

# **Performance Assessment Report**

**Nairobi City County,  
Kenya**

**Alfred Akibo-Betts, Damacrine Masira,  
John Kimutai, Patience Rubagumya,  
Penninah Munga, Stephen Masha and  
Beytullah Sarican**

**July 2022**

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July 2022

TADAT is a collaborative undertaking of the following partners:



BMZ  
Federal Ministry  
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Ministry of Foreign Affairs of the  
Netherlands



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Schweizerische Eidgenossenschaft  
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## **PREFACE**

An assessment of the system of the tax administration of Nairobi City County, Kenya, was undertaken during the period April 11, 2022 to April 29, 2022 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 comprised the following: Alfred Akibo-Betts (African Tax Administration Forum and Team Leader), Beytullah Sarican (World Bank), Damacrine Masira (Kenya Revenue Authority), John Kimutai (Kenya Revenue Authority), Patience Tumusiime Rubagumya (Uganda Revenue Authority), Penninah Munga (Kenya Revenue Authority), and Stephen Masha (Office of Controller of Budget, Kenya).

The assessment team met physically and virtually with NCC senior management and operational staff, led by Shabaan Asman (Director of Revenue).

The assessment team expresses its gratitude and appreciation to the senior management team of Nairobi City County (NCC) and its staff for their cooperation, openness, and active participation during the TADAT Assessment. In particular, the team is thankful for the services of Paul Mwangi (Finance Officer), Paul Kiiru (ICT Officer), Bernard Njehia (Revenue Officer), and Geoffrey Mosii (Auditor) for their effective assistance in facilitating the meetings and all the necessary input required during the assessment.

A draft Performance Assessment Report (PAR) was presented to the NCC during an exit meeting held on May 5, 2022. Written comments were requested from the NCC; however, no further comments were made by the NCC.

## **ABBREVIATIONS AND ACRONYMS**

CADP	County Annual Development Plan
CIDP	County Integrated Development Plan
CIARMD	County Internal Audit and Risk Management Department
CRA	Commission on Revenue Allocation
DCU	Debt Compliance Unit
EACC	Ethics and Anti-Corruption Commission
FAQs	Frequently Asked Questions
GCP	Gross County Product
ICT	Information, Communications and Technology
KRA	Kenya Revenue Authority
LAIFOMS	Local Authority Integrated Financial Operations Management System
LR	Land Rates
NCC	Nairobi City County
NCCG	Nairobi City County Government
NRS	Nairobi eServices
NTSA	National Transport and Safety Authority
OAG	Office of Auditor-General
OSR	Own Source Revenue
PF	Parking Fees
POA	Performance Outcome Area
SACCOS	Savings and Credit Co-operative Society
SBP	Single Business Permit
TADAT	Tax Administration Diagnostic Assessment Tool
UPN	Unique Property Number

## EXECUTIVE SUMMARY

The results of the TADAT assessment for Nairobi City County follow, including the identification of the main strengths and weaknesses.

### Strengths

- There is an extensive process in place to obtain taxpayers' and Nairobi residents' feedback on laws and policies.
- Tax laws are effective, and the grace period (extra days given to taxpayers after the due date) is regulated by law for the core taxes.
- Electronic payment methods are available for Parking Fees and Land Rates through Nairobi eServices (NRS).
- There are dedicated, responsive and engaging Directorates responsible for administering each core tax.
- Withholding at source mechanism is used to collect Parking Fees for Matatus and Land Rates.
- Independent internal and external audits that provide oversight of financial and operational performance are routinely conducted.
- Existence of an Annual and Strategic Plan for five years..

### Weaknesses

- Use of manual processes and systems with decentralized databases to manage taxpayer information results in unreliable, inaccurate, and incomplete taxpayer information – the number of active and inactive taxpayers is uncertain, thereby hampering effective compliance management.
- Lack of a unique identification number for all core taxes.
- Lack of a Business Continuity Plan and failure to conduct Business Impact Analysis.
- Compliance and institutional risks are not adequately identified, assessed, and managed.
- NCC does not have documented procedures for their various operational functions.
- On-time filing and payment rates are not easily ascertained due to the low reliability of taxpayer records.
- Electronic payment of tax is not fully rolled out for SBP, and there is no systematic approach to monitor the usage of electronic payment platforms for each core tax.
- The absence of taxpayer ledgers in the Local Authority Integrated Financial Operations Management System (LAIFOMS) and NRS systems results in unprocessed taxpayer accounting transactions and consequently delay in establishing the true stock and flow of tax arrears.
- NCC does not undertake tax audits.
- The multiple functions embedded in legislation for objections and appeals are not functional.
- Lack of mechanisms of monitoring public confidence in NCC.



**With a revenue management system already in place, the team observed that NCC has strengths that support reforms to improve tax administration in Nairobi.** Firstly, in encouraging public participation in policy and law development, NCC has an extensive process to obtain feedback from taxpayers and residents through multiple means, including public forums and meetings. These engagements, supported by legislation, enable the City Government to gain valuable insights into new policies and legislation, as stakeholder involvement enhances implementation.

Other key strengths of NCC include: (i) dedicated, responsive and engaging Directorates responsible for the administration of each core tax, which ensures there is a foundation to support revenue reforms; (ii) withholding at source mechanism is used for the collection of Parking Fees from Matatus through the support of SACCOS, building on cooperation with stakeholders; (iii) electronic payment methods are available for Parking Fees and Land Rates through NRS; (iv) independent internal and external audits that provide oversight of financial and operational performance are routinely conducted, enhancing accountability and transparency.

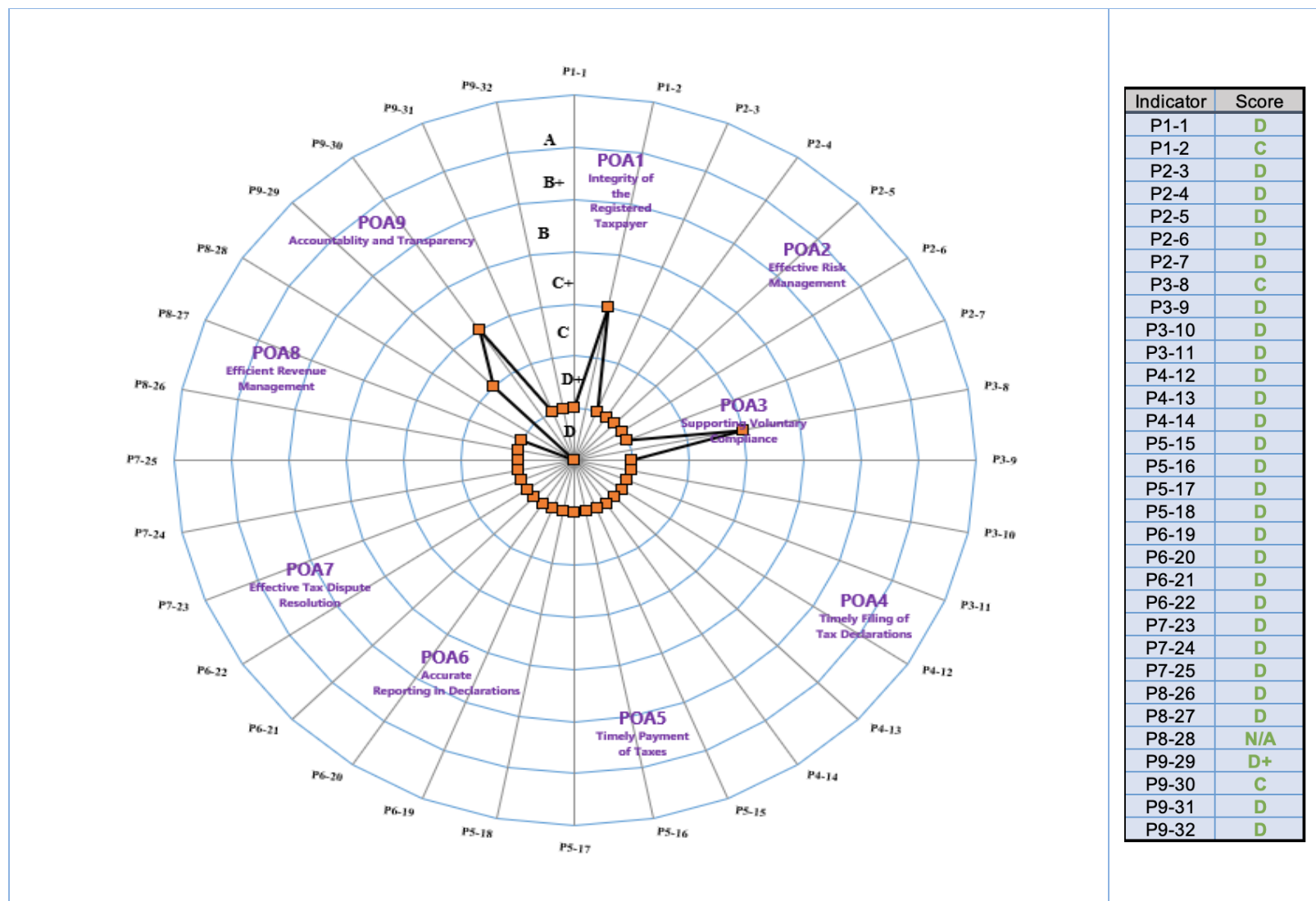
It should be noted that there is no dedicated unit or department for revenue mobilization as the collection of taxes is managed by the Finance and Economic Planning Department, which has other functions, including procurement, stores and accounting services. There are plans to modernize, reform and improve Domestic Resource Mobilization with the enactment of the Nairobi City County Revenue Administration Act 2021. This Act establishes a legal and institutional framework for revenue administration that promotes effectiveness, efficiency and transparency in revenue administration in Nairobi. Once this reform is implemented, the Nairobi City County Revenue Authority, a new entity, will be responsible for (i) collecting, receiving and accounting for revenue on behalf of the County, (ii) administering and enforcing revenue laws; and (iii) assessing revenue payable to the Nairobi City County Government (NCCG) where applicable, among other functions. With some process in place to collect taxes at NCC, the revenue authority has great potential if it is supported by multiple key partners, including the national government.

**However, challenges in several areas undermine NCC's ability to execute its mandate.** For example, the use of manual systems to manage taxpayer information results in inaccurate, incomplete and unreliable information. This negatively impacts several outcomes, such as the inability to determine with certainty the level of taxpayer filing of declaration, taxpayer payment of taxes, tax arrears, and reconciliation of the taxpayer ledgers. Other weaknesses include the following: (i) the low reliability of the taxpayer registration database and inaccuracy of taxpayer accounts that negatively impacts NCC's ability to promote voluntary compliance; (ii) lack of ownership or access to NCC systems; (iii) lack of documented procedures for maintaining the integrity of the taxpayer register; (iv) electronic services that are not fully utilized by both NCC and taxpayers; (v) absence of tax dispute resolution mechanism for land rates taxpayers; and (vi) a tax administration information revenue management system that does not have taxpayer ledgers. The impact of these weaknesses is further intensified by: (i) the absence of documented processes and procedures that undermine consistency in working practices; and (ii) the lack of a mechanism to monitor and evaluate most of the tax administration's key functional areas.

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. Nairobi City County: Distribution of Performance Scores



**Table 1. Nairobi City County: Summary of TADAT Performance Assessment**

Indicator	Scores 2022	Summary Explanation of Assessment
<b>POA 1: Integrity of the Registered Taxpayer Base</b>		
P1-1. Accurate and reliable taxpayer information.	<b>D</b>	NCC has partially automated its registration processes for all the core taxes. However, the system is decentralized, and there exist multiple registration processes for the core taxes with no unique identifier for all the core taxes.
P1-2. Knowledge of the potential taxpayer base.	<b>C</b>	NCC undertakes ad-hoc initiatives to detect unregistered businesses and individuals.
<b>POA 2: Effective Risk Management</b>		
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	<b>D</b>	The extent of intelligence gathering and research to identify compliance risks regarding the main tax obligations is limited. NCC does not have a structured compliance risk management process.
P2-4. Mitigation of risks through a compliance improvement plan.	<b>D</b>	NCC has no Compliance Improvement Plan to guide the administration in mitigating the identified risks.
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	<b>D</b>	NCC does not monitor and evaluate the impact of compliance risk mitigation activities.
P2-6. Management of operational risks.	<b>D</b>	A structured process is applied, but not annually, to identify, assess, prioritize, and document operational risks in a risk register. This does not include cyber security. A business continuity program is not in place, limiting how effectiveness is tested, monitored, and evaluated. In addition, NCC does not conduct business impact analysis.
P2-7. Management of human capital risks.	<b>D</b>	The extent to which the tax administration has in place the capacity and structures to manage human capital risks is limited. The degree to which NCC evaluates the status of human capital risk is limited, and related mitigation interventions are not measured.
<b>POA 3: Supporting Voluntary Compliance</b>		

Indicator	Scores 2022	Summary Explanation of Assessment
P3-8. Scope, currency, and accessibility of information.	C	NCC has extensive information on key taxpayer obligations and entitlements for the core taxes through the NCC website and other information products. However, there are no dedicated staff resources or procedures to develop and update information. Although there are no specific programs that target disadvantaged groups, NCC adopts a robust program that ensures taxpayers, and the public are engaged before laws and policies are adopted.
P3-9. Time taken to respond to information requests.	D	Although NCC has a Service Charter for the core taxes, no functioning call centre caters for revenue management.
P3-10. Scope of initiatives to reduce taxpayer compliance costs.	D	NCC has limited initiatives to reduce taxpayer compliance costs, as there are no simplified record and reporting arrangements for small taxpayers.
P3-11. Obtaining taxpayer feedback on products and services.	D	NCC obtains feedback through limited means as only public engagements are undertaken. However, there have been few instances where feedback from taxpayers has resulted in a policy change, such as the payment period for Single Business Permits.
<b>POA 4: Timely Filing of Tax Declarations</b>		
P4-12. On-time filing rate.	D	The number of declarations filed on time cannot be established due to manual filing processes.
P4-13. Management of non-filers.	D	NCC has documented procedures and dedicated staff to follow up with non-filers. However, these follow-ups are conducted on an ad hoc basis through field inspections undertaken by data collection officers stationed in the sub-counties.
P4-14. Use of electronic filing facilities.	D	The tax declarations filed electronically for the FY 2018/19 appear to be low for all the core taxes. Further, electronic filing is affected because NCC still has provisions for manual filing.
<b>POA 5: Timely Payment of Taxes</b>		

Indicator	Scores 2022	Summary Explanation of Assessment
P5-15. Use of electronic payment methods.	D	Electronic payment methods are available for Parking Fees and Land Rates; however, they are not fully rolled out for Single Business Permits. While no cash payments are handled at any NCC office, most payments are made through commercial banks in person. LAIFOMS cannot generate data to assess how electronic payment methods are used.
P5-16. Use of efficient collection systems.	D	The withholding system is used for Parking Fees and Land Rates; however, it is not applicable for Single Business Permits. There is no advance payment system in place by law.
P5-17. Timeliness of payments.	D	Inadequate governance structure to monitor timelines of payments since NCC does not have access to its revenue management system. The system does not allow NCC to monitor the number of and value of payments due that are not made on time.
P5-18. Stock and flow of tax arrears.	D	NCC does not have accurate data on tax arrears by the age of arrears or by collectability of arrears to monitor the stock and flow of tax arrears at the NCC offices.
<b>POA 6: Accurate Reporting in Declarations</b>		
P6-19. Scope of verification actions taken to detect and deter inaccurate reporting.	D	The scope of verification actions to detect and deter inaccurate reporting at NCC is limited. NCC has an onsite inspection unit that is limited to SBP. There are no manuals, checklists or guidelines to guide the inspection process. The inspections are neither reviewed nor their impact on taxpayer compliance evaluated.
P6-20. Use of large-scale data-matching systems to detect inaccurate reporting.	D	NCC does not cross-check data with 3rd Party information to detect inaccurate reporting due to limitations in the current systems.
P6-21. Initiatives undertaken to encourage accurate reporting.	D	NCC neither has a Private or Public Ruling system nor Cooperative Compliance Arrangements. However, there are minimal proactive initiatives where payments are

Indicator	Scores 2022	Summary Explanation of Assessment
		collected by the Umbrella Associations on behalf of NCC. The arrangements are with Karen Langata Residents Association for Land Rates and Matatu SACCOS for Parking Fees.
P6-22. Monitoring the tax gap to assess inaccuracy of reporting levels.	D	NCC does not undertake tax gap studies to assess inaccuracy of reporting levels, However, Own Source Revenue potential and gap study were conducted by the World Bank in 2018 using an international sound method. There is no evidence of its review or usage of its output by NCC.
<b>POA 7: Effective Tax Dispute Resolution</b>		
P7-23. Existence of an independent, workable, and graduated dispute resolution process.	D	Multiple legislation provides for an Appeals process; however, adequate structures have not been implemented to provide redress for taxpayers. NCC doesn't provide general or specific information for taxpayers on the dispute resolution process.
P7-24. Time taken to resolve disputes.	D	NCC does not monitor the time taken to deal with disputes.
P7-25. Degree to which dispute outcomes are acted upon.	D	NCC does not monitor and analyse dispute outcomes as no effective dispute resolution system exists.
<b>POA 8: Efficient Revenue Management</b>		
P8-26. Contribution to government tax revenue forecasting process.	D	NCC forecasts and estimates tax revenue to provide input into the budgeting process. However, periodic reporting on revenue performance is not done monthly.
P8-27. Adequacy of the tax revenue accounting system.	D	NCC has two accounting systems for core taxes: LAIFOMS for Land Rates and Single Business Permits and the Nairobi Revenue System (operated by the Kenya Revenue Authority) for Parking Fees. The two systems are not interfaced with the National Government System – the Integrated Financial Management Information System (IFMIS).

Indicator	Scores 2022	Summary Explanation of Assessment
P8-28. Adequacy of tax refund processing.	N/A	Refunds do not apply to any revenue stream.
<b>POA 9: Accountability and Transparency</b>		
P9-29. Internal assurance mechanisms.	D+	NCC has an independent Internal Audit and Risk Management Department. However, no independent review of the internal operations has been undertaken in the past years. Furthermore, NCC cooperates with other relevant anti-corruption agencies.
P9-30. External oversight of the tax administration.	C	The Office of the Auditor General (OAG) provides independent external oversight. However, mechanisms to investigate suspected wrongdoing by NCC are weak. A national anti-corruption commission exists, and it investigates cases of misconduct or corruption.
P9-31. Public perception of integrity.	D	The mechanisms for monitoring public confidence in the tax administration do not exist.
P9-32. Publication of activities, results and plans.	D	Although the FY 2020/2021 Annual Report outlining the financial and operational performance was prepared, evidence of its publication was not availed. The County Annual Development Plan (CADP) and County Integrated Development Plan (CIDP) were prepared. However, the CIDP was published after the commencement of the period covered by the plan.



## I. INTRODUCTION

This report documents the results of the TADAT assessment conducted in Nairobi City County (NCC) during the period April 11, 2022, to April 29, 2022, 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 considered 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 Nairobi City County).

- 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.

## **SUBNATIONAL JURISDICTION BACKGROUND INFORMATION**

### **Nairobi City County Profile**

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

### **Data Tables**

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

### **Economic Situation**

Nairobi sprawls over a surface area of 696 square kilometers and is the third smallest county out of the 47 counties in Kenya. Its population is estimated at over 5.1 million inhabitants in 2022, up from 4.4 million according to the 2019 census. Nairobi's population is estimated to increase by 4 per cent

annually primarily because of high birth rates and immigrants that come to Nairobi searching for employment opportunities.

Nairobi City County leads all 47 counties in Kenya and contributed 21.7 per cent of the national GDP from 2013 to 2017. However, its share of Gross County Product (GCP) declined consistently from a high of 23.5 per cent in 2013 to 19.8 per cent in 2017. This decline was mainly due to growth in agriculture's contribution to GDP, which is not a key driver of NCC's economic activities. Unlike other counties with a vibrant agriculture sector, Nairobi's economy has little or no agriculture activities.

Being the capital city of the country and the most significant urban county, residents from counties neighboring the NCC regularly purchase from Nairobi, therefore, boosting the county's economic activities. The average real GCP growth from 2013 to 2017 was stable at about 5.6 per cent, or equivalent to the overall average GCP growth for the counties of 5.6 per cent. The county's nominal GCP was Ksh.1,492,323 million in 2017. This performance is attributed to the county's status as the country's capital city with vibrant activities in manufacturing, services, transport, retail, construction, and the real estate sectors. The NCC accounted for about 57.9 per cent of all manufacturing activities in the Country in 2017 and had a real GCP per capita of Ksh.212,498.

NCC had a poverty headcount rate of 16.7 per cent in 2015/16 and the lowest among all Counties where the national poverty rate was 36.1 per cent. Poverty is more pronounced in semi-arid and rural counties than in urban or peri-urban counties, with small households compared to rural ones. Overall, Kenya's poverty levels declined from 46.8 per cent in 2005/6 to 36.1 per cent in 2015/16, with a poverty reduction rate averaging 0.9 percentage points per year. The decline was primarily due to pro-poor initiatives rolled out by the county governments and other development actors such as the national government and non-state actors.

### **Main Taxes**

There are key laws that guides the imposition of taxes in Nairobi City County.<sup>1</sup> NCC's main structured Own Source Revenue (OSR) revenue streams are Land Rates (LR), Parking Fees (PF), and Single Business Permits (SBPs). These revenue sources contributed 31 per cent, 17 per cent, and 16 per cent of the total revenues, respectively, in the financial year 2020/21. The choice of revenue streams for the TADAT assessment resulted from a professional judgment following discussions with the authorities. Other revenues collected include Liquor Licenses, Building Permits, Advertisement Fees, Market Fees, and Rent from NCC-owned property.

Further details on tax revenue collections are provided in Table 1 in Attachment III.

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<sup>1</sup> Article 209 (4) of the Constitution of Kenya 2010, Public Finance Management Act, 2012, Nairobi City County Finance Act, 2013, Rating Act (Cap 267), Kenya Revenue Authority Act (Cap 469), Nairobi City County Tax Waivers Administration Act, 2013, Nairobi City County Trade Licensing Act, 2019, Nairobi City County Finance Act, 2022 and Nairobi City County Revenue Administration Act, 2021.

## **Institutional Framework**

NCC is the creation of the Constitution of Kenya 2010 and the successor of the defunct City Council of Nairobi. It was founded in 2013 and operates under the auspices of the Urban Areas and Cities Act 2011, the County Governments Act 2012, and the Intergovernmental Relations Act 2012, among others. NCC is charged with providing various services to residents within its area of jurisdiction as assigned under Schedule 4 of the Constitution of Kenya, 2010. These include: Agriculture, County Health Services, County Transport, Trade Development and Regulation, County Planning and Development, Pre-primary Education, Firefighting services, etc. In 2020, the Nairobi Metropolitan Services was established to help deliver services to the NCC inhabitants.

To undertake the above functions, the NCC receives funding from the National government, grants from development partners, and generates Own-Source Revenue (OSR) in line with Article 209 of the Constitution of Kenya, 2010. Specifically, Article 209 (3) of the Constitution grants powers to NCC to impose:

- (a) Property rates;
- (b) Entertainment Taxes; and
- (c) Any other tax that it is authorized to impose by an Act of Parliament.

NCC has a Revenue Department, under the Finance and Economic Planning Department, responsible for collecting, recording, accounting, and reporting on all revenue generated by the county. According to Section 157 of the Public Financial Management Act, 2012, a Director, the designated County Receiver of Revenue, heads the Directorate. To facilitate the revenue collection function, every sub-county is managed by a Senior Revenue Officer, while each of the 85 Wards is managed by a Ward Revenue Officer.

An organizational chart of the NCC's Revenue Department is provided in Attachment IV.

## **Current Status of Tax Administration Reform**

NCC's OSR performance grew minimally from Ksh.10 billion in 2013/14 to Ksh.10.24 billion in 2020/21. In an effort to enhance OSR performance, the NCC appointed the Kenya Revenue Authority (KRA), Kenya's agency responsible for assessing, collecting, and accounting for all revenues, as its principal agent for overall revenue collection in February 2020. Other recent reforms include NCC's recognition agreement with the Karen and Langata District Association that provided a collaboration framework in development control, rates collection and general service delivery.

Further, the National Treasury has initiated efforts to procure an automated revenue management system that will work for all counties.

The market modernization program under the Nairobi Metropolitan Services (NMS) offers the opportunity to increase market fees. Additionally, numerous capacity-building activities conducted by development partners and other National Government institutions for technical staff at the NCC 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**

The County has engaged Kenya Revenue Authority (KRA) to collect taxes with the opportunity to share information on taxpayers.

## **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 2022	
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	

**NCC has partially automated its registration processes for all the core taxes.** Registration for LR and SBP is done through a system known as the Local Authority Integrated Financial Operations Management System (LAIFOMS). In contrast, registration for Parking Fees is done through the NRS system, which is web-based. LAIFOMS has several modules, and the two core taxes have separate registration processes. This is available to officers in three sub-counties; Dandora, Umoja and Makadara, while NRS is available in all the seventeen sub-counties. The taxpayer obligations are outlined in the Finance Acts, and the registration forms for all the core taxes contain the following features: (i) Taxpayer background/ identification details; (ii) Registration for various tax types; and (iii) Segmentation of taxpayers. LR taxpayers are segmented based on property size; SBP taxpayers are segmented on the size of the business, while in the case of Parking Fees, segmentation is done by the capacity of the vehicles. For LR, the system issues a Unique Property Number (UPN), an alphanumeric number containing a special character (hyphen) and a numerical customer supplier identification number for SBP. The car registration number is used as the identifier in the case of Parking Fees. However, the system is decentralized, and there are multiple registration processes for the core taxes with no unique identifier for all the core taxes. Instead, multiple taxpayer identification numbers for each core tax are issued that are not linked within the registration database. Further, the taxpayer identification numbers do not contain a self-check digit or algorithm for self-validation.

**The taxpayer information held in the NCC systems is insufficient to support effective interaction with taxpayers and compliance initiatives.** The system's key features include: (i) generation of registration-related management reports; (ii) audit trails of user access and historical changes made to the information held in the database; (iii) provides a whole view of taxpayers' information across core taxes in a few sub-counties that have the infrastructure to support the systems; and (iv) NRS system is integrated with the National Transport and Safety Authority (NTSA) system. However, the systems can neither archive information of deactivated taxpayers nor provide secure online access to taxpayers for change of registration details. Coupled with this, the systems do not use taxpayer registration details to generate tax declarations.

**The taxpayer information held in the registration database is inaccurate and unreliable.** NCC does not have documented procedures or a systematic approach to identify and remove inactive taxpayers, duplicate records, and fake registrants. Consequently, the tax administration system does

not routinely identify, remove, or deactivate inactive and dormant taxpayers. Verification and validation of registration details are done on an ad hoc basis upon requests by the taxpayers. Furthermore, NCC does not use large-scale automated processes to verify data accuracy in its systems against databases of other government agencies. No internal or external audits have been undertaken on the registration database to ascertain the taxpayer register's accuracy levels.

## **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 2022
P1-2. The extent of initiatives to detect businesses and individuals who are required to register but fail to do so.	M1	C

### **NCC undertakes ad hoc initiatives to detect unregistered businesses and individuals.**

NCC conducts inspection check initiatives to detect unregistered individuals and businesses using the data collection officers in the wards and the Debt Compliance Units (DCU). However, these initiatives are generally conducted once a year after the three-month grace period. For example, in 2022, ad hoc inspection checks were undertaken to detect unregistered businesses operating at night to avoid paying taxes. The focus of this exercise was on additional revenue identified for collection from non-compliant and unregistered businesses. NCC does not use third-party data to identify unregistered businesses.

## **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:

- *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
- *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 2022	
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	



**The extent of intelligence gathering and research to identify compliance risks regarding the main tax obligations is limited.** A study<sup>2</sup> was commissioned by the World Bank and National Treasury explicitly on behalf of county governments to map out their own generated revenue base and potential. NCC participated in this study, as evidenced by the program schedule attached to the report. However, there is no evidence to indicate that the report's findings were employed to enhance revenue collection and compliance levels. The directorate accesses data from external departments like lands and transport to enable the view of taxpayers' profiles. However, there is no evidence that the data gathered and interpreted is used to build knowledge of compliance levels and risks. There is also no evidence of gathering and interpreting data from various internal and external sources to build compliance.

**The process used to assess, rank, and quantify taxpayer compliance risks is not structured.** A high-level risk register exists that identifies both tax compliance and operational risks. Risks are ranked using a scoring criterion of likelihood and consequence as espoused by ISO 31000 on risk management. However, there is no evidence of a structured risk assessment process as part of a multi-year strategic planning to assess and quantify compliance risks for all core taxes, the four main tax obligations, and key taxpayers.

#### **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 2022
P2-4. The degree to which the tax administration mitigates assessed risks to the tax system through a compliance improvement plan.	<b>M1</b>	<b>D</b>

**NCC has no Compliance Improvement Plan to guide the administration in mitigating the identified risks.** Control improvement actions are not recommended to answer attestation questions on the effectiveness of existing controls to risk in the high-level risk register. In addition, although the risk register identifies significant compliance risks by way of scoring, it does not identify the most significant risks in the main taxpayer compliance areas, core taxes, key taxpayer segments and a plan of action to mitigate risk. NCC also does not have a Compliance Improvement Plan tied to the outputs of the risk register to plan and action mitigation activities.

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

<sup>2</sup> Adam Smith International, Own-Source Revenue Potential and Tax Gap Study of Kenya's County Governments

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 2022
P2-5. The process used to monitor and evaluate the impact of compliance risk mitigation activities.	M1	D

**NCC does not monitor and evaluate the impact of compliance risk mitigation activities.** There is a formal governance arrangement at the senior management level in the form of an audit committee to approve and evaluate the impact of risk mitigation activities. Controls<sup>3</sup> in the risk register are tracked with key performance indicators and assigned risk owners. However, there are no control attestations to test their impact or whether the measures are existing controls or proposed treatments. In addition, the lack of a Compliance Improvement Plan means that no identified compliance mitigation activities can be evaluated.

#### **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 2022	
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	

**A structured process exists to identify, assess, prioritize, and document operational risks in a risk register but it is not applied annually and does not include cyber security.** Operational risks, not including cyber security, are identified, assessed, and prioritized in a high-level risk register. NCC has a Disaster Management Committee, which has plans to develop a disaster contingency program as

<sup>3</sup> The functional part of a system that provides feedback on how the system is accomplishing its objectives

identified in the County Integrated Development Plan 2018-2022. NCC is preparing a disaster management policy and a county emergency operations plan. However, there is no evidence of a business impact analysis conducted annually. Recovery time objective and response point objective are not determined or documented, and strategies are not identified to address both. Additionally, there is no evidence of a business continuity management program. Heads of departments conduct annual training needs assessments that should include staff training on risk management, but there has not been staff training on operational risk management roles and responsibilities since 2014. Business continuity exercises common to all staff are not conducted.

**A Business Continuity Program is not in place, limiting the extent to which effectiveness is tested, monitored, and evaluated.** There is neither evidence of a documented business continuity program nor monitoring done to evaluate the impact of operational risk mitigation initiatives.

#### **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 2022	
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	

**The extent to which the tax administration has in place the capacity and structures to manage human capital risks is limited.** All county officers, including the human resource management team nominated by their various departments, are eligible for technical capacity training every year. Staff are required to agree on performance expectations and sign performance contracts. Some elements of human capital risk issues are addressed in the 2021-22 Annual Development Plan. There is a methodology for identifying, assessing, prioritizing, and mitigating human capital risks through a risk register. However, there is no evidence for the following: (i) a formal process through which all managers are trained to understand human resource risks; (iii) an active governance structure to review human capital risk issues to provide direction on mitigating measures; and (iv) human resource risk training, understanding, and experience in NCC. Further, an independent third party has not undertaken a review of the human resource operations and systems.

**The degree to which NCC evaluates the status of human capital risk is limited, and related mitigation interventions are not measured.** The internal audit department conducts a formal

evaluation of human capital risks status by reviewing the status of the risk register once a year. The 2019/20 Office of the Auditor General's report covers the core human resource risk category of cost in its key findings. The County Integrated Development Plan (CIDP) 2018-22 discusses competency development due to inadequacies in staff training needs. Human capital risks are contained in the public service department's risk register. However, there is no impact analysis conducted to evaluate the efficacy of risk-mitigating interventions, and there is no evidence that the risks are documented in the tax administration's annual operations.

### **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 2022	
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.	M1	C	C
P3-8-2. The degree to which information is current in terms of the law and administrative policy.		C	
P3-8-3. The ease by which taxpayers obtain information from the tax administration.		C	

**NCC has extensive information on key taxpayer obligations and entitlements for the core taxes through the NCC website and other information products.** NCC's website ([www.nairobi.go.ke](http://www.nairobi.go.ke)) through the Downloads and Resources, and FAQs & Help Desks pages provide information to taxpayers on the core taxes and major taxpayer obligations. The website also allows residents to enquire about services by completing the "Ask a Question" form. NCC also develops extensive information through brochures, FAQs, and public notices distributed to field offices, especially during peak revenue mobilization and mobile digital screens on trucks.

**NCC adopts a robust program that ensures taxpayers and the public are engaged before laws and policies are adopted.** NCC engages taxpayers and the public through multiple engagements regarding new laws and policies, including public forums, meetings with industry groups, "barazas" (public meetings), one-on-one engagements with taxpayers, and newspaper and television adverts. The objective of these engagements is firstly to inform the public and taxpayers about the new changes in law and policy and obtain their input. This engagement and dialogue process is supported by the Nairobi City County Public Participation Act 2015.

**NCC does not have dedicated staff and procedures to ensure the currency of information.**

Although there are no dedicated staff members in a special unit to develop and update information products, NCC staff are occasionally instructed to develop information disseminated to taxpayers on a needs basis.

**Public education programs are undertaken by NCC, although programs do not specifically target disadvantaged groups such as micro and small businesses and new businesses.** Through public meetings and forums, NCC delivers their public education programs that educate and engage Nairobi residents and taxpayers on the core taxes. Information is also available through multiple channels such as the NCC website, brochures, public notices, newspaper adverts, television, radio, face-to-face engagements, and letters.

### 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 performance 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 2022
P3-9: The time taken to respond to taxpayers and tax intermediaries' requests for information.	M1	D

**Although NCC has a Service Charter for the core taxes, no functioning call centre caters for revenue management.** There is no call centre specifically for revenue management; therefore, there is no adequate information to measure this dimension. Taxpayers will usually call NCC staff on their personal mobile numbers when they have an enquiry or issue.

### 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 2022
P3-10. The extent of initiatives to reduce taxpayer compliance costs.	M1	D

**NCC has limited initiatives to reduce taxpayer compliance costs.** There are no simplified record keeping and reporting requirements for small taxpayers. Also, although FAQs are available, there is no mechanism to detect common misunderstandings of the law through service and verification activities. However, the Nairobi eServices Portal ([www.nairobiservices.go.ke](http://www.nairobiservices.go.ke)) provides 24-hour access to payment for Land Rates and Parking Fees. NCC forms are up to date with the current law; however, there is no process to review forms to remove irrelevant information regularly.

### 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 2022	
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	

#### **NCC obtains feedback through limited means as only public engagements are undertaken.**

Although NCC obtains feedback through public meetings and engagements with Nairobi residents and taxpayers, feedback is not obtained through surveys via telephone, emails, the NCC website and sub-county offices. Also, NCC has never undertaken a survey based on a statistically valid sample for key taxpayer segment groups.

**Taxpayers and Nairobi residents are rarely engaged in designing and testing new products and services.** However, there have been few instances where feedback from taxpayers has resulted in a policy change, such as the change in payment period for Single Business Permits from the calendar year to a one-year period from the date of payment.

### **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-filing 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 2022	
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.	<b>M2</b>	<b>D</b>	<b>D</b>
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.		<b>D</b>	
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.		<b>D</b>	

**The number of declarations filed on time cannot be established.** Filing requirements for LR, SBP and Parking Fees are established in the Finance Act 2021. A provision of a three-month grace period is in place and is anchored in the law. However, due to manual filing processes, NCC cannot determine on-time filing rates.



#### 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 2022
P4-13. Action taken to follow up non-filers.	M1	D

**NCC has documented procedures and dedicated staff to follow up with non-filers.** A list of non-filers can be generated for taxes that file through the LAIFOMS. Further, penalties are imposed on late and non-filers for LR, SBP and seasonal Parking Fees. Towing and clamping charges are enforced on vehicles that operate in the loading zones. A demand notice is also issued to defaulters who must make payments within a given period provided in the notice. Failure to comply could lead to arrest, auctioning of property, and closure of businesses. However, NCC does these follow-ups on an ad hoc basis through field inspections carried out by data collection officers stationed in the sub-counties. The modules for LR and SBP automatically generate penalties; however, in some cases, the penalties are erroneous and have to be adjusted by the sub-county Managers. Additionally, the taxpayer register is not routinely updated based on the results of the non-filer enforcement.

#### 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 2022
P4-14. The extent to which tax declarations are filed electronically.	M1	D

**The tax declarations filed electronically for FY 2018/19 appear to be relatively low for all the core taxes.** As shown in Attachment III, Tables 4 and 5, a total of 39 per cent, 36 per cent and 25 per cent of Parking Fees, SBP and LR taxpayers, respectively, file electronically. Figures for FY 2019/20 and 2020/2021 could not be established since NCC does not have access to its revenue management systems. Electronic filing is affected because NCC still has provisions for manual filing.

## 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 2022
P5-15. The extent to which core taxes are paid electronically.	M1	D

**No evidence and data were provided to assess how electronic payment methods are used for each tax.** LAIFOMS cannot report and generate data on electronic payments by methods. Data provided shows that the number and value of payments made electronically is, on average, 27 per cent for the core taxes (Table 8 in Attachment III). However, these statistics are unreliable given the percentage of total number and value of payments provided for each core tax. Future plans include enabling the payment of taxes through the NRS ePortal, which will allow taxpayers to make payments without the direct intervention of bank staff or tax administration.

**Electronic payment methods are available for Parking Fees and Land Rates through the NRS ePortal; however, not yet fully rolled out for Single Business Permits.** While no cash payments are handled at any NCC office, as most payments are made through commercial banks in person. LAIFOMS is not integrated with the NRS ePortal that payments are made and transferred to the relevant Treasury account. When the taxpayers make the payments at Banks, it is not reflected in the taxpayer account in real-time in the LAIFOMS and requires taxpayers to submit the payment receipt in person to the appropriate NCC office. Until this reconciliation is completed, the late interest rate is applied to the Taxpayer account in LAIFOMS. When NCC receives the payment information from the taxpayers, it is matched with the corresponding tax obligation and carries out the reconciliation process manually. Since LAIFOMS is not integrated with the NRS ePortal and Banks, the system cannot generate a report that details the time of payment, payment methods, penalties and interest that have been applied.

#### **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 2022
P5-16. The extent to which withholding at source and advance payment systems are used.	<b>M1</b>	<b>D</b>

**NCC has a Withholding System for Parking Fees and Land Rates through independent third parties.** Matatu SACCOS<sup>4</sup> on Parking Fees and Karen and Langata District Association<sup>5</sup> on LR are responsible legally for collecting the payments from the taxpayer, who are their members. They deposit the withholding amounts to the treasury account regularly and inform NCC of all the withholding details made on an annual basis. Withholding at the source system is not used and applicable for SBP. Although advance payment is applicable for SBP and LR, this is not regulated and enforced by 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

<sup>4</sup> Matatu is the name that is commonly used to refer to public transport in Kenya. The Matatu Saccos are umbrella bodies/associations for the different Matatus which is a government requirement and directive.

<sup>5</sup> The Karen and Langata District Association is cooperative society undertaking conservation activities to protect the environment.

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 2022	
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	D	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	

**There is inadequate governance to monitor the timeliness of payments since NCC does not have access to its revenue management system, NRS ePortal.** NCC cannot accurately identify and report all instances where amounts have not been paid on time in the system over the last three years (Table 8 in Attachment III). However, due to manual reconciliation processes that depend on the presence of taxpayers in person, NCC has been unable to determine on-time payment rates over the last three years (Table 9 in Attachment III).

**According to the data provided for 2018, on-time payment rates for LR are very low both by the number of payments and by the value of LR due.** The data shows that 32 per cent of the total number of LR payments was received on time, and 46 per cent of the total value of LR payments were made on time in 2018 (Table 9 in Attachment III). The data provided is deemed unreliable to monitor the timeliness of payments due to: (i) the manual reconciliation process, which requires taxpayers to submit the payment receipt in person to the offices, (ii) delays in reconciling tax payments posted to the treasury accounts, which NCC does not have access (iii) unreliable taxpayer registration database, (iv) lack of proper detailed information on payments (time of payment, payment methods, penalties and interest that have been applied) in LAIFOMS.

#### **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 'collectable tax arrears' to annual collections.<sup>6</sup> A third measurement dimension looks at the extent of unpaid tax

<sup>6</sup> 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).

liabilities that are more than a year overdue (a high percentage may indicate poor debt collection practices and 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.

**Table 19. P5-18 Assessment**

Measurement dimensions	Scoring Method	Score 2022	
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	D	D
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.		D	
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.		D	

**The effectiveness of arrears management is not assessed due to the lack of reliable data on tax arrears.** There are dedicated staff within the Directorates responsible for enforcing tax payment arrears. However, the LAIFOMS can determine the value of collectible tax arrears once the manual reconciliation process is completed. The system does not generate management information such as statistical reports on the value and age of arrears for each tax, value and number of cases subject to legal recovery action. The arrears management process is undertaken manually case-by-case at the sub-national level, and there are no dedicated staff and activities at the city offices. The enforcement of arrears process starts 72 hours after the due date, and NCC officers deliver written demand notices personally to taxpayers. The debt collection process is manual, not standardized and not documented. The time payment arrangements (instalments) are made without interest rate. The monitoring of tax arrears, including their age and collectability, is not systematic due to the inability of LAIFOMS and lack of accessibility to the NRS ePortal.

**In general, the existing IT system and laws do not provide NCC with adequate tools for arrears management and a legal framework.** The arrears management activities are undertaken manually, and some common sanctions in the enforcement of tax debts are missing. NCC is not legally equipped with the adequate debt recovery powers such as the freezing of bank accounts, restrictions on property sales by the debtor, business license restrictions, authority to close the business of tax debtor and imposing personal liability of directors for tax debts of companies or collecting amount owing from third parties. NCC does not have a write-off rule in place for uncollectible arrears.

## 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 2022	
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.		D	
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	

**NCC does not have a tax audit program in place; however, they have on-site inspections only for SBP that are limited in scope.** The inspection program is limited to SBPs as provided for under Section 24 of the NCC Trade Licensing Act 2019. It is also not tailored towards key taxpayer segments and high-risk taxpayers. The inspections are undertaken only after the due dates, and they are not centrally selected based on assessed risks. NCC uses the direct audit method only, which involves on-site inspections. The impact of inspections on taxpayer compliance is also not evaluated.

**NCC's inspection program is not systematized around uniform practices.** There is no manual, checklist or guidelines outlining procedures that auditors/inspection officers are required to apply on; case plan preparation, creation of taxpayers profiles, how to advise taxpayers on the nature and scope of inspection and dispute resolution mechanisms available to the taxpayers.

**The quality of inspections is not reviewed at NCC.** There is neither a designated unit nor a committee to review inspections undertaken. NCC indicated that the review is partially undertaken by the County Internal Audit and Risk Management Department, which has embedded some aspects of the quality reviews in their internal audit work plan for the year and issue reports of findings together with recommendations on areas of improvement. However, this could not be ascertained.

**The effectiveness of the taxpayer inspections' function is not monitored at NCC.** There are no systems or structures to evaluate the effectiveness of inspections 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 2022
P6-20. The extent of large-scale automated cross-checking to verify information reported in tax declarations.	M1	D

### **NCC does not verify information reported in tax declarations to detect inaccurate reporting.**

Information is not cross-checked due to limitations of the current LAIFOM system<sup>7</sup>. However, the new system, the NRS ePortal, has the functionality to crosscheck registration information with the National Registration Bureau (NRB) and Business Registration Service (BRS) System. NCC indicated that the functionality will be rolled out soon since the system is still being enhanced.

## 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 2022
P6-21. The nature and scope of proactive initiatives undertaken to encourage accurate reporting.	M1	D

### **NCC neither has a system of Private or Public Ruling in place nor Cooperative Compliance**

**Arrangements.** However, NCC has minimal proactive initiatives in the form of relationship management with Matatu Saccos on Parking Fees in the Central Business District (CBD) and with Karen and Langata District Association (KLDA) on Land Rates. Payments for Parking Fees and Land Rates are collected by the associations from their members and remitted to NCC, which is convenient, cost and time-efficient for all the parties. The relationship with KLDA has been formalized through a recognition

<sup>7</sup> LAIFOM system is outdated and does not have room for enhancement to allow integration with other systems. Sessional Paper no. 1 of 2020; A Policy Framework for Revenue Collection and Management at Nairobi City County, July 2020.



agreement, and it is governed by NCC Community Neighborhood Association Engagement Act 2016.

#### **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 2022
P6-22. The soundness of tax gap analysis method/s used by the tax administration to monitor the extent of inaccurate reporting.	<b>M1</b>	<b>D</b>

**NCC does not monitor the extent of inaccurate reporting using tax gap analysis.** However, Own Source Revenue (OSR) potential and a tax gap analysis were commissioned by the World Bank on behalf of the National Treasury for all the 47 counties in Kenya in 2018. The study, which Adam Smith International carried out, adopted the top-down approach in estimating revenue gaps. The estimation was for six revenue streams - LR, SBP, Parking Fees, Outdoor Advertising, Building Permits and Liquor Licenses. Although the study was made public and used by the Commission on Revenue Allocation (CRA) to analyze counties' efforts towards revenue mobilization in 2019, there was no evidence of its review or usage of its output by NCC.

#### **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 2022	
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	

**Multiple legislation provides for an appeal process for the core taxes; however, adequate structures have not been put in place to provide redress for taxpayers.** The Valuation for Rating Act 2012 (CAP 266) and Section 13 Nairobi City License Act 2021 provides for a Valuation Court and Trade Licensing Appeals Committee, respectively. However, these structures have never been set up and used. Taxpayers appeal directly to the civil courts.

**Directors in charge of the core taxes assign objections to staff that did not raise the assessment.**

Although other staff in the various Directorates that didn't raise the assessment are assigned to review objections raised by taxpayers, there are no documented procedures for NCC's objections and appeals process.

**NCC does not provide general or specific information to taxpayers on the dispute resolution process.** Although the objections and appeals process are embedded in legislation, NCC has not developed general information on the process. NCC staff are also not required to provide written instructions to inform taxpayers of the right to appeal explicitly, and 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 2022
P7-24. The time taken to complete administrative reviews.	M1	D

**NCC does not monitor the time taken to deal with disputes.** There is no mechanism in place such as a case management system to track and monitor objections and appeals made by taxpayers.

**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 2022
P7-25. The extent to which the tax administration responds to dispute outcomes.	M1	D

**NCC does not monitor and analyze dispute outcomes.** Since NCC 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.)<sup>8</sup>

- 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**

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.

**Table 27. P8-26 Assessment**

Measurement dimensions	Scoring Method	Score 2022
P8-26. The extent of tax administration input to government tax revenue forecasting and estimating.	M1	D

**NCC forecasts and estimates tax revenue to provide input into the budgeting process. However, periodic reporting on revenue performance is not done monthly.** The Head of County Revenue gathers revenue data and is consulted to provide input into the NCC budgeting processes on tax revenue forecasting and estimation. However, periodic reporting on revenue performance is done quarterly rather than the monthly reporting based on international good practices. In addition, forecasting does not include tax refunds as NCC does issue any 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.

<sup>8</sup> 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.

**Table 28. P8-27 Assessment**

Measurement dimension	Scoring Method	Score 2022
P8-27. Adequacy of the tax administration's revenue accounting system.	M1	D

**NCC operates two tax accounting systems that are not interfaced with the National Government System.** LAIFOMS is used for LR and SBP, while the NRS ePortal, which is web-based and payment information is updated on a real-time basis, is used for Parking Fees. The two systems are neither integrated nor interfaced with the National Government System – the Integrated Financial Management Information System (IFMIS). For Land Rates and SBPs, taxpayers must make direct deposits to receiving banks and then physically present banking slips to NCC's Receipting Clerks for receipting and updating the taxpayers' account(s). Timelines for updating the taxpayer's account(s) depend on how quickly the taxpayer presents a banking slip to the Receipting Clerks but may take longer than three days.

**NCC has a County Internal Audit and Risk Management Department that conducts regular systems audits.** The scope of the accounting systems audits covers the LAIFOMS accounting system but not the NRS ePortal. Also, the Office of the Auditor General (OAG) conducts external audits on an annual basis.

#### **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 2022	
P8-28-1. Adequacy of the tax refund system.	M2	N/A	N/A
P8-28-2. The time taken to pay (or offset) tax refunds.		N/A	

**Refunds are not applicable to any of the revenue streams.** Therefore, this indicator is not assessed.

## 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 2022	
P9-29-1. Assurance provided by internal audit.	M2	C	D+
P9-29-2. Staff integrity assurance mechanisms.		D	

**NCC has an independent Internal Audit and Risk Management Department reporting administratively to the County Secretary and functionally to the County Audit Committee.** The Internal Audit and Audit Committee was set up as a requirement under Section 155 of the Public Finance Management Act (No. 18 of 2012). The Internal Audit processes are documented in the Internal Audit Manual. Coupled with this, the system has audit trails of user access and changes made to taxpayer data. There are no IT systems to detect threats to the confidentiality and integrity of the tax administration data. The Audit Committee comprises five members. An annual audit plan is in place, and it covers the key operations, revenue accounting and internal financial management. The

Internal Audit and Risk Management Department has twenty-eight (28) Auditors who are degree holders with skills in finance and accounting. The Auditors are trained in audit methodologies and other fields. The Auditors are also members of the Institute of Internal Auditors. No independent review of the internal audit operations and systems has been conducted. Additionally, there is no central repository of internal control policies, processes and procedures.

**NCC has an Investigations Department, which handles integrity issues of staff.** Furthermore, the Department also investigates taxpayer complaints. The Officers in the Department have appropriate investigative powers and the cases handled are forwarded to the Directorate of Public Prosecutions for prosecution for cases that are criminal in nature. The investigation reports containing recommendations for disciplinary proceedings are forwarded to the Human Resource Department for further management. NCC cooperates with other relevant agencies such as the national Police and the Ethics and Anti-Corruption Commission (EACC). The EACC handles corruption and integrity issues among public servants at the national level. NCC has a Code of Ethics which applies to all the County staff. Furthermore, different Codes of Ethics for specific professionals also exist. The Code of Ethics has not been updated for the last five years. Additionally, no records of receipt of explicit communication of the Code of Ethics to NCC staff were available. Furthermore, no integrity-related statistics are maintained or are publicly reported by NCC.

#### **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 2022	
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.		D	

**The Office of the Auditor General (OAG) audits NCC's financial and operational performance annually.** The last report of OAG published for the audit of NCC was for the Fiscal Year 2019/2020. The County Assembly also reviews NCC's financial statements, and NCC's Management responds to findings and recommendations by the OAG. However, responses to external review findings and recommendations are not publicly reported.

**The investigation process for suspected wrongdoing and maladministration is weak and underdeveloped.** An Ombudsman does not exist at the County level but national level. The national Ombudsman is accessible to the members of the public. However, NCC did not provide evidence of any case where the national Ombudsman handled an NCC taxpayer complaint. Furthermore, there is no systematic approach to handling the recommendations from the Ombudsman. Furthermore, the EACC is the body with the mandate to investigate cases of misconduct or corruption. However, no evidence was provided on any findings or recommendations by the EACC to NCC.

#### **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 2022
P9-31. The mechanism for monitoring public confidence in the tax administration.	M1	D

**NCC does not have a mechanism for monitoring public confidence in its operations.** No surveys (either internal or independent external bodies) have been conducted to monitor trends in public confidence. However, verbal feedback of the public's trust is obtained during public gatherings and engagements with stakeholders.

#### **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 2022	
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	

**Although an annual report covering the financial and operational performance is produced by NCC for the immediate past fiscal year, no evidence was provided to ascertain the timelines of the publication of the annual report for FY 2020/2021.** The report is supposed to be tabled before



the County Assembly by 30th September of each year.

**The future directions and plans of NCC are made public.** NCC's future directions are incorporated in the County's Annual Development Plan (CADP) and County Integrated Development Plan (CIDP), which is a 5-year strategic plan. The County also has a ten-year strategic plan for 2015-2025. The Public Finance Management Act, 2012 provides that the CADP should be presented to the County Assembly by 30<sup>th</sup> September each year for approval. The CADP for the Fiscal Year 2021/2022 was published on 20<sup>th</sup> August 2020, in advance of the period covered by the annual plan. However, the CIDP for the period 2018-2022 was made public in October 2019, more than three months after the commencement of the period covered by the strategic plan

## 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. Nairobi City County: subnational entity Snapshot

<b>Geography</b>	Nairobi County borders Kiambu County to the North and West, Kajiado to the South, and Machakos to the East. Among the three neighboring counties, Kiambu County shares the longest boundary with Nairobi. The County has a total area of 696.1 Km <sup>2</sup> and is located between longitudes 36° 45' East and latitudes 1° 18' South. It lies at an altitude of 1,798 metres above sea level.
<b>Population</b>	<p>Based on the 2019 census, the NCC population is as follows;</p> <ul style="list-style-type: none"> <li>· Male-2,192,452 (9.31% of National Male Population)</li> <li>· Female-2,204,376 (9.18% of National Female Population)</li> <li>· Intersex-245 (16.1% of National Intersex Population)</li> <li>· Total- 4,397,073 (9.24% of National Total Population)</li> </ul> <p>The estimated Population density is 6,247/Km<sup>2</sup> (Source KNBS: Kenya National Housing and Population Census, 2019)</p>
<b>Education and Literacy</b>	<p>Population 14 years and above;</p> <ul style="list-style-type: none"> <li>· At school/ learning institution 527,630</li> <li>· Left school/learning institution after completion 1,912,879</li> <li>· Left school/learning institution before completion 504,127</li> <li>· Never been to school/ learning institution 100,103</li> </ul> <p>(Source KNBS: Kenya National Housing and Population Census, 2019)</p>
<b>Gross County Product</b>	<p>GCP (2017) - Ksh.1,492,323 (millions)</p> <p>The average growth rate of nominal GCP from 2013 to 2017 was 9.8 per cent.</p> <p>Leading sectors in Ksh (millions)</p> <ol style="list-style-type: none"> <li>1. Manufacturing 374,527</li> <li>2. Wholesale and retail 294,302</li> <li>3. Transport 184,845</li> <li>4. Real Estate 176,287</li> <li>5. Construction 175,437</li> <li>6. ICT 142,765</li> </ol> <p>(Source KNBS: 2017)</p>
<b>Per capita GCP</b>	NCC had a nominal per capita GCP of Ksh.317,700 in 2017.
<b>Main industries</b>	<p>The main economic activities include: manufacturing, wholesale and retail trade, transport and storage, real estate activities, construction, financial and insurance services, and professional and technical services.</p> <p>NCC's manufacturing sector accounted for 57.9 percent of Kenya's manufacturing sector.</p>

<b>Communications</b>	<ul style="list-style-type: none"> <li>· The population aged 3 years and above owning a mobile phone is estimated at 2,772,719 out of 4,010,447 (69.1%) while the population aged 15 years and above owning a mobile phone is estimated at 2,703,676 out of 3,008,861 (89.9%).</li> <li>· The population aged 3 years and above using the internet is 2,100,763 out of 4,010,447 (52.4%).</li> <li>· The population aged 3 years and above using desktop computer/laptop/tablet is estimated at 1,124,363 out of 4,010,447 (28%)</li> </ul> <p>(Source KNBS: Kenya National Housing and Population Census, 2019)</p>
<b>Main revenue streams</b>	The main revenue streams are: Land Rates, Parking fees, Single Business Permits, Outdoor Advertisements and Billboards, Building Permits and Approvals, Markets Service Charges, and Fire and Medical certificates.
<b>Tax-to-GDP</b>	NCC had a GCP of Kshs.1,492,323 million in 2017 and generated Kshs.10,929 million in OSR. Tax to GCP is 0.73 per cent.
<b>Number of taxpayers</b>	<ul style="list-style-type: none"> <li>· Land Rates - 161,027</li> <li>· SBP - 188,000</li> <li>· Parking Fees - 32,000</li> </ul>
<b>Main collection agency</b>	Kenya Revenue Authority NBK (suspended) (Equity, Mpesa, Co-op Bank, and NBK for collections)
<b>Number of staff in the main collection agency</b>	<ul style="list-style-type: none"> <li>• Land Rates - 20 officers (10 male and 10 female)</li> <li>• Parking Fees - 345 officers (145 male and 200 female)</li> <li>• SBP - 135 officers (72 male and 63 female)</li> </ul> <p>(Source: payroll data provided by NCC)</p>
<b>Financial Year</b>	July to June

## Attachment III. Data Tables

### A. Tax Revenue Collections

Table 1. Tax Revenue Collections (2018/19 – 2020/21)			
	[2018/19]	[2019/20]	[2020/21]
<b>K. Shillings</b>			
<b>Budgeted tax revenue forecast of subnational entity<sup>2</sup></b>			
<b>Total tax revenue collections</b>			
Main source of tax revenue (Land Rates)	3,872,000,000	3,925,000,000	5,057,511,170
2 <sup>nd</sup> main source of tax revenue (Parking Fees)	2 802 360 000	2,763,000,000	2,800,000,000
3 <sup>rd</sup> main source of tax revenue (Single Business Permits)	3,025,000,000	2,892,000,000	2,562,102,000
Other sub-national taxes	6,739,700,000	7,736,000,000	6,040,182,139
Tax refunds	(N/A)	(N/A)	(N/A)
<b>In percent of total tax revenue collections</b>			
<b>Budgeted tax revenue forecast of subnational entity<sup>2</sup></b>	100.0	100.0	100.0
<b>Total tax revenue collections</b>			
Main source of tax revenue (Land Rates)	24	23	31
2 <sup>nd</sup> main source of tax revenue (Parking Fees)	17	16	17
3 <sup>rd</sup> main source of tax revenue (Single Business Permits)	18	17	16
Other sub-national taxes	41	45	37
Tax refunds	(N/A)	(N/A)	(N/A)
<b>In percent of GCP</b>			
<b>Budgeted tax revenue forecast of subnational entity<sup>2</sup></b>			
<b>Total tax revenue collections</b>			
Main source of tax revenue (Land Rates)	No data	No data	No data

2 <sup>nd</sup> main source of tax revenue (Parking Fees)	No data	No data	No data
3 <sup>rd</sup> main source of tax revenue (Single Business Permits)	No data	No data	No data
Other sub-national taxes	No data	No data	No data
Tax refunds	(N/A)	(N/A)	(N/A)
Nominal GDP in local currency			
<b>Explanatory notes:</b>  <sup>1</sup> This table gathers data for three fiscal years (e.g. 2016-18) in respect of all subnational tax revenues collected by the tax administration.  <sup>2</sup> 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.  <sup>3</sup> 'Other subnational taxes collected by the tax administration may include 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 (2018/19 – 2020/21)					
(Ref: POA1)					
	Registered taxpayers <sup>1</sup> [A]	Taxpayers otherwise not required to file <sup>2</sup> [B]	Taxpayers Expected to File [C] = [(A) – (B)] <sup>3</sup>	Memorandum items <sup>4</sup> [D]	
				New Registrations [D1]	Taxpayers deregistered during year [D2]
[2018/19]					
Main source of tax revenue (Land Rates)		827			
2nd main source of tax revenue (Parking Fees)					
3rd main source of tax revenue (Single Business Permits)	120,525	71	120,454		55
Other taxpayers					
[2019/20]					
Main source of tax revenue (Land Rates)		827		、	
2nd main source of tax revenue (Parking Fees)					
3rd main source of tax revenue (Single Business Permits)	78,251	62	78,189	29,225	325
Other taxpayers					
[2020/21]					
Main source of tax revenue (Land Rates)	159,831	827	159,004		
2nd main source of tax revenue (Parking Fees)					
3rd main source of tax revenue (Single Business Permits)	65,354	68	65,286	24,707	802
Other taxpayers					



**Explanatory Notes:**

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Expected filing calculations to be used in Indicator P4-12.

<sup>4</sup> Taxpayer register activity information.

## C. Telephone Enquiries

(Ref: POA 3)

Table 3. Telephone Enquiry Call Waiting Time 2020/21			
Month	Total number of telephone enquiry calls received	Telephone enquiry calls answered within 6 minutes' waiting time	
		Number	In percent of total calls
Month 1			
Month 2			
Month 3			
Month 4			
Month 5			
Month 6			
Month 7			
Month 8			
Month 9			
Month 10			
Month 11			
Month 12			
<b>12-month total</b>			

## D. Filing of Tax Declarations

(Ref: POA 4)

Table 4. On-time Filing of T1 Declarations for 2020/21			
	Number of declarations filed on-time <sup>1</sup>	Number of declarations expected to be filed <sup>2</sup>	On-time filing rate <sup>3</sup> (In percent)
All taxpayers	<b>No data</b>	<b>No data</b>	<b>No data</b>

Large taxpayers only	No data	No data	No data
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**Explanatory notes:**

<sup>1</sup> '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).

<sup>2</sup> '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.

<sup>3</sup> 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:

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

Table 5. On-time Filing of T2 Declarations for 2020/21		
Number of declarations filed on-time <sup>1</sup>	Number of declarations expected to be filed <sup>2</sup>	On-time filing rate <sup>3</sup> (In percent)
No data	No data	No data

**Explanatory notes:**

<sup>1</sup> '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).

<sup>2</sup> '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.

<sup>3</sup> 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:

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

Table 6. On-time Filing of T3 Declarations—All taxpayers 2020/21			
Month	Number of declarations filed on-time <sup>1</sup>	Number of declarations expected to be filed <sup>2</sup>	On-time filing rate <sup>3</sup> (In percent)
Month 1	No data	No data	No data
Month 2	No data	No data	No data
Month 3	No data	No data	No data

Month 4	No data	No data	No data
Month 5	No data	No data	No data
Month 6	No data	No data	No data
Month 7	No data	No data	No data
Month 8	No data	No data	No data
Month 9	No data	No data	No data
Month 10	No data	No data	No data
Month 11	No data	No data	No data
Month 12	No data	No data	No data
<b>12-month total</b>			

**Explanatory notes:**

<sup>1</sup> '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).

<sup>2</sup> '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.

<sup>3</sup> 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:

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

**Table 7. On-time Filing of Core Tax with Monthly or Quarterly Filing Requirement —Large taxpayers only  
2020/21**

Month	Number of declarations filed on-time <sup>1</sup>	Number of declarations expected to be filed <sup>2</sup>	On-time filing rate <sup>3</sup> (In percent)
Month 1	N/A	N/A	N/A
Month 2	N/A	N/A	N/A
Month 3	N/A	N/A	N/A
Month 4	N/A	N/A	N/A
Month 5	N/A	N/A	N/A

Month 6	N/A	N/A	N/A
Month 7	N/A	N/A	N/A
Month 8	N/A	N/A	N/A
Month 9	N/A	N/A	N/A
Month 10	N/A	N/A	N/A
Month 11	N/A	N/A	N/A
Month 12	N/A	N/A	N/A
<b>12-month total</b>			

**Explanatory notes:**

<sup>1</sup> '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).

<sup>2</sup> '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.

<sup>3</sup> 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:

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

## E. Electronic Services

(Ref: POAs 4 and 5)

**Table 8. Use of Electronic Services,** [insert 3 most recent complete fiscal years, e.g., **2016-18**]<sup>1</sup>

	[2018/19]	[2019/20]	[2020/21]
	<b>Electronic filing<sup>2</sup></b> (In percent of all declarations filed for each tax type)		
1st main source of tax revenue (Land Rates)	25		
2nd main source of tax revenue (Parking Fees)	39		
3rd main source of tax revenue (Single Business Permits)	36		
	<b>Electronic payments<sup>3</sup></b> (In percent of total <b>number</b> of payments received for each tax type)		
1st main source of tax revenue (Land Rates)	2		
2nd main source of tax revenue (Parking Fees)	5		
3rd main source of tax revenue (Single Business Permits)	93		
	<b>Electronic payments</b> (In percent of total <b>value</b> of payments received for each tax type)		
1st main source of tax revenue (Land Rates)	662,899,490.71		
2nd main source of tax revenue (Parking Fees)	1,009,889,000.00		
3rd main source of tax revenue (Single Business Permits)	938,080,548.00		

### **Explanatory notes:**

<sup>1</sup> 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.

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

<sup>3</sup> 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 [2020/21]**

	Main core tax payments made on-time <sup>1</sup>		Main core tax payments due <sup>2</sup>		On-time payment rate <sup>3</sup> (In percent)	
	All taxpayers	Large taxpayers	All taxpayers	Large taxpayers	All taxpayers	Large taxpayers
Number of payments	51,251	522	159,006	1,103	32	47
Value of payments	1,441,829,927	341,191,549	3,157,690,416	1,097,728,913	46	31

### Explanatory notes:

<sup>1</sup> '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).

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

<sup>3</sup> 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:  $\frac{\text{Number of T1 payments made by the due date}}{\text{Total number of T1 payments due}} \times 100$
- The on-time payment rate by value is:  $\frac{\text{Value of T1 payments made by the due date}}{\text{Total value of T1 payments due}} \times 100$

## G. Domestic Tax Arrears

(Ref: POA 5)

**Table 10. Value of Tax Arrears, (2018/19 – 2020/21)**

	[2018/19]	[2019/20]	[2020/21]
	K.Shillings		
Total core tax revenue collections (from Table 1) <b>(A)</b>	9,699,360,000	9,580,000,000	10,419,613,170
Total core tax arrears at end of fiscal year <sup>2</sup> <b>(B)</b>			

	<i>Of which: Collectible<sup>3</sup> (C)</i>			
	<i>Of which: More than 12 months' old (D)</i>			
		In percent		
	Ratio of (B) to (A) <sup>4</sup>			
	Ratio of (C) to (A) <sup>5</sup>			
	Ratio of (D) to (B) <sup>6</sup>			
<p><b>Explanatory notes:</b></p> <p><sup>1</sup> 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).</p> <p><sup>2</sup> 'For purposes of this Table, total core tax revenue collections includes only T1, T2, and T3.</p> <p><sup>3</sup> '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).</p> <p><sup>4</sup> i.e. <math>\frac{\text{Value of total core tax arrears at end of fiscal year (B)}}{\text{Total core tax collected for fiscal year (A)}} \times 100</math></p> <p><sup>5</sup> i.e. <math>\frac{\text{Value of collectible core tax arrears at end of fiscal year (C)}}{\text{Total core tax collected for fiscal year (A)}} \times 100</math></p> <p><sup>6</sup> i.e. <math>\frac{\text{Value of core tax arrears &gt;12 months' old at end of year (D)}}{\text{Value of total core tax arrears at end of fiscal year (B)}} \times 100</math></p>				



## H. Tax Dispute Resolution

(Ref: POA 7)

**Table 11. Finalization of Administrative Reviews  
2020/21**

Month	Number of administrative review cases				Finalised 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/B-A]	Number [G]	In percent of total [H] = [G/B-A]	Number [I]	In percent of total [J] = [I/B-A]
Month 1										
Month 2										
Month 3										
Month 4										
Month 5										
Month 6										
Month 7										
Month 8										
Month 9										
Month 10										
Month 11										
Month 12										
12-month total										

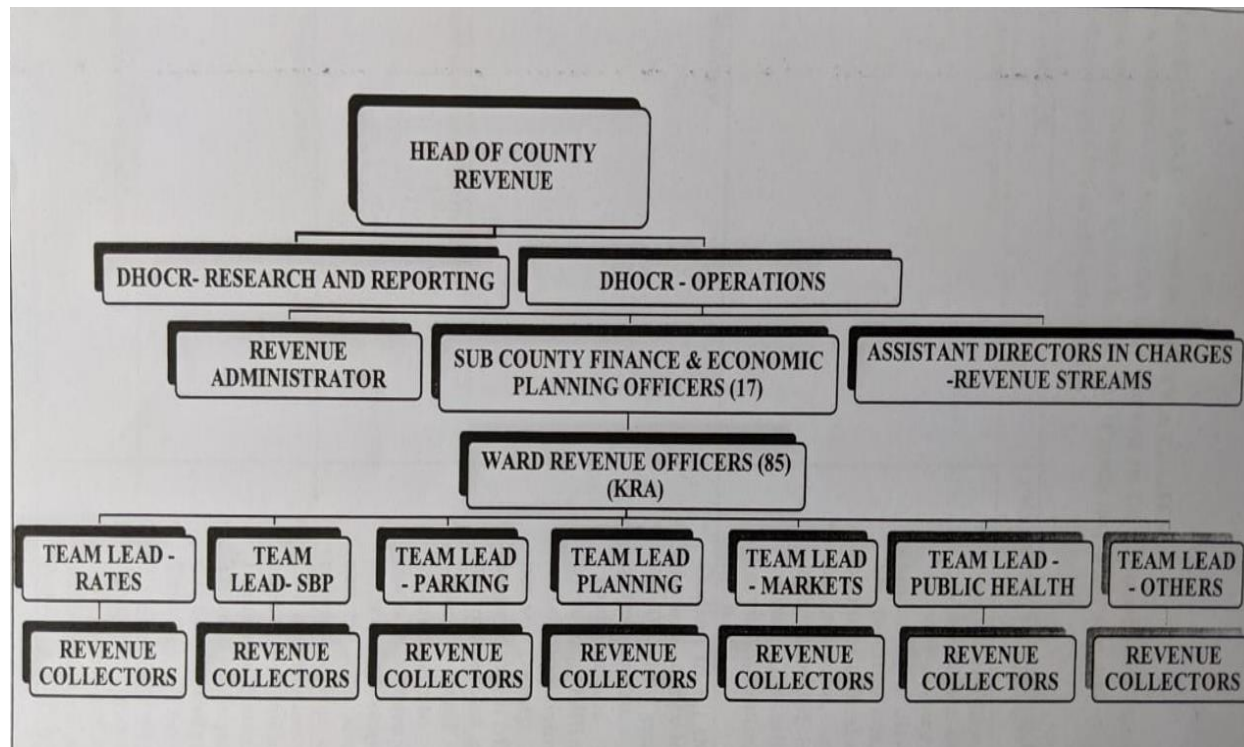
## I. Payment of Tax Refunds

(Ref: POA 8)

Table 12. Tax Refunds 2020/21		
	Number of cases	Value in local currency
Total core tax refund claims received <b>(A)</b>	<b>N/A</b>	<b>N/A</b>
Total core tax refunds paid <sup>1</sup>	<b>N/A</b>	<b>N/A</b>
Of which: paid within 30 days <b>(B)</b> <sup>2</sup>	<b>N/A</b>	<b>N/A</b>
Of which: paid outside 30 days	<b>N/A</b>	<b>N/A</b>
Total core tax refund claims declined <sup>3</sup>	<b>N/A</b>	<b>N/A</b>
Of which: declined within 30 days <b>(C)</b>	<b>N/A</b>	<b>N/A</b>
Of which: declined outside 30 days	<b>N/A</b>	<b>N/A</b>
Total core tax refund claims not processed <sup>4</sup>	<b>N/A</b>	<b>N/A</b>
Of which: no decision taken to decline refund	<b>N/A</b>	<b>N/A</b>
Of which: approved but not yet paid or offset	<b>N/A</b>	<b>N/A</b>
In percent		
Ratio of (B+C) to (A) <sup>5</sup>	<b>N/A</b>	<b>N/A</b>
<p><b>Explanatory note:</b></p> <p><sup>1</sup> Include all refunds paid, as well as refunds offset against other tax liabilities.</p> <p><sup>2</sup> TADAT measures performance against a 30-day standard.</p> <p><sup>3</sup> 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).</p> <p><sup>4</sup> 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.</p> <p><sup>5</sup> i.e. <math>\frac{\text{Tax refunds paid within 30 days (B)} + \text{tax refunds declined within 30 days (C)}}{\text{Total tax refund claims received (A)}} \times 100</math></p>		

## Attachment IV. Organizational Chart

Nairobi City County



## Attachment V. Sources of Evidence

Indicators	Sources of Evidence
P1-1. Accurate and reliable taxpayer information.	<ul style="list-style-type: none"> <li>• NCC Organogram.</li> <li>• NCC Finance Act 2018, 2021.</li> <li>• LR Form.</li> <li>• SBP Form.</li> <li>• LAIFOM User Manuals.</li> <li>• <a href="http://nrs.nairobiservices.go.ke">NRS (nairobiservices.go.ke)</a></li> <li>• Screenshots from LAIFOM system.</li> <li>• Screenshots of user audit trails.</li> </ul>
P1-2. Knowledge of the potential taxpayer base.	<ul style="list-style-type: none"> <li>• List of untapped Revenue Areas Report.</li> </ul>
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	<ul style="list-style-type: none"> <li>• Own Source Revenue Potential and Tax Gap Study of Kenya County Governments, Adam Smith International ,2018.</li> <li>• Risk Management Policy.</li> </ul>
P2-4. Mitigation of risks through a compliance improvement plan.	<ul style="list-style-type: none"> <li>• NCC's Risk Register.</li> </ul>
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	<ul style="list-style-type: none"> <li>• Section 2 of the Kenya Gazette no 2690.</li> </ul>
P2-6. Management of operational (i.e. systems and processes) risks.	<ul style="list-style-type: none"> <li>• County Integrated Development Plan 2018-22.</li> <li>• Internal audit report AUD/2/5/891 page 3.</li> <li>• NCC's Annual Training Plan.</li> </ul>
P2-7. Management of human capital risks.	<ul style="list-style-type: none"> <li>• Staff performance contract.</li> <li>• County Annual Development Plan 2021-22.</li> <li>• NCC Risk register.</li> <li>• County Integrated Development Plan.</li> </ul>
P3-8. Scope, currency, and accessibility of information.	<ul style="list-style-type: none"> <li>• NCC's website (<a href="http://www.nairobi.go.ke">www.nairobi.go.ke</a>).</li> <li>• NCC website Downloads and Resources Page.</li> <li>• NCC website FAQs &amp; Help Desks Page.</li> <li>• NCC Website County Laws.</li> <li>• Assorted NCC Brochures.</li> <li>• Mobile Digital Screens Report.</li> <li>• Gazette Notices for NCC laws.</li> <li>• Invitation to the Public for 2019 Draft Valuation Roll.</li> <li>• Newspaper Defaulters Notice for Land Rates.</li> <li>• TV Advert for Single Business Permit.</li> <li>• Letters to Taxpayers to Renew SBP.</li> </ul>

Indicators	Sources of Evidence
	<ul style="list-style-type: none"> <li>Public Notice Waiver of Interests and Penalties on Land Rates.</li> <li>Public Notice on Payment of Fees.</li> <li>Nairobi City County Public Participation Act 2015.</li> <li>Invitation to Workshop for Public Participation for Finance Bill.</li> <li>Public Notice Waiver of Interests and Penalties on Land Rates.</li> <li>Public Notice for Land Rates.</li> </ul>
P3-9. Time taken to respond to information requests.	<ul style="list-style-type: none"> <li>NCC Service Charter for Core Taxes.</li> </ul>
P3-10. Scope of initiatives to reduce taxpayer compliance costs.	<ul style="list-style-type: none"> <li>Nairobi eServices Portal (<a href="http://www.nairobiservices.go.ke">www.nairobiservices.go.ke</a>)</li> </ul>
P3-11. Obtaining taxpayer feedback on products and services.	No evidence
P4-12. On-time filing rate.	<ul style="list-style-type: none"> <li>NCC Finance Acts 2018 and 2021.</li> </ul>
P4-13 Management of non-filers.	No evidence
P4-14. Use of electronic filing facilities.	<ul style="list-style-type: none"> <li>Pre mission Questionnaire.</li> <li><a href="http://NRS(nairobiservices.go.ke)">NRS (nairobiservices.go.ke)</a>.</li> <li>USSD Payment screenshots.</li> </ul>
P5-15. Use of electronic payment methods.	<ul style="list-style-type: none"> <li>Pre mission Questionnaire - Attachment III, Table 8 - Inconsistent evidence</li> <li>E-payment methods available for LR and Parking Fees <a href="https://nairobiservices.go.ke/faqs">https://nairobiservices.go.ke/faqs</a></li> <li>Promotion of e-payment systems via video on the NRS website.</li> </ul>
P5-16. Use of efficient collection systems.	<ul style="list-style-type: none"> <li>Nairobi City County Community and Neighborhood Association Engagement Act, 2016.</li> <li>Recognition agreement between Nairobi City County Government and Karen and Langata District Association.</li> </ul>
P5-17. Timeliness of payments.	<ul style="list-style-type: none"> <li>Pre mission Questionnaire - Attachment III, Table 8 and Table 9 - Inconsistent evidence.</li> <li>NCC Demand Notice, which was prepared manually.</li> <li>NCC LAIFOM system screenshots - payment history data SBPnumber and amount..</li> </ul>

Indicators	Sources of Evidence
P5-18. Stock and flow of tax arrears.	<ul style="list-style-type: none"> <li>• Pre mission Questionnaire - Attachment III, Table 10.</li> <li>• Trade Licensing Department-Enforcement Section-Arrears Management Reports, which was prepared manually.</li> <li>• Section 16-17 of the Rating Act Revised Edition of 2012 of 1964.</li> <li>• Part III of the Nairobi City County Trade Licensing Act, 2019.</li> </ul>
P6-19. Scope of verification actions taken to detect and deter inaccurate reporting.	<ul style="list-style-type: none"> <li>• Section 24 of the Nairobi City County Trade Licensing Act, 2019.</li> <li>• SBP inspection 2</li> <li>• Internal Audit Work Plan FY 2020/21</li> <li>• Sessional Paper no. 1 of 2020; A Policy Framework for Revenue Collection and Management at Nairobi City County (July 2020).</li> </ul>
P6-20. Use of large-scale data-matching systems to detect inaccurate reporting.	<ul style="list-style-type: none"> <li>• Sessional Paper no. 1 of 2020; A Policy Framework for Revenue Collection and Management at Nairobi City County (July 2020).</li> </ul>
P6-21. Initiatives undertaken to encourage accurate reporting.	<ul style="list-style-type: none"> <li>• Nairobi City County Community and Neighborhood Association Engagement Act, 2016</li> <li>• Recognition agreement between Nairobi City County Government and Karen and Langata District Association</li> </ul>
P6-22. Monitoring the tax gap to assess inaccuracy of reporting levels.	<ul style="list-style-type: none"> <li>• Own Source Revenue Potential and Tax Gap Study of Kenya County Governments, Adam Smith International ,2018.</li> <li>• Counties Efforts Towards Revenue Mobilization; <i>Stock of the last six years</i>. Commission on Revenue Allocation 2019.</li> </ul>
P7-23. Existence of an independent, workable, and graduated dispute resolution process.	<ul style="list-style-type: none"> <li>• Section 12 of Valuation for Rating Act 2012 (Cap 266)</li> <li>• Section 13 of Nairobi City License Act 2021</li> <li>• Notice of referral to mediation for Court Case</li> </ul>
P7-24. Time taken to resolve disputes.	No evidence
P7-25. Degree to which dispute outcomes are acted upon.	No evidence
P8-26. Contribution to government tax revenue forecasting process.	<ul style="list-style-type: none"> <li>• Appendix 1 of the County's Fiscal Strategy Paper for FY 2021 provides 3-year revenue projections.</li> </ul>

	<ul style="list-style-type: none"> <li>• ADP 2020/21</li> <li>• CBROP 2021</li> <li>• Circular No.1/2021 - Guidelines on Budget Preparation</li> <li>• Section 166 of the Public Finance Management Act, 2012 requires quarterly reporting on both financial and non-financial performance.</li> </ul>
P8-27. Adequacy of the tax revenue accounting system.	<ul style="list-style-type: none"> <li>• The Internal Audit Work Plan for FY 2020-2021 for the Finance and Economic Planning Office covers aspects of revenue.</li> <li>• LAIFOMS user manual</li> </ul>
P8-28. Adequacy of tax refund processing.	<ul style="list-style-type: none"> <li>• N/A as NCC's revenue laws do not provide for tax refunds.</li> </ul>
P9-29. Internal assurance mechanisms.	<ul style="list-style-type: none"> <li>• Internal Audit Annual Work Plan 2020/2021</li> <li>• OAG Report FY 2019/2020</li> <li>• Public Finance Management Act, 2012</li> <li>• Internal Audit Manual.</li> <li>• Organogram/Structure of NCC.</li> </ul>
P9-30. External oversight of the tax administration.	<ul style="list-style-type: none"> <li>• OAG Report FY 2019/2020.</li> <li>• Public Finance Management Act, 2012.</li> </ul>
P9-31. Public perception of integrity.	No evidence.
P9-32. Publication of activities, results and plans.	<ul style="list-style-type: none"> <li>• County Annual Development Plan FY 2021/2022</li> <li>• County Integrated Development Plan for 2018-2022</li> <li>• Strategic Plan for 10 years 2015-2025</li> </ul>

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**TADAT IS A COLLABORATIVE UNDERTAKING OF THE FOLLOWING PARTNERS:**



BMZ



Federal Ministry  
for Economic Cooperation  
and Development



Ministry of Foreign Affairs of the  
Netherlands



Norwegian Ministry  
of Foreign Affairs

Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun Svizra  
  
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