business

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Tax collections hit Sh76.8bn in July

Photo/ FILE

TAXMAN: KRA Commissioner of domestic tax Alice Owuor with commissioner general John Njiraini during a sensitisation workshop for suppliers of the Standard Gauge Railway Project in Nairobi earlier in the year.

BY CONSTANT MUNDA

THE Kenya Revenue Authority collected Sh76.83 billion in taxes last month, official data shows, as the agency continues to put focus on growing inflows from the excise duty streams through ongoing crackdown on manufacturers.

Statement of actual revenue and net exchequer issues, published last Friday by Treasury Cabinet secretary Henry Rotich, indicates the taxman had a good start to the financial year that began in July.

Full year target is Sh1.215 trillion, which is 16.19 per cent or Sh170 billion higher than the Sh1.05 trillion target for last fiscal year ended June 30.

KRA missed the target for the 2014/15 year by a marginal 4.76 per cent, collecting Sh1.001 trillion which was however 3.86 per cent more than the Sh963.8 billion it netted in the year 2013/14.

Last year's revenues were boosted by intensified audits on transfer pricing by multinationals, Catherine Mbogo, a lead tax partner for East Africa at audit and business consultancy firm Ernst & Young, said on phone on July 27.

"The growth is more from KRA audits where they have been dealing with controversy issues with multinationals," she said.

KRA commissioner general John Njiraini, on July 1, backed electronic tax surveillance services through the iTax system and last year's placing of senior staff on three-year contracts to boost collections this year.

"If we have already been able to achieve an annual growth rate in tax revenue of 15 per cent for the last 10 years, we should see even better achievement in the future based on what we have put in place and the action that we are taking to also encourage Kenyans to partner and work with us," Njiraini said.

The KRA has started this year with increased scrutiny on manufacturers and importers where it believes substantial revenue could be leaking.

The agency has embarked on a crackdown on manufactures who have not complied with stringent excise licensing rules, a move Njiraini said during an interview on NTV Friday night will make manufacturers tax compliant.

Last Monday, only 114 manufacturers and 62 importers had been authorised to operate in a country with over 1,000 companies including some of the 850 affiliated to the Kenya Association of Manufacturers.

Large industry players including Keroche Breweries had warned of massive job and revenue losses if those without Excise Licences are forced to shut down.

In a joint statement on Friday, KRA and KAM however agreed on a two-month grace period for manufacturers having difficulties getting approvals from county governments – one of the stringent requirements for the excise licence.

"Within this period, we expect all manufacturers to comply with the requirement and provide certified evidence that their respective factories are located in designated industrial areas as per regulation 130(1A) of the Customs and Excise Act," the statement signed by KRA commissioner of domestic taxes Alice Owuor and KAM chief executive Phyllis Wakiaga said. "To safeguard jobs and ensure compliance, the onus is on the unlicensed companies to strive and meet the licensing requirements."

Port firms face financial viability test

BY MARTIN MWITA

KENYA Ports Authority has narrowed down the number of companies interested in operating the second container terminal at the port of Mombasa to seven, managing director Gichiri Ndua has said.

Ndua said the authority will evaluate the shortlisted companies' financial capacity, resulting in the successful firm being awarded the tender to operate the first phase of the Sh27 billion project set for commissioning in March 2016.

"The process of retaining a concessionaire has gone to the technical evaluation of the bids. The next stage will be evaluation of the financial bids," Ndua said last week.

Nineteen local and international companies were shortlisted last February.

They included China Merchant Holdings, APM Terminals BV of Netherlands and Dubai-based DP World.Those that placed bids as consortia included Cosco Pacific and Bollore Logistics, Toyota and Kamigumi Company as well a team comprising Grup Maritim TCB, SL, Mitsubishi Corporation and Freight Forwarders Kenya.

Can YOU outsmart the expert?

ALY KHAN'S STAR PORTFOLIO

CHINA ROILS THE MARKETS

THE news out of China from the Apocalyptic scenes in Tianjin [which seemed to be a premonition of what the world might look like in a dystopian future], through to the extreme volatility in the stock market and the stream of hard-core data which climaxed last week with the release of the Caixin Factory Gauge August PMI. , has sent the markets into a tail-spin.

The PMI data dropped to the lowest level since March 2009.

Wall Street experienced its steepest one-day drop in nearly four years. Crude oil dropped for an eighth week in what is the longest losing streak for almost three decades. The forward crude oil curve has WTI priced at less than $60.00 a barrel until 2020. Equity markets have become like rabbits caught in the head-lights from London to Frankfurt and further afield.

"It's totally premature to speak of a crisis in China," a senior IMF Official told a press conference.

In my experience, when policy makers make these kind of pronouncements, it is exactly because there is a crisis.

Let me feed you some China facts. China's vast factory sector shrank at its fastest rate in almost six and a half years in August. China's exports have collapsed to both Brazil (less 17.8 per cent year on year) and Russia (down 35.3 per cent year on year).

"At the moment none of us can read China," said the CEO of Glencore.

I can and it is going to get a lot worse, I am afraid.

The further problem is that no one believes the data either. This moment when the market stops suspending its disbelief is seriously a dangerous one for policy makers.

"While we do not have enough information to assess all the details of official releases, we share the view that real GDP growth probably slowed more than reported in recent quarters," Wei Yao at Societe Generale told Reuters.

The Yuan has retreated five per cent since August 11 and fears of an intensification of currency warfare has rebounded gold. Gold has rebounded about eight per cent from July's foive and a half year low. China lifted a lot of African Boats and from what we know China/Africa Trade clocked about $220b in 2014. The repricing of the yuan [which has more to go] is going to mean we are going to ship in more Chinese imports and we are going to be shipping out less of our exports and at a poorer price structure.

"I don't think that most of them can hold their currencies by just intervening," Ecobank's Essien said in an interview with Bloomberg TV. "With China softening up, with China devaluing, it has some implications for Africa."

Half of the 20 countries that have lost the most reserves as a proportion of the total in the past year are from Africa, according to data compiled by Bloomberg. Nigeria's reserves have dropped 20 per cent to $31.6 billion in the past year, Angola's are down 16 per cent, while Kenya's slumped 14 per cent since January.

Over in Nigeria, President Buhari missed a golden opportunity to devalue the naira on day one. Emefiele cannot keep his finger in the dyke forever and when there is a tsunami alert.

The venerable economist Magazine wrote: "Unless there are signs of effective governance from Mr Buhari soon, the surge of confidence that followed his election may disappear"

The Egyptian Stock market has crashed and is now 19.65 per cent lower per cent year to date. The rand topped 13.00 to the dollar for the first time since 2001. These are unprecedented times.

The yuan has retreated five per cent since August 11

Shares go up and down and readers are advised that this column represents Mr Satchu's personal opinions.