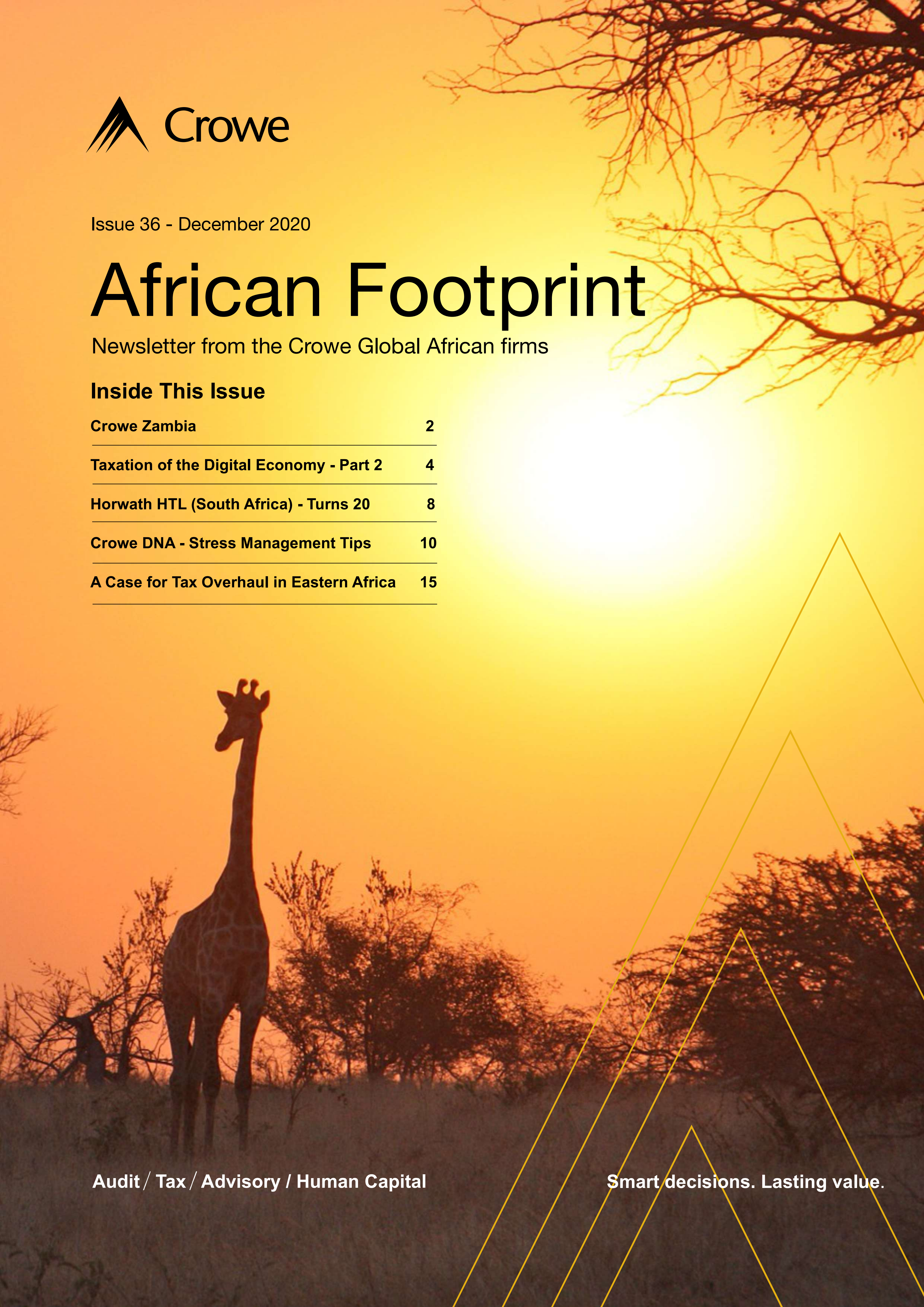

Issue 36 - December 2020

African Footprint

Newsletter from the Crowe Global African firms

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Audit / Tax / Advisory / Human Capital

Smart decisions. Lasting value.

Crowe Zambia

Making Smart Decisions that create Lasting Value

Crowe Zambia, is a public accounting, consulting, and technology firm that combines deep industry and specialised expertise with innovation. Crowe Zambia, is a subsidiary firm to Crowe Zimbabwe.

Led by a well-known resourceful personality, Mrs Yande Mwenye, Crowe Zambia is registered under registration number FR0149/17. Crowe Zambia is currently the only international firm in Zambia headed by a woman. The firm has one partner locally and employs a total of 12 full-time employees of whom 10 are technical staff qualified in accounting, auditing, tax and advisory and 2 are support staff.

Our areas of focus are Audit, Tax and Advisory with each department employing critical skills to cover the different special needs of clients.

Crowe Zambia, being a member firm of Crowe Global, plans to introduce a new service offering - Digitalisation. We intend to offer our valued clients the support and skills they need in digital transformation as determined by global trends. This will assist clients in ensuring that they are abreast with new trends of technology which will help them in their business processes, strategy achievement and vision.

Our Management Team

Yande Mwenye - Managing Partner (Crowe Zambia)

Elton Mawire – Audit and Advisory Manager

Happy Bwalya – Tax Manager

Planning a new service offering - Digitalisation

Over the past nine months our team has grown both at management level as well as technical staff. Our drive has been to engage and employ young graduates as trainees and interns promoting them into supervisory and management roles. We have improved our selection criteria and process to attract great talent from the different educational institutions in both countries.

We believe that hands-on training takes place within real work environments. This supports the development of strong skills in young people, as that experience will help students to identify their intended career paths earlier in life. We recognise that this process can be daunting and confusing while trying to keep up with classes in colleges and universities.

The Crowe Internship and Development Programme is an initiative aimed at identifying talent amongst high school and recent university graduates. This for us is an effective way for older generations of employees to transfer their knowledge down to the next generation so as to positively influence the future quality of their work.

At Crowe Zambia, we endeavour to be an employer of choice. We understand that employers of choice seek employees that match up to the standards expected. We are a training institution that works to give back to the community to help mould sought after employees.

Yande Mwenye
Crowe Zambia
Zambia

Taxation of the Digital Economy - Part 2

Digital Economy Regulatory and Policy Approaches by Geography

Italy

Italy introduced the 'Digital Services Tax' (DST) which repealed the 'Web Tax'. The tax is levied on revenue derived from certain digital service companies at the rate of 3 percent payable whether the service provider has a permanent establishment in Italy or not and must be paid by the end of the month following each quarter. A taxable person is someone who is established or non-established in Italy and runs activities which meet two criteria firstly, total amount of revenue (wherever it has been realized) of at least €750 million and secondly, an amount of revenue for digital services (realized only in Italy) of at least €5.5 million. A taxable person should file their annual return relating to the whole amount of revenue within four months from the end of the tax period.

A non-resident person who falls under the DST rules and has no permanent establishment in Italy, should ask the Italian Revenue Agency for an identification number for DST tax purposes.

Italian VAT rules apply in instances of assessment, penalties, collection and disputes connected to DST. Revenue subject to DST is considered gross of costs and net of VAT and any other indirect taxes. The DST revenue will come from the following services:

Transmission of advertising on a digital interface targeted for interface users. Availability of interface allowing users to come to contact and interact in the provision of goods and services.

Transmission of data collected by users and generated by the use of a digital interface. DST does not apply to intra-group services i.e. services provided to companies that are deemed to be a parent, subsidiary or sister company.

Singapore

Digital Economy tax is referred to as 'Goods and Services Tax' (GST) levied on goods imported on a reverse charge mechanism and commonly known as Value Added Tax (VAT) in other jurisdictions. There is no GST imposed on the overseas vendors. One has to register for GST.

The reverse charge mechanism: where an overseas supplier makes a supply of services to a GST registered business, the local recipient accounts for the tax. Exempt supplies are not subject to GST. Digital services are defined as services supplied over the internet or an electronic network and the nature of which renders their supply automated with minimal or no human intervention and impossible without the use of information technology.

From January 2020, a simplified registration regime for overseas vendors will be introduced to reduce registration and reporting requirements. Overseas vendors will be required to apply GST to all supplies to a non-GST registered customer while GST-registered customers will need to provide their registration numbers to the overseas vendor to prove registration status.

United Kingdom

Act was agreed on 27 April 2017 by the UK government to address policy issues related to electronic communications infrastructure and services. The Act includes the following parts:

1. Access to digital services – right of all residents to request a basic level of broadband to keep pace with the rate of technological changes.

2. Digital infrastructure – right of communication operators and providers to construct infrastructure on public land and grant rights to install equipment on private land. This will help accelerate the roll out of mobile coverage.

3. Online pornography – provide important protections for citizens from spam email and nuisance calls and protect children from online pornography.

4. Intellectual property – impose obligations on internet service providers aimed at the reduction of online infringement of copyright.

5. Digital government – information sharing between government and the public in relation to public service delivery, debt owed to the public sector, fraud against the public sector, disclosure by revenue authorities etc., to enable effective public services to residents through technology.

European Union

Digital Services Tax (DST) is the European Commission's legislative initiative to ensure there is a legal framework for the taxation of digital economy in response to a request for the same from the EU member states (specifically Germany, Italy, France and Spain). DST applies 3 percent rate on gross revenue on digital services in the scope of online advertising, intermediation and sale / transmission of users' data collected from their activity on digital interfaces. DST is applied only to business activities where user participation leads to value creation. DST applies to taxpayers whose; (i.) annual worldwide revenue from any source equals to or exceeds €750 million and (ii.) annual EU revenue from digital services within the scope of the DST is equal to or exceeds approximately €50 million.

Collection of DST is done at EU level and tax revenue raised is allocated to the member states using the users location. DST is not intended to be a long term solution but an interim measure until a comprehensive solution is adopted at EU or international level for the taxation of the digital economy.

DST is expected to boost investment and economic development in a digital single market, to safeguard and ensure fair competition in the single market and to close existing loopholes which permit aggressive tax planning.

DST has its own challenges which include:

- lack of clarity and certainty on transition rules from DST once another rule comes into place;
- limited scope of the application as DST, it does not cover certain digital economy services;
- difficulty in the allocation of tax revenue collected from DST to member stats;
- DST must first identify user location before charging tax which is challenging as it requires much information to track the users.

Global Minimum Tax (GMT)

The OECD guidelines propose an introduction of Global Minimum Tax (GMT) to reduce profit shifting from high tax jurisdictions to low tax jurisdictions.

Challenges when using the proposed Global Minimum Tax

The challenges of using the proposed GMT are:

- Use of Common Tax Base to determine how much tax is paid. Since different countries have different tax systems and different tax adjustments, it would be difficult to determine a common tax base to be applied globally.
- Use of financial accounts to determine taxable income. The challenge here is to select the accounting standard to be used among the various available standards e.g. IFRS, GAAP etc.
- Unstable business environment and tax treatment for losses and profits in the different jurisdictions. How would GMT apply in the different environments?
- Objectives of GMT and balancing the canons of taxation (the fundamental reasons that justify why taxes should be levied and the way it is administered).
- Overriding laws from different countries. Which law would take precedence in conflict; local tax law or GMT?
- There will be varying administration approaches to GMT in the different jurisdictions; avenue for appeals and grievance resolution mechanisms will also have to be developed and agreed.
- Effect of politics in the different jurisdictions and GMT.

South Africa

In South Africa, Digital Economy tax law is contained in the South African VAT Act as tax on electronic services. Electronic services have a wide definition under this legislation to include all goods and services supplied electronically with the exception of telecommunication services, certain education services and VAT exempt services in South Africa. Foreign suppliers of electronic services are required to register for VAT where:

- The value of the services exceeds ZAR 1 million in any 12-month period;
- The recipient of the services is a resident of South Africa;
- Any payment made to the supplier originates from a South African bank; or
- The recipient of the services has a business, residential or postal address in South Africa.

The foreign service provider levies VAT at a rate of 15% on its services rendered to South African recipients.

In conclusion, the learning that can be taken from these geographical examples point to only one thing, the world is indeed one market, one village and a place of mutual benefit.

Erastus Omollo
Crowe Erastus & Co.
Kenya

Horwath HTL (South Africa) - Turns 20

On 1 August 2020, we celebrated our twentieth year as a member of Crowe Global's HTL (Hotel, Tourism and Leisure) Group. Over the past twenty years we have been privileged to represent the HTL Group undertaking assignments across the African Continent.

We have had the pleasure of working alongside both first-time and seasoned individual developers as well as institutional developers; engaging with local, regional, and international hotel management company representatives in order to introduce the most appropriate brand for our Clients' projects; and discussing the merits of financing hotel development projects on the Continent with trade finance and development finance institutions as well as commercial banks.

The continued growth and development of the African travel and tourism sector over the past twenty years has been closely aligned to the evolution of the world's perception and experience of the Continent.

A selection of The Economist magazine covers reflects the changing views of the Continent over the years.

2000

2011

2013

2019

Much of this growth and development has been driven by more than the desire to relax at our acclaimed beach resorts, going on safari in order to experience our renown wildlife, or immersing oneself in the diverse cultural experiences on offer. Rather, a key driver of this growth and development has been spurred by the desire to trade with and/or create a presence on the Continent and as a consequence much of the tourism infrastructure has been developed in primary cities.

Within the travel and tourism sector, international visitation to the Continent grew from approximately 27,4 million tourists in 2000 to approximately 71,2 million tourists in 2019. This was possible due to the improved air connectivity to, and within, the Continent following the establishment of key aviation hubs and the development of world-class tourism infrastructure.

Over the past decade, we have seen a continued growth in the number of hotel rooms in the development pipeline across the Continent; from an estimated 30 000 branded hotel rooms in 2010 to an estimated 75 000 branded hotel rooms in 2019. As a result we have seen a dramatic reduction in the number of countries that do not have an internationally branded managed hotel. Today, only seven countries across the Continent do not have an internationally branded hotel, with only five of those countries having no branded hotels at all.

As the African travel and tourism sector has developed and deepened, so too has the demand for our services. When we embarked on our Africa journey, undertaking market demand analyses and financial feasibility studies was the primary service requested of us. As the African Continent became the next frontier for international hotel management companies, our market analyses and market entry strategy services became the order of the day. More recently, with the availability of a plethora of local, regional and international brands, hotel owners seek our assistance in identifying and selecting the best placed brand in relation to their respective hotel projects and negotiating the commercial terms of an hotel management agreement.

Looking forward, as the industry emerges from the Coronavirus pandemic and the impact the recent travel restrictions have had on the sector, we foresee a need to assist owners in the role of owner representative as our Clients navigate their respective paths back to achieving a viable business trading in what will certainly be 'the new normal'. We look forward to continuing our work with hotel developers, hotel owners, hotel management companies and hotel financiers in the years to come.

Michelè de Witt
Horwath HTL (South Africa)
Cape Town, South Africa

Crowe DNA
- Stress Management Tips

What has changed in the work environment that creates the need to focus on stress management?

Organisations worldwide are struggling to withstand the devastating effect that Covid-19 has on sales, productivity and sustainable business practices, and as a result, stress and anxiety are becoming more prevalent amongst employees. Usually, we find that employees get fatigued and anxious around October or November. However, during 2020 some of our clients noted that their employees are showing symptoms of stress, fatigue and even burn-out much earlier in the year.

What is different this year? There are many factors to consider, but one of the most pressing problems is that the pandemic has severely compromised (and complicated) the employee's personal support-system. Social distancing protocols, closed schools, and concern over the health of vulnerable citizens has led employees having to rely more on their colleagues, managers and employers for emotional and logistical support.

The reality is, from now onwards employees will become increasingly more dependent on their organisations to provide them with the right type of support when they experience symptoms of excessive stress and burn-out.

What are your primary initiatives related to stress management?

At Crowe DNA we understand the psychology of stress, and how burn-out impacts productivity and organisational culture. In order to assist our clients, we offer the following services:

1 Crowe DNA - Stress Management Webinar

This online webinar assists employees to understand and think differently about stress at work. It incorporates the following topics:

- Neuroscience and stress
- The body's response to stress
- Preventing burn-out
- How to lessen stress by working smarter (productivity and stress)
- Thinking differently about stress
- How to help colleagues who experience stress / burnout
- Stress management toolkit

Cost
From as little as R150 / US $20 per delegate for an open programme.

2 Employee wellness strategies

We assist clients to craft an employee wellness strategy fit for their unique environment and challenges. The strategy usually contains the following elements:

- Developing a strategy that will guide the organisation on how to address employee wellness problems in the right way (considering the confidentiality of employees, employee interventions and post intervention support).
- Choosing the right formal employee wellness program aligned to the client's budget and the typical problems employees in the organisation might face.
- Communicating the wellness policy to the rest of the organisation, making sure employees know exactly what the steps are if they are in need of support, or if they know of a colleague who needs support.

Our ‘Pulse Survey’ determines how your employees are coping with the new way of working

3 Continuous counselling

At Crowe DNA, our organisational psychologist can provide various forms of short-term counselling:

- **Trauma counselling** – aimed specifically to assist employees deal with and process traumatic events.
- **Stress debriefing** – aimed at assisting employees with relaxation and grounding exercises
- **Psychological counselling** – aimed at assisting employees in adjusting to this new way of functioning and redirect their thinking and behaviour to be more effective in their work.
- **Career counselling** – aimed at using psychometric assessment tools to determine personal drivers, work-values and personal brands of employees. We also use our psychometric tools to explore areas of strengths and development, and to determine the right work environments for employees

Our organisational psychologists are all accredited to use the best psychometric tools to assist us across the various modes of counselling.

4 Training and development for teams

These interventions are focused on group and team level, and can incorporate any topic that the team needs to develop collectively, especially during this volatile time:

- Building emotional resilience
- Functioning as a high performing team under pressure
- Communicating under pressure
- Crafting team values
- Having crucial conversations, etc

5 Culture and wellness diagnostics

At Crowe DNA, we specialise in measuring organisational culture and employee wellness. An example of this is our 'Pulse Survey' which determines how your employees are coping with the new way of working, as well as areas where they might be struggling. The data guides us to execute the right interventions in the right areas where it will make the most significant difference. We also offer other culture and engagement measurements. This is a cost-effective approach to execute organisation-wide stress management interventions.

How can firms address stress management in their Practice?

1 Develop a wellness policy and program

These programs provide employees with a wide range of services ranging from psychological counselling to financial and legal advice. A thoroughly communicated wellness policy will direct your staff to approach the right people at the times when it matters most. If you don't have one yet, chances are you will be needing one soon.

2 Create clarity

Providing consistent and clear communication around work arrangements, goals to be achieved or timelines of objectives creates certainty, which enables employees to perform better.

3 Offer flexibility

In a world where we have lost control over most things, it is very helpful to allow employees to choose their working hours, or the location where they prefer to work from. Flexibility managed in the right way can significantly improve productivity and innovative thinking.

4 Equip your leaders

Managers and Supervisors are likely to be confronted with vulnerable employees first and more frequently. The fear of 'handling a delicate situation incorrectly' might lead the Manager to defer the problem or not pay attention to it at all. This can have devastating effects on the vulnerable employee, as well as the reputation of the organisation should the situation turn into a more severe problem later on. Managers should therefore be provided with the right skills to deal with stress-related situations quickly and effectively.

A key success factor of high performing organisations is putting their people first

What can a stress management program accomplish in terms of individual and firm benefits?

There are many benefits to having a stress management or employee wellness program in your firm. Some of which are as follows:

- **Retention and acquisition:** Employees are less likely to leave their current employment if they're valued and aren't overly stressed. The same goes for potential recruits, they're more likely to accept a new position at an organisation that supports and invests in the wellbeing of their staff.
- **Reduced absenteeism:** Stress is one of the leading causes of staff absenteeism in the workplace. By supporting employees experiencing increased pressure at work, you're able to reduce time lost due to stress and anxiety.
- **Improved culture:** Your staff are happier when they're healthier. Training employees to identify and manage stress in the workplace contributes to promoting a culture of open dialogue. Because your staff take their cues from senior members of a team, it's important for them to practice what they preach so other members of the team feel comfortable joining in the conversation.
- **Increased profitability:** Time lost due to illness, emotional trauma and a lack of support impacts your bottom line directly. Employees who know how to manage their stress better, are likely to be more productive and innovative at work. They are also more able to assist their colleagues who are in need of support.

How has having your Practice within Crowe Global assisted with achieving strategic HR / firm objectives?

Our people are at the centre of everything we do. At Crowe Global, we are committed to making smart decisions to attract, develop and retain outstanding people. One of the key success factors of high performing organisations is putting their people first. Crowe DNA is uniquely positioned to assist Crowe firms to strengthen its strategic role and contribution of their Human capital function to ensure the execution of business strategy.

Our approach helps organisations to define and execute an effective HR strategy outlining how the organisation will leverage the organisation's human capital to address business challenges and achieve business objectives. Crowe DNA helps organisations to focus on people and HR, to identify the most practical ways to get things done and to ensure that your Human Capital initiatives deliver their intended business value.

Nicole Badenhorst
Crowe DNA
Somerset West, South Africa

A Case for Tax Overhaul in Eastern Africa

Cephas Osoro

Cephas Osoro of Crowe Kenya looks at the historical context of the tax regimes in Eastern African countries and discusses the current system, using Kenya as an example. He suggests a complete review and overhaul of the tax system in these countries may be necessary to suit their circumstances and improve tax collection.

Historical Background

The three Eastern Africa countries of Kenya, Tanzania and Uganda obtained their independence from Britain in the early 1960s and adopted the tax regime that was left by the colonial power. A customs union had been in place since 1917. The tax regime crafted by the British technocrats was largely borrowed from the U.K. tax laws. Prior to the British colonizing the three countries, the tax regime was based on Arabic and Portuguese practices in the coastal region where slave trade and trading took place.

The principal tax collection sources from independence have been pay-as-you-earn (PAYE), corporate tax, value-added tax (VAT), and customs and excise duty. This still is the case to date. Of these, VAT is the only one that has had some transformation, from a sales tax regime to a consumption tax which we now know as VAT. Sales tax was introduced in 1973 following the oil crisis and this was the source of government financing for the budget deficit. VAT was introduced in the 1990s in the region.

The three countries established an economic bloc known as the East African Community, which later collapsed in 1977. Kenya's first own Income Tax Act was operationalized in 1974 after repealing the East African Income Tax (Management) Act. This paved the way for each country to create its own tax laws. The taxation principles in these countries have however largely remained the same.

In the case of Kenya, a significant tax change was the suspension of the capital gains tax in 1985, as part of the tax modernization program started in the late 1980s. It was reintroduced in 2015 and the tax modernization program has realized a shift from relying on direct taxes as a source of revenue to indirect taxes.

Recent Tax Developments

After the collapse of the East African Community, a second attempt has been made to forge a common Eastern Africa economic bloc. The treaty was signed in 1999 with additional countries joining the economic bloc, Rwanda, Burundi and South Sudan: this has brought the total membership to six nations.

Economic integration has not been fully achieved and requires political goodwill for full implementation of the treaty. The African Union has been advocating a free economic trade zone in Africa as a basis for increasing intra-Africa trade and supporting small businesses. Africa's population of 1.3 billion, largely made up of young people who constitute 60% of the population, and with a growing middle class, is becoming an enviable economic base for any business.

Recent tax reforms in the East African countries have largely been about digitizing tax platforms. The era of filing manual tax returns has come to an end and tax returns and payments are now being done online. In Kenya's case, this was fully implemented in 2014. Tax compliance and collections can now be monitored more efficiently using online portals.

Tax Objectives in a Modern Society

Tax measures are meant to ensure that every taxpayer contributes equitably towards tax revenues and the tax collected is used to address socio-economic issues such as infrastructure, healthcare and education. Income inequality in this region is significant and reforms are required to address this. Devolution of resources in Kenya to date is still a political battle and the impact in my view has been less than was expected.

Successes and Failures of Current Tax Regime in Eastern Africa

Questions may arise as to the effectiveness of the economic policies that have been instituted in the past 60 years: why are unemployment and income inequality still a major socio-political issue in the region?

Endemic corruption in the region has not helped in addressing the serious economic challenges that the citizens in these countries face. Even though all these countries have anti-corruption bodies and independent judiciaries, corruption appears to be eating away tax revenues that have been collected. The evidence of wastage and pilferage is readily valuable from the Kenya Auditor General's annual audit reports, including investigative journalists' reports.

Taxation measures are also required to encourage investment and spending in the economy. However, the exit of multinational companies from the region suggests that there may be other issues that governments need to address other than having attractive tax incentives for investment.

Tax measures need to be friendly, especially for newly established startups whose success rate is less than 50%. These are the institutions that will create employment and provide avenues for raising taxes in the future.

Tax incentives for a successful savings culture in any economy will ensure resources are available for investment in the economy. In addition to having tax measures that meet both monetary and fiscal policies of a country, the tax authorities need to be humane when dealing with taxpayers.

Tax in Kenya

Tax collections in Kenya have been on the rise in the past 20 years and have grown from $1.2 billion to the current estimates for 2020 of $17 billion. However, the current year's collection will likely be impacted by the effects of Covid-19, as is expected globally.

A closer look at the collection statistics indicate that payroll and indirect taxes, in particular VAT, are the major sources of revenue. Corporate tax revenues have averaged at 20% of total collections. Corporate tax revenues have always been less than what is collected from PAYE for the data analyzed for the last seven years. PAYE has also been the leading tax revenue contributor in six of the last seven years. This implies that only a handful of Kenyans are paying their fair share of taxes.

Majority of Kenyans in the informal business sector do not want to pay tax

Given that the economic nature of the countries in this region is largely informal, enforcing tax measures may not be easy. The recent introduction of a turnover tax for small and medium-sized entities (SMEs) at the rate of 3% on monthly turnover has not yielded much. A further reform was made this year to cushion SMEs against the effects of Covid-19 and the rate was reduced to 1%. SMEs that qualify for this elective tax regime are categorized as those that have a turnover of between 1 million Kenyan shillings ($9,200) and 50 million Kenyan shillings. The success of this is yet to be seen, as it is a newly introduced reform. My take on this is that if the previous 3% turnover tax did not yield much, how will this be a success? The introduction of a minimum tax of 1% on turnover this year irrespective of whether you make losses is likely to improve tax revenues from the corporates.

The underlying problems need to be addressed: why a majority of Kenyans in the informal business sectors do not want to pay their fair share of taxes. This would be a good study point for both academics and the political class. Word on the street is that the extent of waste and level of corruption in the public sector may be the primary cause of reluctance over tax compliance in the country. As such, only a small number of taxpayers have been left with the burden of financing government revenues. This also appears to be a significant problem in the rest of Africa.

A growing fiscal deficit in Kenya, which currently stands at $13 billion, has put pressure on the Kenya Revenue Authority to collect more taxes. The tax collection rate as a measure of gross domestic product (GDP) in Kenya has averaged at 18%, compared to the sub-Saharan average of 17%. The collection rates for South Africa, Morocco, Tunisia and Seychelles have averaged 28%, 27%, 31%, 31%, respectively. A high tax collection rate would translate into the Kenyan government being able to effectively provide more goods and services to the population. I have traveled to the four countries mentioned above and seen tax monies being put to good use on infrastructure.

Lower collection rates may also point towards tax leakage and/or evasion.

Corporate Tax

Corporate tax needs to be reformed based on the statistics on its contribution to the national economy. Corporates should at least pay more than payroll taxes. Group tax measures have not been incorporated in the region as a means of encouraging investment and spending. Currently each component of a group is treated as a separate taxable entity. A reform in this area would be useful in encouraging investment by group companies, which tend to be large and would invest given these incentives.

The corporate tax rate is also due for a reform. The rate has stagnated at 30% for several decades and only a temporary reprieve of 25% has been introduced as a tax support for businesses during the Covid-19 pandemic. A tax rate for different sizes of companies needs to be introduced to enhance equity in taxation. There is a major difference in Africa between a formal SME and an informal SME.

A reform of entrepreneur taxes needs to be introduced. Most startups struggle with financing and burdening them with tax compliance without incentives usually kills these enterprises.

The capital gains tax regime needs to be reformed, as no provision for inflation is factored in when computing the capital gain. This would enhance equity and lead to a better compliance level.

Other Taxes

Agriculture accounts for 25% of Kenya's GDP and is the largest employer in the country outside the public sector. You would logically expect this sector to contribute a similar percentage in taxes. Unfortunately, this is not the case, as the majority of farmers fall under the informal sector. A tax reform is required in this sector to enhance tax collections. Farmers have been vocal in asking for more assistance from the government to provide infrastructure and market linkage which is funded from taxpayers: they should also pay a fair share in direct taxes.

With the advent of mobile money, a simplified and innovative platform may be used to collect some revenue from Africa's largest employer.

The Corporate Tax rate is due for a reform

Employment taxes have also stagnated for decades and only employees in the formal sector appear to be paying payroll taxes. A reform is needed in this sector to reflect the realities of the cost of living in the country and have those who earn more pay more for social equality in the country.

The savings, pensions and charities culture needs to be embedded in payroll taxes as tax incentives. Currently only pensions have been addressed in payroll taxes. Lower tax rates and taxpayer education in the informal sector may yield more taxes in collections if a reform is instituted. We have witnessed a succession of cases in Kenya last for as long as 40 years in the courts.

The public sector such as the public universities and county governments have billions of Kenyan shillings in unremitted statutory deductions. This is largely due to cash flow problems. These institutions receive most of their funding from state coffers and they have not been successful in generating their own revenue to finance their budgets. This problem has been there for decades and a reform is required to address this dire situation in the public sector as it affects pensions and tax compliance.

It is also perhaps time to introduce an inheritance tax and increase revenue collection.

The Way Forward

In conclusion, the pace of economic growth in Eastern Africa, which has averaged over 5% in the last 10 years, as well as the socio-economic needs of the continent, have outpaced the taxation policies and measures that are in place in most of the region. The tax laws and policies in Eastern Africa have largely been unchanged over the past six decades after independence.

Tax measures need to be innovative and tailored to suit our circumstances in Africa. The informal sector is the largest employer in most African countries and innovative tax measures need to be put in place to enhance tax compliance.

A total overhaul of our taxation regime would be necessary to improve tax collection rates. Improved tax collection rates will in turn reduce significant public borrowing and free up resources for the private sector for investment. As Africa moves towards having a Free Continental Trade Area, now is the time to start overhauling our tax regimes and encourage intra-Africa trade.

Africa has the resources and with proper governance, we do not need to have Africans risking their lives crossing dangerous routes to look for gainful employment opportunities in Europe or elsewhere in the world.

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