



**REMARKS FOR KENYA BANKERS ASSOCIATION CEO DR. HABIL OLAKA DURING THE LAUNCH OF THE PwC REPORT ON THE BANKING INDUSTRY TOTAL TAX CONTRIBUTION ON 15 OCTOBER 2019 AT SERENA HOTEL**

**Good Morning Ladies and Gentlemen,**

Thank you for joining us for the release of this report that was prepared by PwC on behalf of the banking industry.

When PwC first broached the idea of a total tax contribution report for the banking industry, we recognized its importance -- especially as the report would be published at a time when the industry had just released two important studies: the state of the banking industry report; and the banking industry shared value report.

The state of the banking industry report provided the market with an in-depth view of what was driving industry growth and development. On the other hand, the shared value report provided our stakeholders with a glimpse of the many ways that banks create economic and social value in our society.

Therefore, when PwC proposed a study on how banks perform as corporate citizens from a taxpayer's perspective, we felt that this total tax contribution report is the final piece of the industry's story.

**Ladies and Gentlemen,**

For decades, we as the banking industry have been diffident in so far as promoting the industry's role and contribution to our country's success. In fact, at times I could say banks are maligned whenever they published their financial results. But the view that bank profits are at the expense of societal wellbeing couldn't be farther from the truth. And I am very pleased that today, with this PwC report, we can see very clearly how when banks do good, communities do better.

Banks operate in a highly regulated environment and this has led to very high levels of transparency. When transparency levels are elevated, inevitably the levels of tax compliance will be very high and the relative and absolute quantum of tax paid to the Government is enhanced. We, as an Association, are proud to be at the forefront of tax transparency and compliance in the corporate sector.

I am therefore pleased that PwC has underscored our findings from KBA's internal review. In fact, our shared value report has understated the industry's tax contribution, and we thank PwC for helping us provide an even clearer picture in terms of how banks lead in the area of tax compliance and contribution to the national budget.

Other findings that you will see from this PwC assessment include the challenges the banking sector withstands from a regulatory and tax perspective, as well as, within the macro-economic context. Nevertheless, the banking sector is committed to dealing with these challenges in an open and straightforward manner.

Most importantly, we seek to engage with all relevant stakeholders. We all know that what cannot be measured, cannot be managed. We therefore hope that this report will enhance our discussions with the various regulatory bodies, including the tax authority. We recognize that perhaps our stakeholders do not have the capacity to analyze the impact of policies on the industry; and this report provides us with a lens through which such policies can be measured.

We sympathize with the task ahead of the revenue authority and recognize that KRA is simply the collection agent of the Government. At the same time, we believe that Kenya Revenue Authority has a role to play to advise the Government on sustainable tax policies that will ensure that targets are met without jeopardizing private sector growth and innovation.

Moreover, the informal sector must be engaged and even incentivized to be tax compliant, and this can only be realized through an amenable tax regime. Indeed, we must guard against arbitrary and retrogressive tax policies, for example the Robin Hood Tax which we thankfully were able to address.

The release of this report is therefore timely to enrich tax discourse for not only the banking industry but also the broader private sector and all stakeholders involved in tax matters. We encourage all industry sectors, including manufacturing, telecommunications, agriculture and energy to conduct similar assessments; for it is by fully appreciating the role we play as private sector in supporting the Government's revenue targets that we can see how better to support and align towards sustainable economic development.

**As I conclude my remarks,**

Allow me to say that the financial services sector thrives when there is predictability. We therefore ask Government to support the development of a tax policy specifically for the banking sector; a comprehensive banking industry tax policy that would seek to address some of the sticky issues around taxation while taking a long-term view on the industry. We envision this policy would be informed by data, including the report we are launching today.

Moreover, as the largest taxpaying sector, we must have a collaborative and cooperative approach around the taxation of banks. There are too many disputes between banks and the KRA and most of the issues, which end up in court, could have been avoided with proper consultation and collaboration.

The KRA alternative dispute resolution mechanism was working; and we would like to see KRA leadership support the ADR process. We already have an excellent example of how ADR works in the Judiciary's Court Annexed Mediation program which has unlocked billions worth of assets tied up in dispute.

Furthermore, it is our view that a data-led discussion can lead to outcomes that are satisfactory for all key stakeholders and lead to informed decisions. We must safeguard Kenya's pole position as the region's financial services hub. We have some of the most innovative and ambitious banks on the Continent, and as such, the proposed banking industry tax policy will play an enabling role to ensure that our banks remain competitive and are enabled to expand outside of Kenya with the attendant benefits for the Kenyan economy.

Finally, I thank the PwC team that prepared the report. We hope that the results of this study demonstrate the importance of this sector to the health of the economy.