TADAT

TAX ADMINISTRATION DIAGNOSTIC
ASSESSMENT TOOL

Performance Assessment Report

Meru County, Kenya

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PREFACE

An assessment of the tax administration's system of the County Government of Meru was undertaken during the period March 1 to 24, 2023 using the Tax Administration Diagnostic Assessment Tool (TADAT). TADAT provides an assessment baseline of tax administration performance that can be used to determine reform priorities, and, with subsequent repeat assessments, highlight reform achievements.

The assessment team comprising Messrs. Jean Bosco Nyirinkindi (Team Leader, TADAT Expert); and CPA Stephen Masha (TADAT Expert); and Ms. Fatuma Zahra Ibrahim (TADAT Trained) conducted the assessment. The United Nations Capital Development Fund (UNCDF) led the assessment with support from the TADAT Secretariat

The assessment team met with; Hon. CPA Monica Kathono – CEC- Finance and Economic Planning, other Senior Management Staff of Meru County Revenue Board (MCRB). Virtual field visits were made to the Imenti North Sub- County revenue office, the revenue office at the headquarters.

The assessment team expresses its appreciation to (MCRB management and staff for their open, candid, and active participation in the assessment. Thanks to Francis Mungai Chief Executive Officer. MCRB for effectively facilitating the team's work during the assessment.

A draft Performance Assessment Report (PAR) was presented to MCRB during the exit meeting held on March 29, 2023. The authorities have 21 calendar days to review and send their comments on the PAR to the assessment team. The authorities confirmed the assessment's findings and had no comments on the PAR.

ABBREVIATIONS AND ACRONYMS

CIT	Corporate Income Tax
BCP	Business Continuity Plan
CEC	County Executive Committee Member
CGM	County Government of Meru
CIDP	County Integrated Development Plan
CIRO	County Information Revenue Operation
CIROM	Management
CRA	Commission on Revenue Allocation
EACC	Ethics and Anti-Corruption Commission
GM	General Manager
ICPAK	Institute of Certified Public Accountants
IIA	Institute of Internal Auditors
IT	Information Technology
KNBS	Kenya National Bureau of Statistics
KRA	Kenya Revenue Authority
LAN	Local Area Network
MC	Meru County
MCA	Member of County Assembly
MCRB	Meru County Revenue Board
OAG	Office of the Auditor General
OSR	Own Source Revenue
PAYE	Pay As You Earn
PFMA	Public Finance Management Act
PIT	Personal Income Tax
POA	Performance Outcome Area
POA	Performance Outcome Area
SACCO	Savings and Credit Society
SBP	Single Business Permit
TADAT	Tax Administration Diagnostic Assessment Tool
UPN	Unified Personal Number
USSD	Unstructured Supplementary Service Data
VAT	Value Added Tax

EXECUTIVE SUMMARY

The results of the TADAT assessment for Meru County Revenue Board follow, including the identification of the main strengths and weaknesses.

Strengths	Weaknesses
■ Public participation processes are widely used and documented before laws and administrative procedures change.	■ Low integrity taxpayer registers due to manual, decentralized, and multiple tax registers.
■ Independent internal and external audits that provide oversight of financial and operational performance are routinely conducted.	■ Absence of effective risk management processes to identify, assess and mitigate compliance and institutional risks
	■ Lack of an automated call Centre
■ The MCRB forecasts and estimates tax revenue to provide input into the budgeting process of the County government	■ Ineffective actions for follow-up on non-filers
	■ Lack of monitoring mechanism for modes of tax payments
	■ Lack of risk-based inspection programs
	■ Lack of an effective and independent dispute resolution mechanism.
	■ Lack of an automated revenue accounting system that interfaces with IFMIS.
	■ Lack of mechanisms for monitoring public confidence.

The assessment team observed that the MCRB has some good practices in revenue administration. These include the wide use of public participation forums before any changes to the law or administrative rules. Sensitization of taxpayers on their obligations and entitlements through various channels such as local radio stations and public meetings. A well-functioning internal and external audit function oversees the tax administration's financial and operational performance. The existence of tax administration systems, namely; Jambo Pay and CIROM System have the capability to monitor the timeliness of tax payments. The MCRB also forecasts and estimates tax revenue to provide input into the budgeting process of the County government.

However, some significant weaknesses in other areas undermine the MCRB's ability to execute its mandate. These include the following: (i) unreliable and inaccurate taxpayer information occasioned by gaps in cleaning the taxpayer register, (ii) ineffective risk management processes, (iii) failure to involve key taxpayer groups and tax intermediaries in the design and testing of new products and services, (iv)

lack of automated processes to identify taxpayers who have failed to file declarations when due, (v) lack of proactive initiatives to encourage accurate reporting, (vi) limited public information about the dispute process   - MCRB does not inform taxpayers of their dispute rights after an assessment, (vii) The mechanism for monitoring public confidence in the tax administration is not sufficient, and (vii) a manual revenue accounting system that is not interfaced with IFMI.

Table 1 provides a summary of performance scores, and Figure 1 a graphical snapshot of the distribution of scores. The scoring is structured around the TADAT framework's nine performance outcome areas (POAs) and 32 high level indicators critical to tax administration performance. An 'ABCD' scale is used to score each indicator, with 'A' representing the highest level of performance and 'D' the lowest.

Figure 1. Meru County: Distribution of Performance Scores

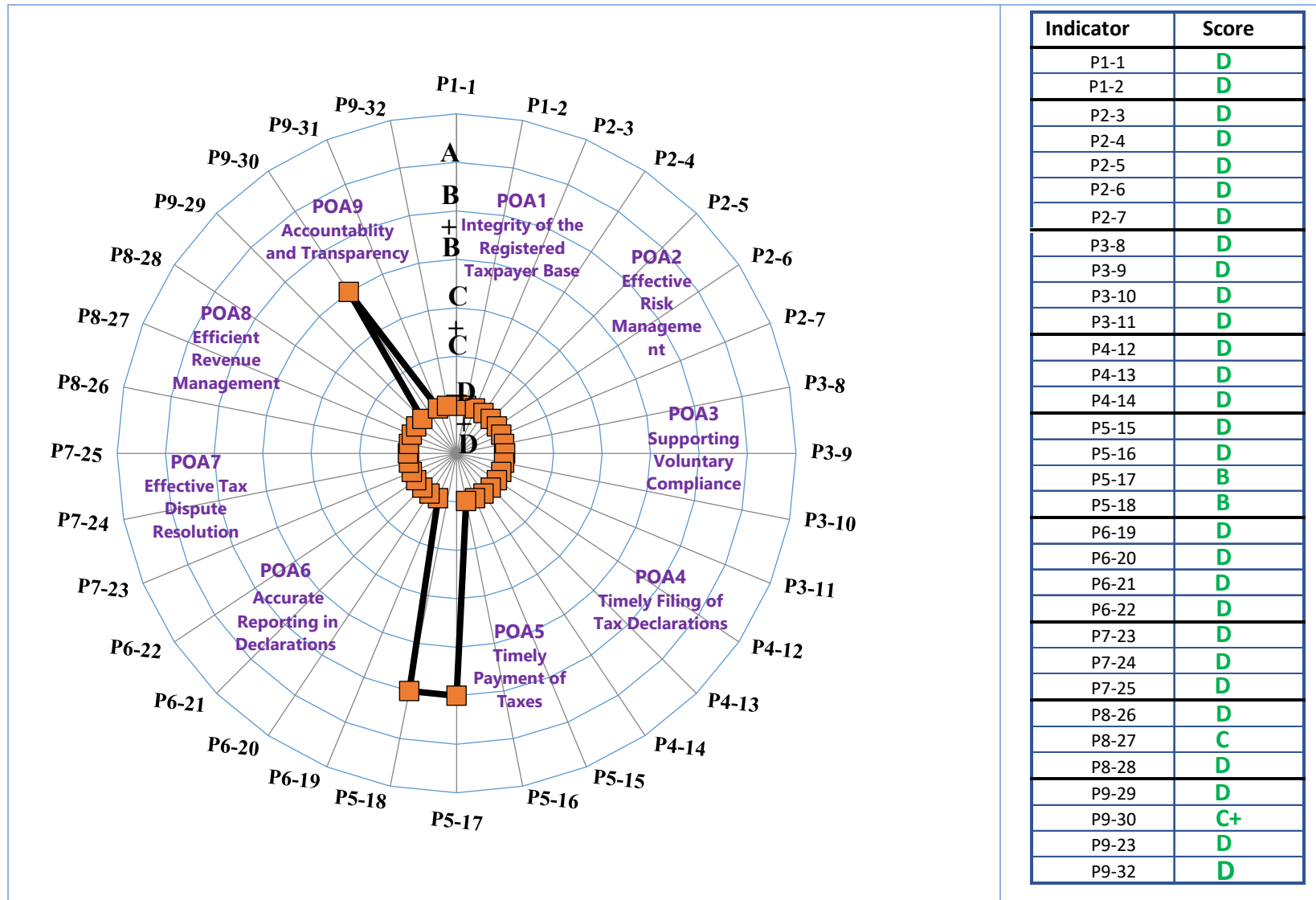| Indicator	Score
P1-1	D
P1-2	D
P2-3	D
P2-4	D
P2-5	D
P2-6	D
P2-7	D
P3-8	D
P3-9	D
P3-10	D
P3-11	D
P4-12	D
P4-13	D
P4-14	D
P5-15	D
P5-16	D
P5-17	B
P5-18	B
P6-19	D
P6-20	D
P6-21	D
P6-22	D
P7-23	D
P7-24	D
P7-25	D
P8-26	D
P8-27	C
P8-28	D
P9-29	D
P9-30	C+
P9-23	D
P9-32	D

Table 1. Meru County Revenue Board: Summary of TADAT Performance Assessment

Indicator	Scores 2023	Summary Explanation of Assessment
POA 1: Integrity of the Registered Taxpayer Base		
P1-1. Accurate and reliable taxpayer information.	D	The taxpayer information held in the registration database is inaccurate and unreliable. In addition, the information held in the registration database cannot support effective interactions with taxpayers and related information.
P1-2. Knowledge of the potential taxpayer base.	D	MCRB does not extensively use third-party information to identify unregistered individuals and businesses. No documented initiatives undertaken to detect potential businesses and individual taxpayers.
POA 2: Effective Risk Management		
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	D	MCRB's intelligence gathering and research to identify compliance risks in respect of the main tax obligations is limited. Further, there is no structured process to assess, rank, and quantify taxpayer compliance risk and no risk register is in place.
P2-4. Mitigation of risks through a compliance improvement plan.	D	There is no compliance improvement plan to guide MCRB in mitigating the identifies risks.
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	D	There is no documented process to monitor and evaluate the impact of compliance risk mitigation activities as no compliance risk management process is in place.
P2-6. Management of operational risks.	D	MCRB does not have a structured process in place to identify, assess, prioritize, and document operational risks in a register. In addition, business impact analysis is not conducted, neither is there a business continuity plan in place.
P2-7. Management of human capital risks.	D	There are no formal structures in place to manage, evaluate and mitigate human capital risks.
POA 3: Supporting Voluntary Compliance		
P3-8. Scope, currency, and accessibility of information.	D	Information on taxpayer obligation isn't easily available and is updated on ad-hoc basis. Taxpayers are not segmented and are not alerted for changes in advance. In addition, there are no proactive taxpayer programs and public participation is only done when the Finance bill is being passed which was in 2019.
P3-9. Time taken to respond to information requests.	D	There is no call center and no evidence of documentation and monitoring of the time taken to respond to taxpayers and intermediaries.

Indicator	Scores 2023	Summary Explanation of Assessment
P3-10. Scope of initiatives to reduce taxpayer compliance costs.	D	Initiatives to reduce taxpayer compliance costs are minimal. Moreover, MCRB does not have a system of simplified reporting arrangements for all taxpayers.
P3-11. Obtaining taxpayer feedback on products and services.	D	MCRB has not regularly obtaining the taxpayers feedback, but they always visit the MCRB offices or sometimes sent calls asking for assistance. Furthermore, taxpayer consultation is done on an ad-hoc basis.
POA 4: Timely Filing of Tax Declarations		
P4-12. On-time filing rate.	D	The data provided (Attachment III, Tables 4 – 7) are not consistent and reliable; therefore, insufficient to rate this indicator.
P4-13. Management of non-filers.	D	MCRB has no automated processes and no documented procedures to follow up on non-filers.
P4-14. Use of electronic filing facilities.	D	MCRB does not have an electronic filing of declarations processes or any other documented procedure for the taxpayer's obligation for filing, therefore, insufficient, and reliable data to rate this indicator.
POA 5: Timely Payment of Taxes		
P5-15. Use of electronic payment methods.	D	Electronic payment methods are fully rolled out for one core tax (Parking Fees). These methods are, nonetheless, not available for SBP and Property Fees where payments must be receipted at by a cashier upon submission of a payment cheque, cash or bank advise.
P5-16. Use of efficient collection systems.	D	The use of withholding of tax at source systems has not been adopted by the MCRB. There are no advance payment systems in place.
P5-17. Timeliness of payments.	B	The tax administration systems (Jambo Pay and CIROM System) have capacity to monitor the timeliness of payments. The numbers and value of due payments can be monitored. (See attachment III, Table 6).
P5-18. Stock and flow of tax arrears.	B	Data on the stock and flow of tax arrears for SBP and Property Rates is monitored. (See attachment III, Table 10). There is a dedicated enforcement Directorate to enhance collection.

Indicator	Scores 2023	Summary Explanation of Assessment
POA 6: Accurate Reporting in Declarations		
P6-19. Scope of verification actions taken to detect and deter inaccurate reporting.	D	Although in MCRB, there is a tax audit program in existence covering all the core taxes, but this has not segmented taxpayers, isn't risk based and doesn't monitor or evaluate the impact. An audit manual was produced but taxpayer audits are monitored on an ad-hoc basis for effectiveness.
P6-20. Use of large-scale data-matching systems to detect inaccurate reporting.	D	MCRB, does not have any tax declarations made thus no large-scale cross checking to verify information. Furthermore, there is no evidence of the use of third-party sources to detect inaccurate reporting.
P6-21. Initiatives undertaken to encourage accurate reporting.	D	MCRB has neither private nor public rulings in place, but cooperative compliance is done through SACCOs for only the Parking fees but no Cooperative compliance in place for the other core taxes.
P6-22. Monitoring the tax gap to assess inaccuracy of reporting levels.	D	In MCRB, monitoring and assessing of inaccurate reporting is not systematic and is done on an ad-hoc basis. Also, no tax gap studies ARE done by the MCRB
POA 7: Effective Tax Dispute Resolution		
P7-23. Existence of an independent, workable, and graduated dispute resolution process.	D	A tiered review mechanism is in place and is used. However, the administrative review stage is double layered. Moreover, the administrative review procedures are neither documented nor applied.
P7-24. Time taken to resolve disputes.	D	Time taken to resolve disputes is not monitored.
P7-25. Degree to which dispute outcomes are acted upon.	D	MCRB does not monitor or analyze dispute outcomes to inform policy, legal and administrative procedures.
POA 8: Efficient Revenue Management		
P8-26. Contribution to government tax revenue forecasting process.	D	MCRB forecasts and estimates tax revenue to provide input into the County Government's budgeting process. However, there was no evidence that MCRB gathers data on economic conditions to feed into the forecasting process. MCRB has no refund process and as such does not forecast tax refund levels to ensure sufficient funds are available to meet all legitimate refund claims if they were to occur.
P8-27. Adequacy of the tax revenue accounting system.	C	MCRB has two accounting systems for core taxes - Jambo Pay for collecting Parking Fees and CIROM

Indicator	Scores 2023	Summary Explanation of Assessment
		System for collecting SBPs and Property Rates. The two systems are not interfaced with the National Government System – Integrated Financial Management System (IFMIS).
P8-28. Adequacy of tax refund processing.	D	MCRB does not have a procedure for tax refunds. Therefore, no information available to measure the time taken to pay tax refunds.
POA 9: Accountability and Transparency		
P9-29. Internal assurance mechanisms.	D	No evidence provided to prove that auditors were trained and no HR Manual for the County. Thus, the HR Manual and code of conduct the county is relying on is the one for the National Government from PSC.
P9-30. External oversight of the tax administration.	C+	MCRB has an annual audit on the entity's financial statements on performance done by the independent OAG, reviews responded to, and the report publicly reported through the OAGs website. Complaints on the tax employees are received by the MCRB, and relevant agencies such as the police, EACC are incorporated into the process for investigation.
P9-31. Public perception of integrity.	D	MCRB does not collect surveys for public perception: there are only suggestion boxes and complaining walk in clients on an ad-hoc basis.
P9-32. Publication of activities, results and plans.	D	The annual report by the OAG is made public within 12 months from the previous financial year and no evidence was proven to indicate the existence of strategic and operational plans has been published.

I.   INTRODUCTION

This report documents the results of the TADAT assessment conducted in CGM during the period March 6- 24,2023 and subsequently reviewed by the TADAT Secretariat. The report is structured around the TADAT framework of nine POAs and 32 high level indicators critical to tax administration performance that is linked to the POAs. Fifty-three measurement dimensions are taken into account in arriving at each indicator score. A four-point 'ABCD' scale is used to score each dimension and indicator:

- 'A' denotes performance that meets or exceeds international good practice. In this regard, for TADAT purposes, a good practice is taken to be a tested and proven approach applied by a majority of leading tax administrations. It should be noted, however, that for a process to be considered 'good practice', it does not need to be at the forefront or vanguard of technological and other developments. Given the dynamic nature of tax administration, the good practices described throughout the field guide can be expected to evolve over time as technology advances and innovative approaches are tested and gain wide acceptance.

- 'B' represents sound performance (i.e. a healthy level of performance but a rung below international good practice).

- 'C' means weak performance relative to international good practice.

- 'D' denotes inadequate performance and is applied when the requirements for a 'C' rating or higher are not met. Furthermore, a 'D' score is given in certain situations where there is insufficient information available to assessors to determine and score the level of performance. For example, where a tax administration is unable to produce basic numerical data for purposes of assessing operational performance (e.g., in areas of filing, payment, and refund processing) a 'D' score is given. The underlying rationale is that the inability of the tax administration to provide the required data is indicative of deficiencies in its management information systems and performance monitoring practices.

For further details on the TADAT framework, see Attachment I.

Some points to note about the TADAT diagnostic approach are:

- TADAT assesses the performance outcomes achieved in the administration of the major direct and indirect taxes critical to subnational government revenues. By assessing outcomes in relation to administration of identified core taxes, a picture can be developed of the relative strengths and weaknesses of the tax administration.

- TADAT assessments are evidence based (see Attachment V for the sources of evidence applicable to the assessment of MCG.

- TADAT is not designed to assess special tax regimes, such as those applying in the natural resource sector. Nor does it assess customs administration.

- TADAT provides an assessment within the existing revenue policy framework, with assessments highlighting performance issues that may be best dealt with by a mix of administrative and policy responses.

The aim of TADAT is to provide an objective assessment of the health of key components of the system of tax administration, the extent of reform required, and the relative priorities for attention. TADAT assessments are particularly helpful in:

- Identifying the relative strengths and weaknesses in tax administration.

- Facilitating a shared view among all stakeholders (subnational jurisdiction authorities, international organizations, donor countries, and technical assistance providers).

- Setting the reform agenda (objectives, priorities, reform initiatives, and implementation sequencing).

- Facilitating management and coordination of external support for reforms and achieving faster and more efficient implementation.

- Monitoring and evaluating reform progress by way of subsequent repeat assessments.

MERU COUNTY BACKGROUND INFORMATION

Meru County Government Profile

General background information on MC and the environment in which its tax system operates are provided in the subnational jurisdiction snapshot in Attachment II.

Data Tables

Numerical data gathered from the authorities and used in this TADAT performance assessment is contained in the tables comprising Attachment III.

Economic Situation

Meru County is located in the eastern part of Kenya, covering an area of approximately 7,006 square kilometers. It has a population of around 1.5 million inhabitants, according to the 2019 census.

Agriculture is the main economic activity in the county, with crops such as tea, coffee, bananas, and maize being the most commonly grown. The county is also known for its horticulture products, such as avocados and mangoes, which are exported to other countries. The county government has supported farmers through various initiatives, such as subsidized inputs and extension services.

Apart from agriculture, the county is also home to various manufacturing industries, including food processing, textile, and construction materials. The county government has been promoting the establishment of small and medium-sized enterprises (SMEs) to boost economic growth and create employment opportunities.

In terms of infrastructure, the county has a network of roads connecting it to other parts of the country. The county government has been investing in expanding and improving these transport links to facilitate trade and investment.

However, like many other counties in Kenya, Meru County faces various economic challenges, including low productivity, poor market access, and inadequate funding for critical sectors. The COVID-19 pandemic has also significantly impacted the county's economy, particularly the agricultural sector, which experienced reduced demand and disrupted supply chains.

Meru County has significant economic growth and development potential, particularly in the agriculture and manufacturing sectors. However, there is a need for concerted efforts by both the government and the private sector to address the challenges facing the county and fully harness its economic potential.

Main Taxes

Meru County's structured Own Source Revenue (OSR) streams are Single Business Permits (SBP), Vehicles Parking Fees, and Land Rates. These revenues contributed 25 per cent, 15 per cent and 10 per cent of the total OSR generated in the financial year 2021/22. Other revenue streams include Building permits, Advertisement fees, Cess, Market Fees, Stall Rent, and Liquor License fees. The choice of

revenue streams for the TADAT assessment was based on a professional judgement from discussions with authorities.

Analysis of tax revenue collections for the last three years (2019/2o to 2021/22) indicates that SBP is the largest tax revenue contributor with a three-year average of 26 per cent. Further details on tax revenue collections are provided in Table 1 of Attachment III.

Institutional Framework

MCRB is responsible for collecting, recording, accounting, and reporting on all the county's revenue. A Chief Officer, the designated County Receiver of Revenue under section 157 of the Public Financial Management Act, 2012, heads the department. To facilitate revenue collection every Sub-County is managed by a Sub-County Revenue office. An organizational chart of the **MCRB** is provided in Attachment IV.

Current Status of Tax Administration Reform

Meru County Government's OSR performance grew minimally from Ksh.343,805,959.75 in FY 2013/14 to Ksh.385,391,541 in FY 2021/22. The establishment of the Meru County Revenue Board in 2014 was as an effort to enhance OSR performance. The MCRB is responsible for assessing, collecting, and accounting for all revenues, as its principal agent for overall revenue collection in the County.

At the National level, the National Treasury has initiated efforts to adopt a single automated revenue management system geared at improving revenue collection systems among all counties.

Numerous capacity-building activities conducted by development partners and other National Government institutions for technical staff at the MCRB offer the opportunity to enhance OSR. The World Bank is funding the Kenya Devolution Support Program, which focuses on capacity building in the public finance components of audit, planning, budgeting, revenue collection, monitoring and evaluation, procurement, and financial accounting.

Exchange of Information

Kenya, of which Meru County is a constituency, is a member of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. In addition, Kenya has signed 15 Double Tax Agreements (DTAs) with; Canada, Denmark, France, Germany, India, Iran, Korea, Norway, United Kingdom, United Arab Emirates, South Africa, Sweden, Seychelles, Zambia, and Qatar. The County does not have an agreement to exchange information with Kenya Revenue Authority (KRA), other Counties and international bodies

II.   ASSESSMENT OF PERFORMANCE OUTCOME AREAS

POA 1: Integrity of the Registered Taxpayer Base

A fundamental initial step in administering taxes is taxpayer registration and numbering. Tax administrations must compile and maintain a complete database of businesses and individuals that are required by law to register; these will include taxpayers in their own right, as well as others such as employers with PAYE withholding responsibilities. Registration and numbering of each taxpayer underpins key administrative processes associated with filing, payment, assessment, and collection.

Two performance indicators are used to assess POA 1:

- P1-1—Accurate and reliable taxpayer information.

- P1-2—Knowledge of the potential taxpayer base.

P1-1: Accurate and reliable taxpayer information

For this indicator two measurement dimensions assess: (1) the adequacy of information held in the tax administration's registration database and the extent to which it supports effective interactions with taxpayers and tax intermediaries (i.e. tax advisors and accountants); and (2) the accuracy of information held in the database. Assessed scores are shown in Table 2 followed by an explanation of reasons underlying the assessment.

Table 2. P1-1 Assessment

Measurement dimensions	Scoring Method	Score 2023	
P1-1-1. The adequacy of information held in respect of registered taxpayers and the extent to which the registration database supports effective interactions with taxpayers and tax intermediaries.	M1	D	D
P1-1-2. The accuracy of information held in the registration database.		D	

MCRB maintains two databases including Jambo Pay and CIROM System that are not integrated.

In MCRB, both companies and individual taxpayers are required to be registered. The taxpayer registration process is done either through two operational systems - the Jambo Pay system to register Single Business Taxes and Parking Fees, while, taxpayers owning land are eligible for registration in the CIROM system. The information held in the registration database includes, as a minimum; (1) the taxpayer's full name, (2) address, (3) contact details and (iv) telephone number. Each and every system automatically generates a Taxpayer Identification number, and the taxpayer obligations are outlined during the payments process. However, both systems are not integrated and there is no unique tax identification to identify the taxpayer transactions across MCRB.

Although documented procedures exist to maintain the integrity of the taxpayer registration and tax account database, the accuracy of information held in the registration database cannot be

fully vouched for. There is a big gap in cleaning of the taxpayer database due to the lack of identification of inactive taxpayers. In addition, there is no information held in the system with regards the identity of associated entities and related parties of the taxpayer (e.g. shareholders and/or subsidiary companies), no economic/industry sector and no filing and payment obligations applicable to the core taxes for which the taxpayer is registered.

Notwithstanding the steps taken to improve the integrity of the taxpayer register, inconsistencies persist. Meru county presents the registration IT subsystem interfacing with other IT subsystems (e.g. declaration and payment processing). The system provides frontline staff with a whole-of taxpayer view of a taxpayer's identifying and other details across all core taxes. In addition, the system generates registration-related management information (e.g., statistics of registered taxpayers by tax type, location) and provides a very good audit trail of user access and changes made to taxpayer registration data. However, it does not allow for the deactivation or deregistration of taxpayers and archives information in a way that can be restored if needed. Moreover, the system does not provide secure online access to businesses and individuals to register for core taxes and, once registered, to update details held in the database (e.g. a taxpayer's postal or business address). Furthermore, no recent management or audit reports demonstrate a level of confidence in the accuracy of the registration database for all core taxes**.**

P1-2: Knowledge of the potential taxpayer base

This indicator measures the extent of tax administration efforts to detect unregistered businesses and individuals. The assessed score is shown in Table 3 followed by an explanation of reasons underlying the assessment.

Table 3. P1-2 Assessment

Measurement dimension	Scoring Method	Score 2023
P1-2. The extent of initiatives to detect businesses and individuals who are required to register but fail to do so.	M1	D

A range of initiatives are undertaken to identify unregistered businesses and individuals but there is no evidence of the use of third-party information to detect unregistered taxpayers MCRB has a specific team tasked for routinely conducting recruitment complains for unregistered taxpayers, defunct taxpayers are identified during the ad-hoc enforcement activities. However, the MCRB does not extensively use third-party information to identify unregistered individuals and businesses.

Actions and results to detect unregistered taxpayers are not documented or routinely reported. The MCRB has a dedicated team to identify and recruit all new registered businesses and individuals. Other strategies used by the Registration Unit are education and sensitization programs, use of trade associations, working with the local authorities and Private Sector representatives. However, the results are not well monitored not documented and not regularly evaluated.

POA 2: Effective Risk Management

Tax administrations face numerous risks that have the potential to adversely affect revenue and/or tax administration operations. For convenience, these risks can be classified as:

■ Compliance risks—where revenue may be lost if businesses and individuals fail to meet the four main taxpayer obligations (i.e. registration in the tax system; filing of tax declarations; payment of taxes on time; and complete and accurate reporting of information in declarations); and

■ Institutional risks—where tax administration functions may be interrupted if certain external or internal events occur, such as natural disasters, sabotage, loss or destruction of physical assets, failure of IT system hardware or software, strike action by employees, and administrative breaches (e.g., leakage of confidential taxpayer information which results in loss of community confidence and trust in the tax administration). For TADAT purposes, institutional risk is divided into two components. These are:

  o *Operational risk*—refers to disruptive actions that destroy or affect part or all of the administration's assets and resources, such as buildings, IT, and other equipment, data and records; and

  o *Human capital risk*—refers to interruptions that affect the tax administration arising out of capability, capacity, compliance, cost and connection (engagement) gaps of and by its employees.

Risk management is essential to effective tax administration and involves a structured approach to identifying, assessing, prioritizing, and mitigating risks. It is an integral part of multi-year strategic and annual operational planning.

Five performance indicators are used to assess POA 2:

■ P2-3—Identification, assessment, ranking, and quantification of compliance risks.
■ P2-4—Mitigation of risks through a compliance improvement plan.
■ P2-5—Monitoring and evaluation of compliance risk mitigation activities.
■ P2-6—Management of operational (i.e. systems and processes) risks.
■ P2-7—Management of human capital risks.

P2-3: Identification, assessment, ranking, and quantification of compliance risks

For this indicator two measurement dimensions assess: (1) the scope of intelligence gathering and research to identify risks to the tax system; and (2) the process used to assess, rank, and quantify compliance risks. Assessed scores are shown in Table 4 followed by an explanation of reasons underlying the assessment.

Table 4. P2-3 Assessment

Measurement dimensions	Scoring Method	Score 2023	
P2-3-1. The extent of intelligence gathering and research to identify compliance risks in respect of the main tax obligations.	M1	D	D
P2-3-2. The process used to assess, rank, and quantify taxpayer compliance risks.		D	

MCRB's intelligence gathering and research to identify compliance risks in respect of the main tax obligations is limited. Two studies were recently (2018 and 2022) commissioned by CRA to map out the OSR potential of counties and estimate their tax gaps. Meru county received a copy of each report. However, there is no evidence that the findings were employed to enhance revenue collection and reduce the tax gap. Surveys on taxpayer compliance levels are not performed.

P2-4: Mitigation of risks through a compliance improvement plan

This indicator examines the extent to which the tax administration has formulated a compliance improvement plan to address identified risks. The assessed score is shown in Table 5 followed by an explanation of reasons underlying the assessment.

Table 5. P2-4 Assessment

Measurement dimension	Scoring Method	Score 2023
P2-4. The degree to which the tax administration mitigates assessed risks to the tax system through a compliance improvement plan.	M1	D

MCRB does not have a compliance Improvement Plan to guide in mitigating identified risks. There is no structured way of assessing the risks to the tax system as there is no risk register in place. Risks associated with the four main compliance obligations of taxpayers (registration, filing, payment, and accurate reporting in declarations are not included in a documented mitigation action plan.

P2-5: Monitoring and evaluation of compliance risk mitigation activities

This indicator looks at the process used to monitor and evaluate compliance mitigation activities. The assessed score is shown in Table 6 followed by an explanation of reasons underlying the assessment.

Table 6. P2-5 Assessment

Measurement dimension	Scoring Method	Score 2023
P2-5. The process used to monitor and evaluate the impact of compliance risk mitigation activities.	M1	D

MCRB does not monitor and evaluate the impact of compliance risk mitigation activities. While there is a formal audit committee at board level, there is no risk register in place to track key risks. Evidence on meetings by the audit committee were not available for review.

P2-6: Management of operational risks

This indicator examines how the tax administration manages operational risks other than those related to human resources. The assessed score is shown in Table 7 followed by an explanation of reasons underlying the assessment.

Table 7. P2-6 Assessment

Measurement dimensions	Scoring Method	Score 2023	
P2-6-1. The process used to identify, assess and mitigate operational risks.	M1	D	D
P2-6-2. The extent to which the effectiveness of the business continuity program is tested, monitored and evaluated.		D	

There is no structured process to identify, assess, prioritize and document operational risks in a risk register. Operational risks are discussed as challenges during weekly management meetings. Operational risks such as cyber security, record loss and other disruptions have not been documented in a disaster contingency plan. Business contingency discussions with staff are not performed.

MCRB does not have a business contingency program in place. therefore, there is no evidence that the business continuity program is tested, monitored and evaluated.

P2-7: Management of human capital risks

This indicator examines how the tax administration manages human capital risks. The assessed score is shown in Table 8 followed by an explanation of reasons underlying the assessment.

Table 8. P2-7 Assessment

Measurement dimensions	Scoring Method	Score 2023	
P2-7-1. The extent to which the tax administration has in place the capacity and structures to manage human capital risks.	M1	D	D
P2-7-2. The degree to which the tax administration evaluates the status of human capital risks and related mitigation interventions.		D	

MCRB has limited capacity and structures to manage human capital risk. While the institution performs regular staff training, these are mainly in customer care, public relations, and PFM-related areas. There is no methodology for identifying, assessing, prioritizing, and mitigating human capital risks through a risk register. There is also no evidence of a formal process through which all managers are trained to understand human capital risks, an active governance structure to revive human capital risk

issues, and human risk training and understanding. Furthermore, an independent third party has not undertaken an independent review of the human resource operations and systems.

POA 3: Supporting Voluntary Compliance

To promote voluntary compliance and public confidence in the tax system, tax administrations must adopt a service-oriented attitude toward taxpayers, ensuring that taxpayers have the information and support they need to meet their obligations and claim their entitlements under the law. Because few taxpayers use the law itself as a primary source of information, assistance from the tax administration plays a crucial role in bridging the knowledge gap. Taxpayers expect that the tax administration will provide summarized, understandable information on which they can rely.

Efforts to reduce taxpayer costs of compliance are also important. Small businesses, for example, gain from simplified record keeping and reporting requirements. Likewise, individuals with relatively simple tax obligations (e.g., employees, retirees, and passive investors) benefit from simplified filing arrangements and systems that eliminate the need to file.

Four performance indicators are used to assess POA 3:

- P3-8—Scope, currency, and accessibility of information.
- P3-9—Time taken to respond to information requests.
- P3-10—Scope of initiatives to reduce taxpayer compliance costs.
- P3-11—Obtaining taxpayer feedback on products and services.

P3-8: Scope, currency, and accessibility of information

For this indicator three measurement dimensions assess: (1) whether taxpayers have the information they need to meet their obligations; (2) whether the information available to taxpayers reflects the current law and administrative policy; (3) how easy it is for taxpayers to obtain information. Assessed scores are shown in Table 9 followed by an explanation of reasons underlying the assessment.

Table 9. P3-8 Assessment

Measurement dimensions	Scoring Method	Score 2023	
P3-8-1. The range of information available to taxpayers to explain, in clear terms, what their obligations and entitlements are in respect of each core tax.		C	
P3-8-2. The degree to which information is current in terms of the law and administrative policy.	M1	C	D
P3-8-3. The ease by which taxpayers obtain information from the tax administration.		D	

MCRB has a limited range of information and assistance to taxpayers to explain their obligations and entitlements. Taxpayers have to physically visit the MCRB offices, or Sub-County offices to obtain information and explanations, and there are also physical and hard copies of the County Finance Act (2019). There is no website available. Some of the information on County's strategy papers and Finance Bills is provided to taxpayers during public participation. MCRB also holds meetings with various stakeholders as and when issues arise.

MCRB has not tailored the available information to the needs of key taxpayer segments, key industry groups, intermediaries and disadvantaged groups; however, this is done as one whole lot, therefore no taxpayer segmentation.

MCRB does not have documented procedures in place or dedicated staff to update information in terms of law and administrative policy. Taxpayers are made aware of changes in the Finance Bill before the law and policies take effect through public participation (Once in a while, the last being in 2019).

Information and guidance to taxpayers at MCRB is inadequate. There are no proactive taxpayer education programs in place; however, stakeholder engagements are held on an ad hoc basis. Finance Acts are available at MCRB offices to guide the taxpayers. Information is available at no cost to both taxpayers and intermediaries. M-PESA mobile payment service, which taxpayers have 24-hour access is only available for Parking Fees as well as SACCOs.

P3-9: The time taken to respond to requests for information.

This indicator examines how quickly the tax administration responds to requests by taxpayers and tax intermediaries for information (for this dimension, waiting time for telephone enquiry calls is used as a proxy for measuring a tax administration's performamnce in information requests generally). Assessed scores are shown in Table 10 followed by an explanation of reasons underlying the assessment.

Table 10. P3-9 Assessment

Measurement dimension	Scoring Method	Score 2023
P3-9: The time taken to respond to taxpayers and tax intermediaries' requests for information.	M1	D

The time taken to respond to taxpayers' and tax intermediaries' requests for information is not monitored at MCRB. Although it has outlined its service delivery standards in form of a service charter, there was no evidence that this is monitored. Time taken to respond to information requests from walk-ins by taxpayers at their offices is also not monitored and was hard to ascertain this.

P3-10: Scope of initiatives to reduce taxpayer compliance costs

This indicator examines the tax administration's efforts to reduce taxpayer compliance costs. Assessed scores are shown in Table 11 followed by an explanation of reasons underlying the assessment.

Table 11. P3-10 Assessment

Measurement dimension	Scoring Method	Score 2023
P3-10. The extent of initiatives to reduce taxpayer compliance costs.	M1	D

At MCRB, initiatives to reduce taxpayer compliance costs are minimal. MCRB does not have a system of simplified reporting arrangements for all taxpayers. Frequently asked questions and common misunderstandings of the law are neither recorded nor analyzed to improve information and services. For Parking Fees, taxpayers use SACCOs and Unstructured Supplementary Service Data (USSD) code*414# on their mobile phones. There are no tax declarations at all.

P3-11: Obtaining taxpayer feedback on products and services

For this indicator, two measurement dimensions assess: (1) the extent to which the tax administration seeks taxpayer and other stakeholder views of service delivery; and (2) the degree to which taxpayer feedback is taken into account in the design of administrative processes and products. Assessed scores are shown in Table 12 followed by an explanation of reasons underlying the assessment.

Table 12. P3-11 Assessment

Measurement dimensions	Scoring Method	Score 2023	
P3-11-1. The use and frequency of methods to obtain performance feedback from taxpayers on the standard of services provided.	M1	D	D
P3-11-2. The extent to which taxpayer input is taken into account in the design of administrative processes and products.		C	

There are frequency of methods to obtain feedback from taxpayers on the standards of services is inadequate. MCRB obtains feedback from taxpayers on an ad-hoc basis when there are complaints from the taxpayer groups. No survey has been conducted at MCRB to monitor trends in taxpayers' perception of MCRB.

Taxpayers' inputs in the design of administrative processes and products are limited. Key taxpayer groups and tax intermediaries are not involved in the design and testing of new products and services. Taxpayers are only involved during public participation before strategy papers such as CIDP, CFSP, ADP, and the Finance bill.

POA 4: Timely Filing of Tax Declarations

Filing of tax declarations (also known as tax returns) remains a principal means by which a taxpayer's tax liability is established and becomes due and payable. As noted in POA 3, however, there is a trend towards streamlining preparation and filing of declarations of taxpayers with relatively uncomplicated tax affairs (e.g., through pre-filling tax declarations). Moreover, several countries treat income tax withheld at source as a final tax, thereby eliminating the need for large numbers of PIT taxpayers to file annual income tax declarations. There is also a strong trend towards electronic filing of declarations for

all core taxes. Declarations may be filed by taxpayers themselves or via tax intermediaries.

It is important that all taxpayers who are required to file do so, including those who are unable to pay the tax owing at the time a declaration is due (for these taxpayers, the first priority of the tax administration is to obtain a declaration from the taxpayer to confirm the amount owed, and then secure payment through the enforcement and other measures covered in POA 5).

Three performance indicators are used to assess POA 4:

- P4-12—On-time filing rate.

- P4-13—Management of non-filers

- P4-14—Use of electronic filing facilities.

P4-12: On-time filing rate

A single performance indicator, with three measurement dimensions, is used to assess the on-time filing rate for declarations for the three most important direct and/or indirect taxes administered by the subnational entity. A high on-time filing rate is indicative of effective compliance management including, for example, provision of convenient means to file declarations (especially electronic filing facilities), simplified declarations forms, and enforcement action against those who fail to file on time. Assessed scores are shown in Table 13 followed by an explanation of reasons underlying the assessment.

Table 13. P4-12 Assessment

Measurement dimensions	Scoring Method	Score 2023	
P4-12-1. The number of declarations for the most important tax (T1) filed by the statutory due date as a percentage of the number of declarations expected from registered T1 taxpayers.	M2	D	D
P4-12-2. The number of declarations for the second most important tax (T2) filed by the statutory due date as a percentage of the number of declarations expected from registered T2 taxpayers.		D	
P4-12-3. The number of declarations for the third most important tax (T3) filed by the statutory due date as a percentage of the number of declarations expected from registered T3 taxpayers.		D	

Overall, the data provided (see Tables 4 – 8 of Attachment III) are inconsistent and unreliable, and therefore insufficient to rate this indicator.

As shown in Attachment III, Table 4. On-time Filing of T1 Declarations for 2021/22, there are 68 percent of SBP returns filed on time by all taxpayers and 93 percent for Large taxpayer. For Parking (T2) fees, 81 percent of taxpayers filed on-time. In addition, 94 percent of all taxpayers and 70 percent filed Land Rates on-time but this is only for July 2021, Data for other periods was "Not-Applicable ". However, the fact that the system cannot automatically extract the new registrations and taxpayers deregistered

during year (As shown in Attachment III, Table 2. Movements in the Taxpayer Register, puts reliability of active taxpayers' data into question. Consequently, dimensions P4.10.1 to P4.10.4 have been rated a 'D'.

P4-13: Management of non-filers

This indicator measures the extent to taxpayers who have failed to file declarations when due are managed. The assessed score is shown in Table 14 followed by an explanation of reasons underlying the assessment.

Table 14. P4-13 Assessment

Measurement dimension	Scoring Method	Score 2023
P4-13. Action taken to follow up non-filers.	M1	D

In Meru County, there are non-automated processes used to identify taxpayers who have failed to file declarations when due. The tax administration has not dedicated filing-enforcement staff and no structured procedures are in place on filing-enforcement follow up within seven days of due date (e.g. contacting the taxpayers directly, considering the circumstances and the taxpayers filing history, issuing demand notices, and issuing assessments of estimated tax liability and late filing penalty). Furthermore, the taxpayer register is not routinely updated based on the results of the non-filer enforcement. Penalties are however, automatically generated by the automated system for non-filers.

P4-14: Use of electronic filing facilities

This indicator measures the extent to which declarations, for all core taxes, are filed electronically. Assessed scores are shown in Table 15 followed by an explanation of reasons underlying the assessment.

Table 15. P4-14 Assessment

Measurement dimension	Scoring Method	Score 2023
P4-14. The extent to which tax declarations are filed electronically.	M1	D

In Meru County, there is no electronic filing of declarations process or any other documented procedure for the taxpayer's obligation for filing. Although the data provided in Attachment III, Table 8 in regards with the use of Electronic Services sound to be at a broad range (100 per cent), there is no evidence to prove their reliability. Therefore, a "D" score is given.

POA 5: Timely Payment of Taxes

Taxpayers are expected to pay taxes on time. Tax laws and administrative procedures specify payment requirements, including deadlines (due dates) for payment, who is required to pay, and payment methods. Depending on the system in place, payments due will be either self-assessed or administratively assessed. Failure by a taxpayer to pay on time results in imposition of interest and

penalties and, for some taxpayers, legal debt recovery action. The aim of the tax administration should be to achieve high rates of voluntary on-time payment and low incidence of tax arrears.
Four performance indicators are used to assess POA 5:

- P5-15—Use of electronic payment methods.

- P5-16—Use of efficient collection systems.

- P5-17—Timeliness of payments

- P5-18—Stock and flow of tax arrears.

P5-15: Use of electronic payment methods

This indicator examines the degree to which core taxes are paid by electronic means without the direct intervention of bank staff or tax administration, including through electronic funds transfer (where money is electronically transferred via the Internet from a taxpayer's bank account to the Government's account), credit cards, and debit cards. Assessed scores are shown in Table 16 followed by an explanation of reasons underlying the assessment.

Table 16. P5-15 Assessment

Measurement dimension	Scoring Method	Score 2023
P5-15. The extent to which core taxes are paid electronically.	M1	D

Electronic payments are fully available and made for Parking Fees (T2) through a mobile payment platform (Jambo Pay). The other core taxes, namely SBP and Property Rates require the intervention of staff at MCRB to receipt and update the taxpayer's account. When taxpayers make payment at banks, they are required to present the banking in person to a Receiving Cashier who matches it with the corresponding tax obligation.

Data provided by the MCRB indicates that about 31 per cent of the core taxes collected in 2021/22 were paid electronically.

P5-16: Use of efficient collection systems

This indicator assesses the extent to which acknowledged efficient collection systems—especially withholding at source and advance payment systems—are used. Assessed scores are shown in Table 17 followed by an explanation of reasons underlying the assessment.

Table 17. P5-16 Assessment

Measurement dimension	Scoring Method	Score 2023
P5-16. The extent to which withholding at source and advance payment systems are used.	M1	D

The extent to which withholding at source and advance systems are used is limited. MCRB has an arrangement on seasonal Parking Fees with Matatu SACCOs where, they are responsible for legally withholding or collecting tax payments from their members. They pay the collected amounts to MCRB against details of the taxpayers. While advance payments are applicable to SBP and Land Rates, this is not regulated and enforced in any law.

P5-17: Timeliness of payments

This indicator assesses the extent to which payments are made on time (by number and by value). For TADAT measurement purposes, the most important tax (T1) payment performance is used as a proxy for on-time payment performance of core taxes generally. A high on-time payment percentage is indicative of sound compliance management including, for example, provision of convenient payment methods and effective follow-up of overdue amounts. Assessed scores are shown in Table 18 followed by an explanation of reasons underlying the assessment.

Table 18. P5-17 Assessment

Measurement dimensions	Scoring Method	Score 2023	
P5-17-1. The number of payments for the most important tax (T1) made by the statutory due date in percent of the total number of payments due.	M1	B	D
P5-17-2. The value of payments for the most important tax (T1) made by the statutory due date in percent of the total value of T1 payments due.		D	

The tax administration systems, namely; Jambo Pay and CIROM System, have the capability to monitor the timeliness of tax payments. Jambo Pay can monitor payment of Monthly and Annual Parking Fees by both value and numbers. The CIROM System can monitor tax payment in respect of SBP and Land Rates.

According to data provided for the financial year 2021/22, on time payment rates were above 50 per cent. For SBPs, on time payment rate was 68 per cent, representing 59 per cent of the value of total payments. Nonetheless, there is inadequate governance to monitor the timeliness. Staff do not produce regular reports to monitor whether payments are made on time. Reports from the Jambo Pay systems are largely generated by the system vendor due to a limited staff capacity to generate reports.

P5-18: Stock and flow of tax arrears

This indicator examines the extent of accumulated tax arrears. Two measurement dimensions are used to gauge the size of the administration's tax arrears inventory: (1) the ratio of end-year tax arrears to the denominator of annual tax collections; and (2) the more refined ratio of end-year 'collectible tax arrears' to annual collections.[1] A third measurement dimension looks at the extent of unpaid tax liabilities that are more than a year overdue (a high percentage may indicate poor debt collection practices and

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[1] For purposes of this ratio, 'collectible' tax arrears is defined as total domestic tax arrears excluding: (a) amounts formally disputed by the taxpayer and for which collection action has been suspended pending the outcome, (b) amounts that are not legally recoverable (e.g., debt foregone through bankruptcy), and (c) arrears otherwise uncollectible (e.g., the debtor has no funds or other assets).

performance given that the rate of recovery of tax arrears tends to decline as arrears get older). Assessed scores are shown in Table 19 followed by an explanation of reasons underlying the assessment.

Measurement dimensions	Scoring Method	Score 2023	
P5-18-1. The value of total core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year.	M2	B	B
P5-18-2. The value of collectible core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year.		C	
P5-18-3. The value of core tax arrears more than 12 months old as a percentage of the value of all core tax arrears.		A	

Existing IT tools and systems provide the MCRB with adequate tools to monitor and manage tax arrears. The Jambo Pay system can generate management information such as statistical reports on the value and age of arrears for monthly and annual Parking Fees, and SBPs, while CIROM System can generate similar information for and Land Rates. There is a dedicated tax enforcement directorate in place that is charged with the responsibility of enforcing tax collection. For SBP, enforcement starts after the due date, which is March 31 every year, while for Daily Parking Fees, there are enforcement officers are available to enforce payment within the parking spaces daily.

MCRB does not have a write-off rule, but waivers on penalties are often granted by the Governor.

POA 6: Accurate Reporting in Declarations

Tax systems rely heavily on complete and accurate reporting of information by taxpayers in tax declarations. Tax administrations therefore need to regularly monitor tax revenue losses from inaccurate reporting, especially by business taxpayers, and take a range of actions to ensure compliance. These actions fall into two broad groups: verification activities (e.g., tax audits, investigations, and income matching against third party information sources) and proactive initiatives (e.g., taxpayer assistance and education as covered in POA 3, and cooperative compliance approaches).

If well designed and managed, tax audit programs can have far wider impact than simply raising additional revenue from discrepancies detected by tax audits. Detecting and penalizing serious offenders serve to remind all taxpayers of the consequences of inaccurate reporting.

Also prominent in modern tax administration is high-volume automated crosschecking of amounts reported in tax declarations with third-party information. Because of the high cost and relative low coverage rates associated with traditional audit methods, tax administrations are increasingly using technology to screen large numbers of taxpayer records to detect discrepancies and encourage correct reporting.

Proactive initiatives also play an important role in addressing risks of inaccurate reporting. These include adoption of cooperative compliance approaches to build collaborative and trust-based relationships

with taxpayers (especially large taxpayers) and intermediaries to resolve tax issues and bring certainty to companies' tax positions in advance of a tax declaration being filed, or before a transaction is actually entered into. A system of binding tax rulings can play an important role here.

Finally, on the issue of monitoring the extent of inaccurate reporting across the taxpayer population generally, a variety of approaches are being used, including: use of tax compliance gap estimating models, both for direct and indirect taxes; advanced analytics using large data sets (e.g., predictive models, clustering techniques, and scoring models) to determine the likelihood of taxpayers making full and accurate disclosures of income; and surveys to monitor taxpayer attitudes towards accurate reporting of income.

Against this background, four performance indicators are used to assess POA 6:

■ P6-19—Scope of verification actions taken to detect and deter inaccurate reporting.

■ P6-20—Use of large-scale data-matching systems to detect inaccurate reporting.

■ P6-21—Initiatives undertaken to encourage accurate reporting.

■ P6-22—Monitoring the tax gap to assess inaccuracy of reporting levels.

P6-19: Scope of verification actions taken to detect and deter inaccurate reporting

For this indicator, four measurement dimensions provide an indication of the nature and scope of the tax administration's verification program. Assessed scores are shown in Table 20 followed by an explanation of reasons underlying the assessment.

Table 20. P6-19 Assessment

Measurement dimensions	Scoring Method	Score 2023	
P6-19-1. The nature and scope of the tax audit program in place to detect and deter inaccurate reporting.	M1	D	D
P6-19-2. The extent to which the audit program is systematized around uniform practices.		A	
P6-19-3. The degree to which the quality of taxpayer audits is monitored.		D	
P6-19-4. The degree to which the tax administration monitors the effectiveness of the taxpayer audit function.		D	

In MCRB, the nature and scope of the tax audit program in place to detect and deter inaccurate reporting is not sufficient. MCRB does not have a discrete tax audit program in existence but once in a while, inspection audits, comprehensive audits, forensic audits are carried out on an ad-hoc basis. Inspection only covers SBP and Parking Fees where inspection officers inspect businesses for compliance with SBP and Matatus for compliance with Parking Fees. However, taxpayers are not segmented.

In MCRB, the extent to which the audit program is systematized around uniform practices is sufficient. Auditors at the MCRB apply standard audit procedures during those audits.

In MCRB, the degree to which the quality of taxpayer audits is monitored and the degree to which the tax administration monitors the effectiveness of the taxpayer audit function is not sufficient. MCRB does not monitor or evaluate the impact of the enforcement and compliance actions on taxpayer compliance.

P6-20: Use of large-scale data-matching systems to detect inaccurate reporting.

For this indicator, one measurement dimension provides an indication of the extent to which the tax administration leverages technology to screen large numbers of taxpayer records against third-party information to detect discrepancies and encourage correct reporting. Assessed scores are shown in Table 21 followed by an explanation of reasons underlying the assessment.

Table 21. P6-20 Assessment

Measurement dimension	Scoring Method	Score 2023
P6-20. The extent of large-scale automated crosschecking to verify information reported in tax declarations.	M1	D

In MCRB, the extent of large-scale automated crosschecking to verify information reported in tax declarations is not sufficient. There are no tax declarations in MCRB. Therefore, MCRB does not have any procedures or systems in place for cross checking information with third-party data.

P6-21: Initiatives undertaken to encourage accurate reporting

This indicator assesses the nature and scope of cooperative compliance and other proactive initiatives undertaken to encourage accurate reporting. Assessed scores are shown in Table 22 followed by an explanation of reasons underlying the assessment.

Table 22. P6-21 Assessment

Measurement dimension	Scoring Method	Score 2023
P6-21. The nature and scope of proactive initiatives undertaken to encourage accurate reporting.	M1	D

In MCRB, the nature and scope of proactive initiatives undertaken to encourage accurate reporting is not sufficient. MCRB has limited proactive initiatives to encourage accurate reporting, and there are no Cooperative Compliance Agreements in place. There is no system of public or private ruling in place. MCRB does not also have a system of advance ruling. There are only minimal proactive initiatives in the form of relationships with SACCOs that assist in compliance of parking fees, but aren't documented. SACCOs collect parking fees from their members and remit them to MCRB, which is convenient, cost effective and time-efficient. There are no any other initiatives for the other core taxes.

P6-22: Monitoring the tax gap to assess inaccuracy of reporting levels

This indicator examines the soundness of methods used by the tax administration to monitor the extent of inaccurate reporting in declarations. The assessed score is shown in Table 23 followed by an explanation of reasons underlying the assessment.

Table 23. P6-22 Assessment

Measurement dimensions	Scoring Method	Score 2023
P6-22. The soundness of tax gap analysis method/s used by the tax administration to monitor the extent of inaccurate reporting.	M1	D

In MCRB, the soundness of tax gap analysis method/s used by the tax administration to monitor the extent of inaccurate reporting is not sufficient. Although MCRB has not conducted any tax gap analysis. There were two studies performed by independent institutions such as the Commission on Revenue Allocation (CRA) where the county got involved. The first study was conducted in 2018 by Adam Smith International which had been Commissioned by World Bank and National Treasury on OSR Tax Potential and Gap Analysis for Kenyan Counties, this study was reviewed by CRA in 2019 and published on the World Banks website. To build on the initial study, CRA conducted a similar OSR Tax Potential and Gap Analysis study in 2022, which was published on CRA's website. However, there was no independent tax gap analysis for the county on its own and no evidence of review of the above reports and their usage at MCRB.

POA 7: Effective Tax Dispute Resolution

This POA deals with the process by which a taxpayer seeks an independent review, on grounds of facts or interpretation of the law, of a tax assessment resulting from an audit. Above all, a tax dispute process must safeguard a taxpayer's right to challenge a tax assessment and get a fair hearing. The process should be based on a legal framework, be known and understood by taxpayers, be easily accessible, guarantee transparent independent decision-making, and resolve disputed matters in a timely manner.

Three performance indicators are used to assess POA 7:

■ P7-23—Existence of an independent, workable, and graduated dispute resolution process.

■ P7-24—Time taken to resolve disputes.

■ P7-25—Degree to which dispute outcomes are acted upon.

P7-23: Existence of an independent, workable, and graduated resolution process

For this indicator three measurement dimensions assess: (1) the extent to which a dispute may be escalated to an independent external tribunal or court where a taxpayer is dissatisfied with the result of the tax administration's review process; (2) the extent to which the tax administration's review process is truly independent; and (3) the extent to which taxpayers are informed of their rights and avenues of

review. Assessed scores are shown in Table 24 followed by an explanation of reasons underlying the assessment.

Table 24. P7-23 Assessment

Measurement dimensions	Scoring Method	Score 2023	
P7-23-1. The extent to which an appropriately graduated mechanism of administrative and judicial review is available to, and used by, taxpayers.	M2	D	D
P7-23-2. Whether the administrative review mechanism is independent of the audit process.		D	
P7-23-3. Whether information on the dispute process is published, and whether taxpayers are explicitly made aware of it.		D	

A tiered review mechanism is in place and is used but the administrative review stage is double layered. All administrative reviews are handled through the Trade Licensing Appeals Committee, which provides a single decision point. The auditors involved in the audit of the taxpayers are only consulted during the administrative review process. However, objective review procedures are not published on the website.

The administrative review mechanisms are not totally independent of the audit process. In Meru, an administrative review unit that is physically and organizationally independent of the audit department conducts all administrative reviews. However Administrative review procedures are not documented.

Adequate information on the dispute process is not available and taxpayers are not explicitly made aware of it. Public information about the dispute process is limited and the MCRB does not inform taxpayers of their dispute rights after an assessment. Further, there is no evidence to prove that the dispute rights and the associated dispute procedures are included in the MCRB letters notifying taxpayers of the dispute outcome. The dispute process is not detailed in assessment notices to taxpayers.

P7-24: Time taken to resolve disputes

This indicator assesses how responsive the tax administration is in completing administrative reviews. Assessed scores are shown in Table 25 followed by an explanation of reasons underlying the assessment.

Table 25. P7-24 Assessment

Measurement dimensions	Scoring Method	Score 2023
P7-24. The time taken to complete administrative reviews.	M1	D

The information provided is not reliable to score this dimension. The information provided (Attachment III, table 11. Finalization of Administrative Reviews) is not sufficient to score this performance indicator. Subsequently, a "D" score is given.

P7-25: Degree to which dispute outcomes are acted upon

This indicator looks at the extent to which dispute outcomes are taken into account in determining policy, legislation, and administrative procedure. The assessed score is shown in Table 25 followed by an explanation of reasons underlying the assessment.

Table 26. P7-25 Assessment

Measurement dimension	Scoring Method	Score 2023
P7-25. The extent to which the tax administration responds to dispute outcomes.	M1	D

Meru County does not monitor and analyze dispute outcomes. Meru County does not have an effective system to deal with disputes, there is no information on dispute outcomes to monitor and analyze in the formulation of policy, legislation and administrative procedures.

POA 8: Efficient Revenue Management

This POA focuses on three key activities performed by tax administrations in relation to revenue management:

- Providing input to government budgeting processes of tax revenue forecasting and tax revenue estimating. (As a general rule, primary responsibility for advising government on tax revenue forecasts and estimates rests with the Ministry of Finance. The tax administration provides data and analytical input to the forecasting and estimating processes. Ministries of Finance often set operational revenue collection targets for the tax administration based on forecasts of revenue for different taxes.)[2]

- Maintaining a system of revenue accounts.

- Paying tax refunds.

Three performance indicators are used to assess POA 8:

- P8-26—Contribution to government tax revenue forecasting process.
- P8-27—Adequacy of the tax revenue accounting system.
- P8-28—Adequacy of tax refund processing.

P8-26: Contribution to government tax revenue forecasting process

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[2] It is common for Ministries of Finance to review budget revenue forecasts and related tax collection targets during the fiscal year (particularly mid-year) to take account of changes in forecasting assumptions, especially changes in the macroeconomic environment.

This indicator assesses the extent of tax administration input to government tax revenue forecasting and estimating. The assessed score is shown in Table 26 followed by an explanation of reasons underlying the assessment.

Measurement dimensions	Scoring Method	Score 2023
P8-26. The extent of tax administration input to government tax revenue forecasting and estimating.	M1	C

The MCRB forecasts and estimates tax revenue to provide input into the budgeting process of the County government. The Chief Executive Officer is consulted to provide input to the revenue forecast and estimation in each financial year. There is a dedicated unit that is responsible for among others, projecting regular revenue trends for planning and decision-making by the County. Statutory reports are prepared quarterly in line with the Public Financial Management Act, 2012. However, forecasts do not include tax refunds.

P8-27: Adequacy of the tax revenue accounting system

This indicator examines the adequacy of the tax revenue accounting system. Assessed scores are shown in Table 28 followed by an explanation of reasons underlying the assessment.

Table 28. P8-27 Assessment

Measurement dimension	Scoring Method	Score 2023
P8-27. Adequacy of the tax administration's revenue accounting system.	M1	D

MCRB operates two tax accounting systems (Jambo Pay and CIROM System) that are not interfaced with the National Government System. Jambo Pay is used to collect SBP and Parking Fees, while CIROM System is used to collect Land Rates and Property Rent. The former is web-based and payment information is updated on a real-time basis, while the latter uses LAN capability. The two systems are not integrated. For Land Rates and Property Rent, the taxpayer must present himself to the Receipting Clerk for receipting and updating the taxpayer's ledger.

The Board has an Internal Audit unit whose operations are guided by an Audit Committee of the Board. However, there was no evidence that operations of the accounting systems (Jambo Pay and CIROM System) are audited.

P8-28: Adequacy of tax refund processing

For this indicator, two measurement dimensions assess the tax administration's system of processing tax refund claims. Assessed scores are shown in Table 29 followed by an explanation of reasons underlying the assessment.

Table 29. P8-28 Assessment

Measurement dimensions	Scoring Method	Score 2023	
P8-28-1. Adequacy of the tax refund system.	M2	D	D
P8-28-2. The time taken to pay (or offset) tax refunds.		D	

Refunds are not applicable to any of the core taxes. Whereas some taxpayers have overpaid taxes in some instances, tax laws do not provide for tax refunds. MCRB does not forecast tax refund levels to ensure sufficient funds are available to meet all legitimate refund claims when they occur.

POA 9: Accountability and Transparency

Accountability and transparency are central pillars of good governance. Their institutionalization reflects the principle that tax administrations should be answerable for the way they use public resources and exercise authority. To enhance community confidence and trust, tax administrations should be openly accountable for their actions within a framework of responsibility to the minister, government, legislature, and the general public.

Four performance indicators are used to assess POA 9:

- P9-29—Internal assurance mechanisms.
- P9-30—External oversight of the tax administration.
- P9-31—Public perception of integrity.
- P9-32—Publication of activities, results, and plans.

P9-29: Internal assurance mechanisms

For this indicator, two measurement dimensions assess the internal assurance mechanisms in place to protect the tax administration from loss, error, and fraud. Assessed scores are shown in Table 30 followed by an explanation of reasons underlying the assessment.

Table 30. P9-29 Assessment

Measurement dimensions	Scoring Method	Score 2023	
P9-29-1. Assurance provided by internal audit.	M2	D	D
P9-29-2. Staff integrity assurance mechanisms.		D	

The assurance provided by internal audit is not sufficient. MCRB has an independent Internal Audit unit that administratively reports to the Board Audit Committee. The Audit Committee is permitted under Section 55 of the Public Finance Management Act, 2012. MCRB also has access to audit services

from the County Treasury. There is an annual internal audit plan covering, as a minimum, internal control checks and financial audits (the plan includes operational performance audits or but not information systems audits). Internal auditors are given ad hoc training by ICPAK and IIA. Audit trails of user access and changes made to taxpayer data exists for one of the systems.

Staff integrity assurance mechanisms is not sufficient. MCRB relies on the code of ethics and the HR Manual of the National Government by PSC.

P9-30: External oversight of the tax administration

Two measurement dimensions of this indicator assess: (1) the extent of independent external oversight of the tax administration's operations and financial performance; and (2) the investigation process for suspected wrongdoing and maladministration. Assessed scores are shown in Table 31 followed by an explanation of reasons underlying the assessment.

Table 31. P9-30 Assessment

Measurement dimensions	Scoring Method	Score 2023	
P9-30-1. The extent of independent external oversight of the tax administration's operations and financial performance.	M2	B	C+
P9-30-2. The investigation process for suspected wrongdoing and maladministration.		C	

There is an independent external oversight of the MCRB's operations and financial but the findings and recommendations are not published. There's an annual external audit carried out by the OAG on MCRB's financial and operational performance. This includes operational and systems audit. The review findings are responded to. The report is published publicly and is available from the OAGs website. Recommendations from that audit is also acted upon. However, responses to external review findings and recommendations are not publicly reported.

The investigation process for suspected wrongdoing and maladministration appears insufficient. On investigations of wrongdoing and maladministration, MCRB cooperates with investigative agencies such as the Police, EACC and OAGs office on forensic audits. Complaints are handled by MCRB and later on forwarded to the relative agencies. While an Ombudsman does not exist at the MCRB, the national Ombudsman is accessible to all members of the public. However, there was no evidence of any cases handled by the national Ombudsman on taxpayer complaints.

P9-31: Public perception of integrity

This indicator examines measures taken to gauge public confidence in the tax administration. The assessed score is shown in Table 32 followed by an explanation of reasons underlying the assessment.

Table 32. P9-31 Assessment

Measurement dimension	Scoring Method	Score 2023
P9-31. The mechanism for monitoring public confidence in the tax administration.	M1	D

The mechanism for monitoring public confidence in the Meru county revenue board is not sufficient. Levels of public confidence is not monitored in MCRB.

P9-32: Publication of activities, results, and plans

Two measurement dimensions of this indicator assess the extent of: (1) public reporting of financial and operational performance; and (2) publication of future directions and plans. Assessed scores are shown in Table 33 followed by an explanation of reasons underlying the assessment.

Table 33. P9-32 Assessment

Measurement dimensions	Scoring Method	Score 2023	
P9-32-1. The extent to which the financial and operational performance of the tax administration is made public, and the timeliness of publication.	M2	D	D
P9-32-2. The extent to which the tax administration's future directions and plans are made public, and the timeliness of publication.		D	

The financial and operational performance of the tax administration is made public and the timeliness of publication is insufficient. While financial reports for the county are made public annually and are available through the OAGs website, no evidence was provided to ascertain the timeliness for the immediate past financial year, FY 2020/21.

MCRB's future directions and plans are made public, and the timeliness of publication is not also sufficient. Future plans are made public within 3 months of commencement but there was no submission of evidence to this effect.

Attachment I. TADAT Framework

Performance outcome areas

TADAT assesses the performance of a country's tax administration system by reference to nine outcome areas:

1. **Integrity of the registered taxpayer base:** Registration of taxpayers and maintenance of a complete and accurate taxpayer database is fundamental to effective tax administration.

2. **Effective risk management:** Performance improves when risks to revenue and tax administration operations are identified and systematically managed.

3. **Supporting voluntary compliance:** Usually, most taxpayers will meet their tax obligations if they are given the necessary information and support to enable them to comply voluntarily.

4. **On-time filing of declarations:** Timely filing is essential because the filing of a tax declaration is a principal means by which a taxpayer's tax liability is established and becomes due and payable.

5. **On-time payment of taxes**: Non-payment and late payment of taxes can have a detrimental effect on government budgets and cash management. Collection of tax arrears is costly and time consuming.

6. **Accurate reporting in declarations**: Tax systems rely heavily on complete and accurate reporting of information in tax declarations. Audit and other verification activities, and proactive initiatives of taxpayer assistance, promote accurate reporting and mitigate tax fraud.

7. **Effective Tax Dispute Resolution:** Independent, accessible, and efficient review mechanisms safeguard a taxpayer's right to challenge a tax assessment and get a fair hearing in a timely manner.

8. **Efficient revenue management:** Tax revenue collections must be fully accounted for, monitored against budget expectations, and analyzed to inform government revenue forecasting. Legitimate tax refunds to individuals and businesses must be paid promptly.

9. **Accountability and transparency:** As public institutions, tax administrations are answerable for the way they use public resources and exercise authority. Community confidence and trust are enhanced when there is open accountability for administrative actions within a framework of responsibility to the minister, legislature, and general community.

Indicators and associated measurement dimensions

A set of 32 high-level indicators critical to tax administration performance are linked to the performance outcome areas. It is these indicators that are scored and reported on. A total of 53 measurement dimensions are taken into account in arriving at the indicator scores. Each indicator has between one and five measurement dimensions.

Repeated assessments will provide information on the extent to which a country's tax administration is improving.

Scoring methodology

The assessment of indicators follows the same approach followed in the Public Expenditure and Financial Accountability (PEFA) diagnostic tool so as to aid comparability where both tools are used.

Each of TADAT's 53 measurement dimensions is assessed separately. The overall score for an indicator is based on the assessment of the individual dimensions of the indicator. Combining the scores for dimensions into an overall score for an indicator is done using one of two methods: Method 1 (M1) or Method 2 (M2). For both M1 and M2, the four-point 'ABCD' scale is used to score each dimension and indicator.

Method M1 is used for all single dimensional indicators and for multi-dimensional indicators where poor performance on one dimension of the indicator is likely to undermine the impact of good performance on other dimensions of the same indicator (in other words, by the weakest link in the connected dimensions of the indicator).

Method M2 is based on averaging the scores for individual dimensions of an indicator. It is used for selected multi-dimensional indicators where a low score on one dimension of the indicator does not necessarily undermine the impact of higher scores on other dimensions for the same indicator.

Attachment II. Meru County Revenue Board: subnational entity Snapshot

Geography	Meru County borders Isiolo County to the north, Tharaka-Nithi County to the east, Nyeri County to the southwest and Laikipia County to the west. The county has a total area of 7,006.3 km2.
Population	Based on the 2019 population census, the MC population was 1,545,714. • Male: 767,698 (3.26 per cent of the National Male Population) • Female: 777,975 (3.24 per cent of the National Female Population) • Intersex: 41 (2.69 per cent of National Intersex Population) The population density was 221 per Km2. *(Source KNBS: Kenya National Housing and Population Census, 2019)*
Adult literacy rate	53 per cent of persons aged 15 and over can read and write. *(Source: CRA)*
Gross County Product	2021 nominal GDP: 389.236 M or 4 per cent of the Country's GDP. It ranked fifth after Nairobi City, Kiambu, Kiambu and Mombasa County. *(Source: KNBS*)
Per capita GDP	US$ 3,086. *(Source: KNBS)*
Main industries	GCP (2020) was Kshs.345,319 million. The average growth rate of nominal GCP from 2013 to 2020 was 3.2 per cent. Leading sectors were; 1. Agriculture, forestry and fishing – Kshs.198,075 million 2. Transport and storage – Kshs.31,652 million 3. Real estate – Kshs.19,382 million 4. Manufacturing – Kshs.16,508 million 5. Public administration and defense – Kshs.15,639 million 6. Education- Kshs.11,789 million 7. Wholesale and retail trade; repair of motor vehicles – Kshs.9,629 million *(Source KNBS: Gross County Product 2021)*
Communications	- Internet users per 100 people: 70. - Mobile 'phone subscribers per 100 people: 95

Main taxes	Single Business Permit, Land rates &Plot rents, Parking fees, Cess, Market fees, Outdoor adverts, Building plans approval
Tax-to-GDP	MC had a GCP of Kshs.389,236 million in 2021 and generated Kshs.235 million in OSR. Tax to GCP is 0.07 per cent.
Number of taxpayers	SBP -T1 (**23,050**), Parking Fees -T2 (**6,266**) and Land Rates -T3 (**13,670**)
Main collection agency	Meru County Revenue Board.
Number of staff in the main collection agency	T1: 70 officers T2: 60 officers T3: 20 0fficers
Financial Year	July to June.

Attachment III: Data Tables
A. Tax Revenue Collections

Table 1. Tax Revenue Collections			
	[2019/2020]	[2020/2021]	[2021/2022]
In local currency			
Budgeted tax revenue forecast of subnational entity[2]			
Total tax revenue collections			
Main source of tax revenue (T1-Single Business Permit)	95,366,735.00	125,075,905.00	95,795,560.00
2nd main source of tax revenue (T2-Parking)	73,017,100.00	61,497,394.00	59,308,646.00
3rd main source of tax revenue (T3-Landrates and Plot rents)	31,819,587.92	48,758,282.14	36,901,839.00
Other sub-national taxes	189,303,352.10	200,590,824.70	193,385,496.00
Tax refunds	(__)	(__)	(__)
In percent of total tax revenue collections			
Budgeted tax revenue forecast of subnational entity[2]	100.0	100.0	100.0
Total tax revenue collections			
Main source of tax revenue (specify but referred to as T1)	24.48	28.69	24.86
2nd main source of tax revenue (specify but referred to as T2)	18.75	14.11	15.39
3rd main source of tax revenue (specify but referred to as T3)	8.17	11.19	9.58
Other sub-national taxes	48.60	46.02	50.18
Tax refunds	(__)	(__)	(__)
In percent of GDP			
Budgeted tax revenue forecast of subnational entity[2]			
Total tax revenue collections			
Main source of tax revenue (specify but referred to as T1)	0.031	0.038	0.025
2nd main source of tax revenue (specify but referred to as T2)	0.024	0.019	0.015
3rd main source of tax revenue (specify but referred to as T3)	0.010	0.015	0.009
Other sub-national taxes	0.062	0.061	0.050
Tax refunds	(__)	(__)	(__)
Nominal GDP in local currency			

Explanatory notes:

[1] This table gathers data for three fiscal years (2019/20 – 2021/22) in respect of all subnational tax revenues collected by the tax administration.

[2] This forecast is normally set by the Ministry of Finance (or equivalent) with input from the tax administration and, for purposes of this table, should only cover the taxes listed in the table. The final budgeted forecast, as adjusted through any mid-year review process, should be used.

[3] 'Other subnational taxes collected by the tax administration may include a variety of local taxes, levies, duties, or charges but individually do not represent a main source of revenue.

B. Movements in the Taxpayer Register

Table 2. Movements in the Taxpayer Register, 2019/20 – 2021/22					
(Ref: POA1)					
	Registered taxpayers[1] [A]	Taxpayers otherwise not required to file[2] [B]	Taxpayers Expected to File [C] = [(A) − (B)][3]	Memorandum items[4] [D]	
				New Registrations [D1]	Taxpayers deregistered during year [D2]
[2019/2020]					
Main source of tax revenue - T1 (specify)	**23,050**	**0**	**23,050**	**16,050**	**No data**
2nd main source of tax revenue – T2(specify)	**6,266**	**0**	**6,266**	**1,220**	**No data**
3rd main source of tax revenue-T3 (specify)	**13,670**	**0**	**13,670**	**130**	**No data**
Other taxpayers- (House rent,)	**652**	**0**	**652**	**0**	**No data**
[2020/2021]					
Main source of tax revenue - T1 (specify)	**24,782**	**0**	**24,782**	**1,732**	**No data**
2nd main source of tax revenue – T2(specify)	**7,622**	**0**	**7,622**	**,**	**No data**
3rd main source of tax revenue-T3 (specify)	**13,808**	**0**	**13,808**	**164**	**No data**
Other taxpayers (House rent)	**707**	**0**	**707**	**55**	**No data**
[2021/2022]					
Main source of tax revenue - T1 (specify)	**26,689**	**0**	**26,689**	**,**	**No data**
2nd main source of tax revenue – T2(specify)	**9,036**	**0**	**9,036**	**1,414**	**No data**
3rd main source of tax revenue-T3 (specify)	**14,067**	**0**	**14,067**	**259**	**No data**
Other taxpayers (House rent)	**707**	**707**	**707**	**0**	**No data**

Explanatory Notes:

[1] A registered taxpayer who is in the tax administration's taxpayer database. For any core tax that does not require formal registration this figure will represent the number of taxpayers who were subject to the tax. Such taxes may also not have an associated filing obligation so figures for columns B, C and D may not be relevant.

[2] Taxpayers not required to file declarations' means taxpayers who are registered but are currently not required to file by law or regulation and are explicitly flagged in the automated tax administration system.

[3] Expected filing calculations to be used in Indicator P4-12.

[4] Taxpayer register activity information. (Information derived from Cirom Systems And Jambo Pay System)

C. Telephone Enquiries
(Ref: POA 3)

Month	Total number of telephone enquiry calls received	Telephone enquiry calls answered within 6 minutes' waiting time	
		Number	In percent of total calls
July 2021	**N/A**	**N/A**	**N/A**
August 2021	**N/A**	**N/A**	**N/A**
September 2021	**N/A**	**N/A**	**N/A**
October 2021	**N/A**	**N/A**	**N/A**
November 2021	**N/A**	**N/A**	**N/A**
December 2021	**N/A**	**N/A**	**N/A**
January 2022	**N/A**	**N/A**	**N/A**
February 2022	**N/A**	**N/A**	**N/A**
March 2022	**N/A**	**N/A**	**N/A**
April 2022	**N/A**	**N/A**	**N/A**
May 2022	**N/A**	**N/A**	**N/A**
June 2022	**N/A**	**N/A**	**N/A**
12-month total			

Table 3. Telephone Enquiry Call Waiting Time 2021/22

D. Filing of Tax Declarations
(Ref: POA 4)

Table 4. On-time Filing of T1 Declarations for 2021/22

	Number of declarations filed on-time[1]	Number of declarations expected to be filed[2]	On-time filing rate[3] (In percent)
All taxpayers	38,070	42,986	86
Large taxpayers only	265	285	93

Explanatory notes:

[1] 'On-time' filing means declarations (also known as 'returns') filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

[2] 'Expected declarations' means the number of T1 declarations that the tax administration expected to receive from registered T1 taxpayers that were required by law to file declarations.

[3] The 'on-time filing rate' is the number of declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered taxpayers, i.e. expressed as a ratio:

$$\frac{Number\ of\ T1\ declarations\ filed\ by\ the\ due\ date}{Number\ of\ declarations\ expected\ from\ active\ T1\ taxpayers} \times 100$$

Table 5. On-time Filing of T2 Declarations for 2021/22		
Number of declarations filed on-time[1]	Number of declarations expected to be filed[2]	On-time filing rate[3] (In percent)
7,300	9,036	81

Explanatory notes:

[1] 'On-time' filing means declarations (also known as 'returns') filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

[2] 'Expected declarations' means the number of T2 declarations that the tax administration expected to receive from registered T2 taxpayers that were required by law to file declarations.

[3] The 'on-time filing rate' is the number of declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered taxpayers, i.e. expressed as a ratio:

$$\frac{Number\ of\ T2\ declarations\ filed\ by\ the\ due\ date}{Number\ of\ T2\ declarations\ expected\ from\ active\ T2\ taxpayers}\ x\ 100$$

Table 6. On-time Filing of T3 Declarations—All taxpayers 2021/22			
Month	Number of declarations filed on-time[1]	Number of declarations expected to be filed[2]	On-time filing rate[3] (In percent)
July 2021	N/A	N/A	N/A
August 2021	N/A	N/A	N/A
September 2021	N/A	N/A	N/A
October 2021	N/A	N/A	N/A
November 2021	N/A	N/A	N/A
December 2021	N/A	N/A	N/A
January 2022	1943	2067	94
February 2022	3500	4620	75.7
March 2022	7504	8500	88.2
April 2022	N/A	N/A	N/A
May 2022	N/A	N/A	N/A
June 2022	N/A	N/A	N/A
12-month total			

Explanatory notes:

[1] 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

[2] 'Expected declarations' means the number of T3 declarations that the tax administration expected to receive from registered T3 taxpayers that were required by law to file declarations.

[3] The 'on-time filing rate' is the number of T3 declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered T3 taxpayers, i.e. expressed as a ratio:

$$\frac{Number\ of\ T3\ tax\ declarations\ filed\ by\ the\ due\ date}{Number\ of\ T3\ declarations\ expected\ from\ active\ T3\ taxpayers}\ x\ 100$$

Table 7. On-time Filing of Core Tax with Monthly or Quarterly Filing Requirement —Large taxpayers only 2021/22			
Month	Number of declarations filed on-time[1]	Number of declarations expected to be filed[2]	On-time filing rate[3] (In per cent)
July 2021	N/A	N/A	N/A
August 2021	N/A	N/A	N/A
September 2021	N/A	N/A	N/A
October 2021	N/A	N/A	N/A
November 2021	N/A	N/A	N/A
December 2021	N/A	N/A	N/A
January 2022	200	285	70
February 2022	45	N/A	N/A
March 2022	20	N/A	N/A
April 2022	N/A	N/A	N/A
May 2022	N/A	N/A	N/A
June 2022	N/A	N/A	N/A
12-month total			

Explanatory notes:

[1] 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

[2] 'Expected declarations' means the number of core tax declarations that the tax administration expected to receive from large taxpayers that were required by law to file core tax declarations.

[3] The 'on-time filing rate' is the number of core tax declarations filed by large taxpayers by the statutory due date as a percentage of the total number of core tax declarations expected from large taxpayers, i.e. expressed as a ratio:

$$\frac{Number\ of\ tax\ declarations\ filed\ by\ the\ due\ date\ by\ large\ taxpayers}{Number\ of\ tax\ declarations\ expected\ from\ active\ large\ taxpayers}\ x\ 100$$

E. Electronic Services

(Ref: POAs 4 and 5)

Table 8. Use of Electronic Services, 2019/20 - 2021/22[1]			
	[2019/20]	[2020/21]	[2021/22]
Electronic filing[2] (In per cent of all declarations filed for each tax type)			
1st main source of tax revenue T1 (SBP)	100	100	100
2nd main source of tax revenue T2 (Parking Fees)	100	100	100
3rd main source of tax revenue T3 (Land Rates)	100	100	100
Electronic payments[3] (In per cent of the total **number** of payments received for each tax type)			
1st main source of tax revenue T1 (SBP)	100	100	100
2nd main source of tax revenue T2 (Parking Fees)	100	100	100
3rd main source of tax revenue T3 (Land Rates)	100	100	100
Electronic payments (In per cent of the total **value** of payments received for each tax type)			
1st main source of tax revenue T1 (SBP)	100	100	100
2nd main source of tax revenue T2 (Parking Fees)	100	100	100
3rd main source of tax revenue T3 (Land Rates)	100	100	100

Explanatory notes:

[1] Data in this table will provide an indicator of the extent to which the tax administration is using modern technology to transform operations, namely in areas of filing and payment.

[2] For purposes of this table, electronic filing involves facilities that enable taxpayers to complete tax declarations online and file those declarations via the Internet.

[3] An electronic payment is a payment made from one bank account to another via electronic means without the direct intervention of bank staff instead of using cash or check, in person or by mail. Methods of electronic payment include credit cards, debit cards, and electronic funds transfer (where money is electronically transferred via the Internet from a taxpayer's bank account to the Treasury account). Electronic payments may be made, for example, by mobile telephone where technology is used to turn mobile phones into an Internet terminal from which payments can be made.

F. Payments
(Ref: POA 5)

Table 9. Total Main Core Tax T1 Payments Made During 2021/22						
	Main core tax payments made on-time[1]		Main core tax payments due[2]		On-time payment rate[3] (In percent)	
	All taxpayers	Large taxpayers	All taxpayers	Large taxpayers	All taxpayers	Large taxpayers
Number of payments	18,070	265	26689	285	68	93
Value of payments	67,420,560	18,354,640	115,375,855	19,200,500	59	96

Explanatory notes:

[1] 'On-time' payment means paid on or before the statutory due date for payment (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

[2] 'Payments due' include all payments due, whether self-assessed or administratively assessed (including as a result of an audit).

[3] The 'on-time payment rate' is the number (or value) of T1 payments made by the statutory due date in percent of the total number (or value) of T1 payments due, i.e. expressed as ratios:

- The on-time payment rate by number is: $\frac{Number\ of\ T1\ payments\ made\ by\ the\ due\ date}{Total\ number\ of\ T1\ payments\ due} \times 100$

- The on-time payment rate by value is: $\frac{Value\ of\ T1\ payments\ made\ by\ the\ due\ date}{Total\ value\ of\ T1\ payments\ due} \times 100$

G. Domestic Tax Arrears
(Ref: POA 5)

Table 10. Value of Tax Arrears, 2019/20 – 2021/22[1]			
	[2019/2020]	**[2020/2021]**	**[2021/2022]**
	In local currency(Kshs)		
Total core tax revenue collections (from Table 1) **(A)**	200,203,422.92	235,331,581.14	192,006,045.00
Total core tax arrears at end of fiscal year[2] **(B)**	23,917,048.56	27,714,428.40	25,893,619.08
Of which: Collectible[3] **(C)**	**20,000,000**	**25,000,000**	**24,000,000**
Of which: More than 12 months' old **(D)**	**3,917,048.56**	**2,714,428.40**	**1,893,619.08**
	In percent		
Ratio of (B) to (A)[4]	**11.5**	**11.4**	**13**
Ratio of (C) to (A)[5]	**10**	**10.6**	**12.5**
Ratio of (D) to (B)[6]	**17**	**10**	**7.2**

Explanatory notes:

[1] Data in this table will be used in assessing the value of core tax arrears relative to annual collections and examining the extent to which unpaid tax liabilities are significantly overdue (i.e. older than 12 months).

2 'For purposes of this Table, total core tax revenue collections include only T1, T2, and T3.

[3] 'Collectible' core tax arrears is defined as the total amount of tax, including interest and penalties, that is overdue for payment and which is not subject to collection impediments. Collectible core tax arrears therefore generally exclude: (a) amounts formally disputed by the taxpayer and for which collection action has been suspended pending the outcome, (b) amounts that are not legally recoverable (e.g., debt foregone through bankruptcy), and (c) arrears otherwise uncollectible (e.g., the debtor has no funds or other assets).

[4] i.e. $\dfrac{\textit{Value of total core tax arrears at end of fiscal year (B)}}{\textit{Total core tax collected for fiscal year (A)}} \; x \; 100$

[5] i.e. $\dfrac{\textit{Value of collectible core tax arrears at end of fiscal year (C)}}{\textit{Total core tax collected for fiscal year (A)}} \; x \; 100$

[6] i.e. $\dfrac{\textit{Value of core tax arrears >12 months' old at end of year (D)}}{\textit{Value of total core tax arrears at end of fiscal year (B)}} \; x \; 100$
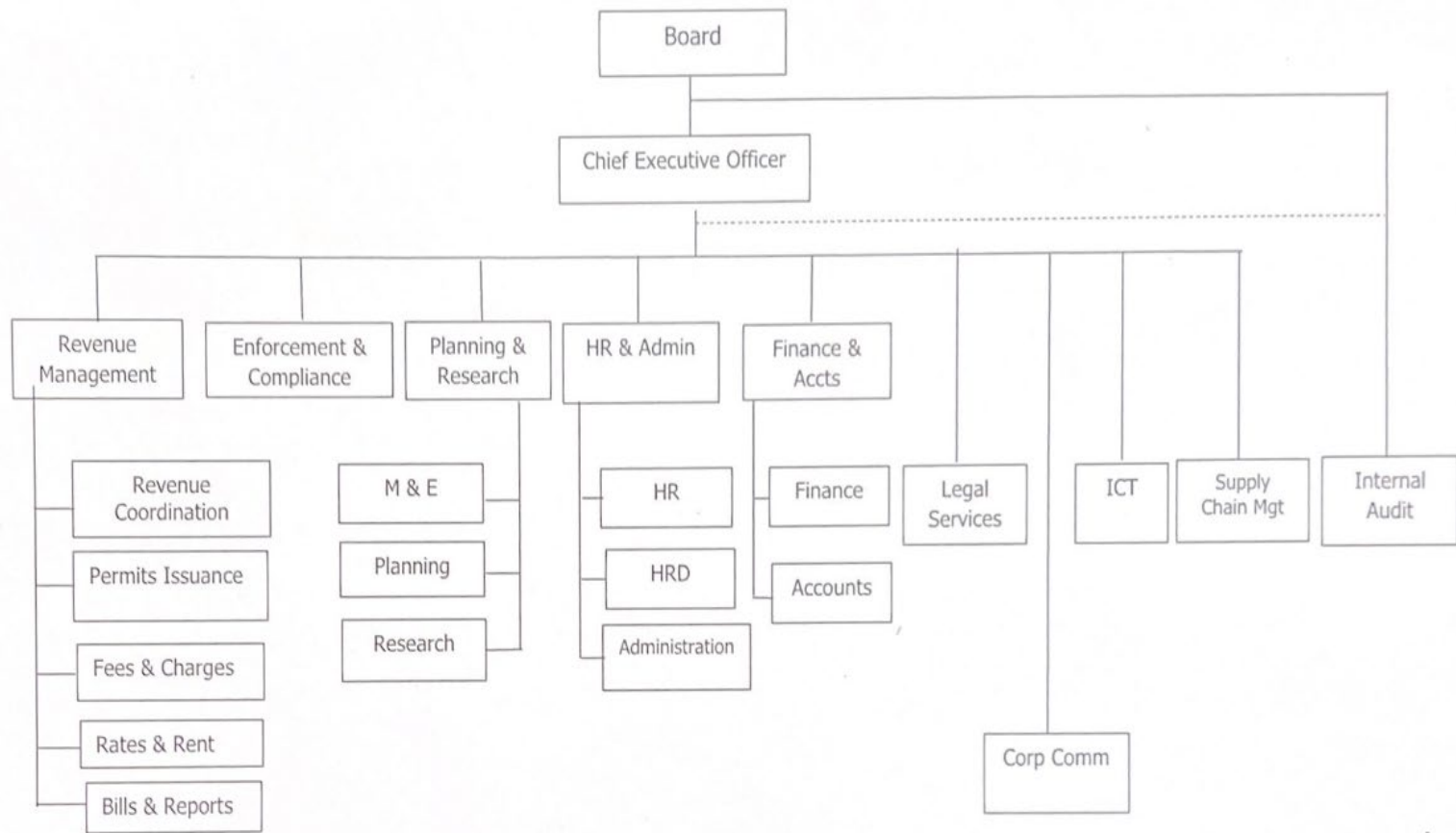
H. Tax Dispute Resolution
(Ref: POA 7)

Month	Number of administrative review cases				Finalized within 30 days		Finalized within 60 days		Finalized within 90 days	
	Stock at beginning of month [A]	Received during the month [B]	Finalized during the month [C]	Stock at end of month [D] = [A + B - C]	Number [E]	In percent of total [F] = [E/D]	Number [G]	In percent of total [H] = [G/F]	Number [I]	In percent of total [J] = [I/D]
Month 1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Month 2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Month 3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Month 4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Month 5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Month 6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Month 7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Month 8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Month 9	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Month 10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Month 11	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Month 12	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
12-month total										

Table 11. Finalization of Administrative Reviews 2021/22

I. Payment of Tax Refunds
(Ref: POA 8)

Table 12. Tax Refunds 2021/22		
	Number of cases	Value in local currency
Total core tax refund claims received **(A)**	N/A	N/A
Total core tax refunds paid[1]	N/A	N/A
Of which: paid within 30 days **(B)**[2]	N/A	N/A
Of which: paid outside 30 days	N/A	N/A
Total core tax refund claims declined[3]	N/A	N/A
Of which: declined within 30 days **(C)**	N/A	N/A
Of which: declined outside 30 days	N/A	N/A
Total core tax refund claims not processed[4]	N/A	N/A
Of which: no decision taken to decline refund	N/A	N/A
Of which: approved but not yet paid or offset	N/A	N/A
In percent		
Ratio of (B+C) to (A)[5]		

Explanatory note:

[1] Include all refunds paid, as well as refunds offset against other tax liabilities.

[2] TADAT measures performance against a 30-day standard.

[3] Include cases where a formal decision has been taken to decline (refuse) the taxpayer's claim for refund (e.g., where the legal requirements for refund have not been met).

[4] Include all cases where refund processing is incomplete—i.e. where (a) the formal decision has not been taken to decline the refund claim; or (b) the refund has been approved but not paid or offset.

[5] i.e. $\dfrac{Tax\ refunds\ paid\ within\ 30\ days\ (B) + tax\ refunds\ declined\ within\ 30\ days\ (C)}{Total\ tax\ refund\ claims\ received\ (A)} \; x\ 100$

Attachment IV. Organizational Chart

Attachment V. Sources of Evidence

Indicators	Sources of Evidence
P1-1. Accurate and reliable taxpayer information.	• Land Registration Act • Land Registration Act • Meru_county_finance_bill • Screenshot of the Property tax management • Adding property record showing main information recorded for now taxpayers • Single Business Permit certificate. • Final Draft Organizational Structure
P1-2. Knowledge of the potential taxpayer base.	• Drivers Meeting-MCRB
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	• Comprehensive Own Source Revenue Potential and Tax Gap Study of County Governments (Kenya Report), Commission on Revenue Allocation and World Bank Group, 2022. • Own Source Revenue Potential and Tax Gap Study of Kenya County Governments, Adam Smith International, 2018. • Audit programs
P2-4. Mitigation of risks through a compliance improvement plan.	• Minutes of the Audit Committee meeting held on June 9, 2021.
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	• Section 2 of the Kenya Gazette Notice No.2690. • Minutes of stakeholder meetings on taxpayer matters
P2-6. Management of operational (i.e. systems and processes) risks.	• MCRB Strategic Plan • MCRB Draft ICT Policy of 2018 • Internal Audit Report • MCRB Training Plan • ICT Policy – draft 2018
P2-7. Management of human capital risks.	• MCRB Organization Structure • Staff performance contract • Annual Operations Report • Minutes from senior management meetings

Indicators	Sources of Evidence
P3-8. Scope, currency, and accessibility of information.	• Jambo Pay screen shots • CIROM System screen shots
P3-9. Time taken to respond to information requests.	• Pre-mission questionnaire
P3-10. Scope of initiatives to reduce taxpayer compliance costs.	• No evidence
P3-11. Obtaining taxpayer feedback on products and services.	• Meru County - Interventions Questionnaire
P4-12. On-time filing rate.	• Pre-mission questionnaire • MCRB Act, 2014 • MC Finance Act, 2019 • Meru County Enforcement Bill, 2019
P4-13 Management of non-filers.	• No evidence.
P4-14. Use of electronic filing facilities.	• Pre-assessment questionnaire • USSD screen shots
P5-15. Use of electronic payment methods.	• Pre-assessment questionnaires
P5-16. Use of efficient collection systems.	• Minutes of meetings with SACCOs
P5-17. Timeliness of payments.	• Pre-mission questionnaire
P5-18. Stock and flow of tax arrears.	• Pre-mission questionnaire
P6-19. Scope of verification actions taken to detect and deter inaccurate reporting.	• MCRB Internal Audit Charter
P6-20. Use of large-scale data-matching systems to detect inaccurate reporting.	• No evidence
P6-21. Initiatives undertaken to encourage accurate reporting.	• Minutes of meetings with Matatu SACCOs
P6-22. Monitoring the tax gap to assess inaccuracy of reporting levels.	• No evidence
P7-23. Existence of an independent, workable, and graduated dispute resolution process.	• No evidence was provided
P7-24. Time taken to resolve disputes.	• No evidence was provided

Indicators	Sources of Evidence
P7-25. Degree to which dispute outcomes are acted upon.	• No evidence was provided
P8-26. Contribution to government tax revenue forecasting process.	• MCRB Organization Structure and Staffing, Spt. 2020.
P8-27. Adequacy of the tax revenue accounting system.	• Jambo Pay screen shots • CIROM System screen shots
P8-28. Adequacy of tax refund processing.	• Refund memos
P9-29. Internal assurance mechanisms.	• Internal audit charter • Attachment IV • Minutes of the Audit Committee meetings • Audit Committee Guidelines for County Governments
P9-30. External oversight of the tax administration.	• OAG Website https://www.oagkenya.go.ke/ • Public Finance Management Act, 2012 • EACC website https://eacc.go.ke/default/ • Ombudsman website https://www.ombudsman.go.ke/
P9-31. Public perception of integrity.	• MCRB customer service charter
P9-32. Publication of activities, results and plans.	• MCRB Strategic Plan 22032017 • OAG Website https://www.oagkenya.go.ke/ • MCRB Audited Financial Statements for FY 2019/20

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