiatives are also factored in the KRA budget ensuring that resource

allocation follows strategy. Below is the process that links the KPIs to the targets and aligns with interventions:

- **Level I:** Corporate Scorecard – comprises the 16 outcome KPIs in the Corporate Plan.
- **Level II:** Departmental Scorecard – specific departmental targets that contribute to achievement of the corporate scorecard with 47 KPIs.
- **Level III:** Division/Section and Individual Scorecards - targets with specific relevant interventions aimed at achievement of Level II departmental scorecard.

6.2 Monitoring and Evaluation

Monitoring and Evaluation will be conducted on a quarterly basis. Focus will be on achievement of the KPIs and implementation of planned strategies and initiatives. Mid-term evaluation will be conducted to review progress in implementation and end term evaluation conducted to inform the next corporate plan. The KPIs to be monitored are presented in Table 12 below.

Table 12: Monitoring and Evaluation Plan

	Key Performance Indicators	Measure	Baseline 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
National Indicators						
1.	Total revenue collected	Kshs. Bn	1,662	1,901	2,274	2,656
2.	Pre-arrival Cargo Clearance	% of cargo	20.03	27	38	40
3.	Automation level	%	95.7	96.2	96.7	97.2
4.	Corruption perception index	%	34.2	33	31	29
Ministerial Indicators						
1.	Active taxpayers	No	6.1	6.8	7.5	8.2
2.	On-time filing rate	%	68	70	75	80
3.	On-time payment rate	%	88	90	92	93
4.	Collectible Debt/Revenue Ratio	%	10	9	8	7
5.	ADR cases resolved out of suitable disputes	%	64	70	75	80
6.	Tax simplification index	Index	N/A	X	X+3	X+6
7.	Average refunds processing and payment time	Days	102	90	75	60
8.	Customer satisfaction index	%	72.2	73	75	77
9.	Data Utilisation index	%	71	73	75	77
10.	Data Management Assessment level	Level	N/A	2	N/A	3
11.	Cost of collection	%	1.49	1.5	1.5	1.5
12.	Employee satisfaction index	%	66.2	67	69	71

MONITORING AND EVALUATION

6.3 Evaluation Framework

In addition to the quarterly, mid-term and end-term evaluation, field and impact evaluations will be conducted as explained below.

- **Field evaluation:** This will be conducted for selected initiatives/projects to assess the level of implementation, identify challenges facing implementation and verify actual performance on the ground. It will also provide qualitative information to supplement the quantitative data provided by departments.
- **Impact evaluation:** KRA will use impact evaluation to help us estimate the causal effect of a programme on outcomes of interest. Impact evaluation helps establish whether the project objectives have been achieved, whether the real worth of investment in the project has been realised and assessing the extent to which changes can be attributed to interventions being evaluated.



Objective	Strategy	Key Performance Indicator	Measure	Baseline 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
REVENUE PERSPECTIVE							
Overarching Goal: Realise government revenue targets while building a sustainable tax base							
Strategic Outcome: Improved tax compliance							
4.3.1.1: Tax base expansion	Total Revenue collected		Kshs. Bn	1,662	1,901	2,274	2,656
	Active taxpayers		Mn	6.1	6.8	7.5	8.2
	On time filing rate		%	68	70	75	80
	On time payment rate		%	88	90	92	93
	Status of implementation	Taxation of the Informal Sector	%	N/A	100	100	100
	Status and Blocks mapped using GIS	Use GIS for Block Management System	%	N/A	100	100	100
	Revenue collected	Increase compliance by HNWI to promote equity	Kshs. Mn	1,275 ¹	1,403	1,543	1,697
	DST Tax collected	Taxation of the digital economy	Kshs. Mn	129 ²	3,400	5,000	5,500
	Partnerships established	Strategic collaboration and partnerships for revenue mobilisation	No.	5	2	2	1
	Status of implementation	Establish a corporate enforcement function	%	N/A	100	100	100
4.3.1.2: Strengthen Compliance and Enforcement	Audit coverage rate	Implement risk based audit programme	%	0.45	0.5	0.8	1
	Value of illicit goods removed from the market	Enhance measures to combat illicit trade	Kshs. Mn	800	750	650	500
	Reduction in tax Gap	Implement risk based compliance management	%	N/A	X	X-2	X-5
	Collectible debt/Revenue Ratio	Optimise debt management	%	10	9	8	7
	Conversion rate	Undertake robust intelligence management	%	10	15	20	25
4.3.1.3: Smart Intelligence and Investigation	Cases successfully investigated	Detect, disrupt and deter tax evasion	No.	183	150	150	150
	Status of implementation	Expand and improve coordinated border management	%	N/A	100	100	100
4.3.1.4: Integrated Border Management		Strengthen the Marine Unit					

¹ Revenue target for the current financial year 2020/21

² Revenue collected in January 2021

IMPLEMENTATION MATRIX

Objective	Strategy	Key Performance Indicator	Measure	Baseline 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
CUSTOMER PERSPECTIVE							
Overarching Goal: Achieve exceptional customer service and community outreach							
Strategic Outcome: Increased customer satisfaction							
4.3.2.1: Tax simplification	Simplify tax processes, forms and technology links, to make it easy to comply	Customer satisfaction index	%	72.2	73	75	77
	Implement tax policy reforms to ensure stability and clarity of tax laws	Tax simplification index	Index	N/A	X	X+3	X+6
4.3.2.2: Improved Trade Facilitation	Facilitate legitimate trade	Status of implementation	%	N/A	100	100	100
	Effective and efficient refunds management	Pre-arrival Cargo Clearance	%	20.03	27	38	40
		Time taken to release goods (Port of Mombasa, ICD-N, KR Shed)	Time in Hrs		146	134	122
4.3.2.3: Improved dispute resolution processes	Fast track resolution of cases	Average refunds processing and payment time	Days	112	90	75	60
		Success rate for court cases	%	85	87	89	91
		ADR cases resolved out of suitable disputes	%	64	70	75	80
4.3.2.4: Achieve Service Excellence	Strengthen Independent Review of Objection (IRO) process	% of IRO Decisions issued within 60 days	%	100	100	100	100
		Channels in use	No.	3	1	1	1
		Service improvement – human interaction as well as technology	%	57	59	62	65
4.3.2.5: Enhance Brand Awareness	Establish additional stations/satellites/service centres	New service centres established	%	N/A	100	100	100
		Transition to Kenya Revenue Service (KRS) not only in name but also in terms of service delivery	%	N/A	100	100	100
		Scale up Communication with all stakeholders	%	63	64	66	68
4.3.2.6: Structured stakeholder engagements	Implement Segmented Taxpayer Education Framework	Public tax literacy level	%	64.3	69	74	80
		Establish transformative partnerships	Index	61.4	63	65	67
	Entrench Corporate Social Sustainability	Programs implemented	No.	N/A	2	2	2

IMPLEMENTATION MATRIX

Objective	Strategy	Key Performance Indicator	Measure	Baseline 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
BUSINESS PROCESS PERSPECTIVE							
Overarching Goal: Reduce the overall cost of collection while improving quality of operations and services							
Strategic Outcome: Improved organisational effectiveness							
		Cost of collection	%	1.49	1.5	1.5	1.5
		Automation level	%	95.7	96.2	96.7	97.2
4.3.3.1: Utilisation of Modern technologies	Acquire and implement modern technologies that are relevant to KRA's business needs – AI, Blockchain, Machine Learning	Status of implementation	%	100	100	100	100
	Enhance project completion rate and value realisation	Status of implementation	%	100	100	100	100
4.3.3.2: Achieve integrated, simplified and cost-effective business systems and processes	System integrations	Systems/processes integrated	No.	23	3	3	3
	Complete iTax functionality and enhance to iTax 2.0	Status of implementation	%	100	100	100	100
	Roll out simplified online self-services	Status of implementation	%	100	100	100	100
4.3.3.3: Reliable and resilient IT infrastructure	Upgrade IT infrastructure to meet emerging business needs, such as, agile development, remote working environment and telecommuting	Average Systems uptime	%	99.9	100	100	100
	Achieve holistic cyber resilience	Status of implementation	%	100	100	100	100
4.3.3.4: Strengthen big data analytics to drive compliance	Build advanced data analytics capability	Data Utilisation index	%	71	73	75	77
	Utilise data and analytics	BI uptake	%	40	60	80	100
	Enhance data literacy and culture	TADAT Assessment Score on Accurate and reliable taxpayer information	Score	D	N/A	N/A	A
4.3.3.5: Clean up the taxpayer database	Assure data quality	Data Management Assessment level	Level	N/A	2	N/A	3
	Increase data coverage in internal processes/systems	ISO 9001:2015 recertification	Recertification	Certificate	N/A	N/A	Certificate
4.3.3.6: Improved quality standards and operations	Maintain Quality Standards	Scientific Reports Issued within TAT (15 Days)	%	58	60	65	70
	Enhance scientific advisory service by expanding laboratory services to support tax and customs compliance	Critical services with tested plans	No	N/A	22	22	22
4.3.3.7: Reinforced business continuity and disaster recovery	Improve ICT Disaster Recovery and security						
	Enhance business continuity capability						

IMPLEMENTATION MATRIX

Objective	Strategy	Key Performance Indicator	Measure	Baseline 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
PEOPLE PERSPECTIVE							
Overarching Goal: Continue to build a performance driven and ethical workforce							
Strategic Outcome: Enhanced staff productivity							
4.3.4.1 Optimise human resource capacity and capability	Talent management	Employee satisfaction index	%	66.2	67	69	71
	Implement structured training programmes	Ratio of technical to support staff	%	69	72	74	76
	Enhance staff engagement and welfare	Training satisfaction rate	%	63.9	65	67	69
	Reposition KESRA as a premier learning & training institution	Status of implementation	%	100	100	100	100
4.3.4.2 Improve performance management	Build capacity on Performance Management Process	Status of implementation	%	100	100	100	100
	Strengthen performance management and rewards and sanctions framework	Staff productivity index	%	N/A	X	X+5	X+10
4.3.4.3 Institutionalise KRA culture and value system	Review staff recruitment and training	Status of implementation	%	100	100	100	100
	Implement an organisational culture program	Staff adherence to core values	%	71.7	73	75	77
4.3.4.4 Improve work environment	Operationalise an integrated security system	Work environment Index	%	71.6	73	75	77
	Workspace improvement and provision of necessary tools of trade to facilitate effective hybrid/remote working						
4.3.4.5: Enhance integrity	Undertake staff vetting and investigation	Corruption Perception Index	%	34.2	33	31	29
	Undertake Corruption risk analysis and prevention						
	Create integrity awareness to both internal and external stakeholders						

DEFINITION OF TERMS

Term	Definition
Active taxpayers	Taxpayers who are either filing and/or paying taxes.
Initiatives	Projects (new or existing) that are designed to help KRA achieve its Strategic Objectives and have significant organisation-wide impact. They are managed formally like projects with owner, schedule, resources needed, action steps, progress, and expected results.
Informal sector	Micro, small and medium-scale businesses that are semi-organised and unregulated. These are characterised by simple labour intensive technology and may not have licences from authorities. Additionally, they are not registered with the registrar of companies.
Key Performance Indicators	Measures of tracking progress or assessing the performance of KRA's strategy. They are critical (key) indicators of progress toward the intended result.
Objectives	Qualitative, continuous improvement actions critical to the strategy's success.
On-time filing rate	Measures the filing rate of tax returns within the set timelines.
On-time payment rate	Measures the payment level of taxes due and paid within the prescribed timelines.
Overarching goals	KRA's long term and major objectives
Strategic Outcomes	Focus on accomplishments or impacts, and are classified as Intermediate Outcomes or End Outcomes, such as improved tax compliance (that are driven by the increased taxpayer registration, increased filing and payment)
Strategic thrusts	Pillars that KRA will leverage on to achieve the strategic outcomes.
Strategies	Actions that will be undertaken to attain one or more of the goals or objectives. Strategies bridge the gap between "where we are" and "where we want to be".
Tax Base Expansion	This entails inclusion of elements into the tax base that were previously not in the tax system. It would include recruiting new taxpayers, introducing new taxes, subjecting persons and entities to tax that were previously exempt and addition of new obligations to the taxpayers already in the system.

ACRONYMS AND ABBREVIATIONS

AfCFTA	Africa Continental Free Trade Area
ADR	Alternative Dispute Resolution
AI	Artificial Intelligence
A-in-A	Appropriations in Aid
BBI	Building Bridges Initiative
BI	Business Intelligence
BPS	Budget Policy Statement
CBC	Competency Based Curriculum
CET	Common External Tariff
DB	Doing Business
DST	Digital Service Tax
EAC	East Africa Community
EACC	Ethics and Anti-Corruption Commission
EACCMA	East Africa Community Customs Management Act
EMCA	Environmental Management and Coordination Act
EPA	Economic Partnership Agreement
GDP	Gross Domestic Product
HR	Human Resource
HNWI	High Net Worth Individual
ICD	Inland Container Depot
ICT	Information Communication and Technology
IPP	Investigate, Prosecute and Publicise
IPPD	Integrated Personnel and Payroll Database
ISO	International Organisation for Standardisation
IT	Information Technology
KESRA	Kenya School of Revenue Administration
KPI	Key Performance Indicator
KRA	Kenya Revenue Authority
KRS	Kenya Revenue Service
Kshs	Kenyan Shillings
LAN	Local Area Network
MDA	Ministries, Departments and Agencies
MTP	Medium Term Plan
NCCG	Nairobi City County Government
NIMES	National Integrated Monitoring and Evaluation System
PAP	Pre-Arrival Processing
PESTEL	Political, Economic, Social, Technological, Environmental & Legal
RDL	Railway Development Levy
RMLF	Road Maintenance Levy Fund
SARA	Semi- Autonomous Revenue Authority
SDG	Sustainable Development Goal
SLA	Service Level Agreement
SWOT	Strengths, Weaknesses, Opportunities and Threats
TAT	Tax Appeals Tribunal
TBE	Tax Base Expansion
TECHS	Trustworthy, Ethical, Competent, Helpful and Simple
TI&AI	Technology, Innovation and Artificial intelligence
ToT	Turnover Tax
VAT	Value Added Tax
VTDP	Voluntary Tax Disclosure Programme



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