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USAID KENYA AND EAST AFRICA TAX EXEMPTION TRAINING FOR IMPLEMENTING PARTNERS AND SUB-AWARDEES

TRAINING REPORT

August 23, 25, and 30, 2022

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ABBREVIATIONS AND ACRONYMS

CS	Cabinet Secretary
DTA	Double Taxation Agreement
DTD	Domestic Taxes Department
ESD	Electronic Signature Device
ETR	Electronic Tax Register
GoK	Government of Kenya
IP	Implementing Partner
KRA	Kenya Revenue Authority
MSP	Mission Support for Journey to Self-Reliance Pivot
PIN	Personal Identification Number
Q&A	Questions and Answers
TCC	Tax Compliance Certificate
TIMS	Tax Invoice Management Systems
TNT	The National Treasury
USAID/KEA	USAID Kenya and East Africa
VAT	Value Added Tax

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EXECUTIVE SUMMARY

This report summarizes the USAID Kenya and East Africa Mission's Tax Exemption Training for USAID/ KEA Implementing Partners and Sub-Awardees staff. The virtual training was held in three sessions on August 23, 25 and 30, 2022. The training aimed to enable USAID/ KEA Implementing Partners and Sub-awardees staff to understand the Government of Kenya's tax exemption process for official development assistance.

PURPOSE OF TRAINING

The purpose of the training was to help USAID/ KEA Implementing Partners (IPs) and sub-awardees staff to understand:

1. The overall legal framework in Kenya that governs the tax exemption process,
2. The exemption process in Kenya for development assistance; and
3. The need for enhanced compliance in the tax exemption process.

The training also provided a:

1. Debrief on the upfront value added tax (VAT) exemption process and
2. Addressed barriers and bottlenecks faced during the processing of exemptions.

METHODOLOGY AND TOPICS COVERED

The training was conducted virtually via the Zoom platform. Participants were engaged through various methods including Mentimeter quizzes and evaluation exercises. The topics covered included:

- Legal provisions for tax exemption
- Types of exemptions
- VAT reporting procedures and requirements
- Types of VAT refunds
- Steps for a refund of tax paid in error by IPs
- Steps for tax exemption using the DAI form
- Master list application process
- Features of a complete DAI form
- Checking for VAT obligations for vendors
- Checking validity of a Tax Compliance Certificate (TCC)
- Common reasons for rejection of DAI forms
- Features of a valid proforma invoice
- Summary of upfront VAT exemption process for donor aid-funded projects – services
- Items excluded from tax exemption
- Tax Invoice Management System (TIMS)

- Excise Duty Act of 2015
- Income tax- withholding tax
- The role of the National Treasury (TNT) in tax exemption
- Kenya Revenue Authority's (KRA's) role in the exemption process
- USAID's role in the exemption process

A link to the full training agenda can be found in Annex I.

CONCLUSION

The three sessions of the training were successfully executed with most of the participants noting that their training objectives were met as established in the training evaluation responses in Annex 5. The participants remained actively engaged throughout all training sessions and demonstrated an eagerness to learn by asking questions on areas they did not understand. At the end of each training session, the participants also demonstrated a high level of understanding of the topics by answering most of the Mentimeter questions accurately (Annex 6). The presenters completed each training session within the time allocated.

INTRODUCTION

The USAID Kenya and East Africa (USAID/KEA) Tax Exemption Training for USAID/KEA Implementing Partners and Sub-Awardees staff was held in three sessions on August 23rd, 25th, and 30th. Each session was held between 9:00 am and 1:15 pm. The training was designed to help USAID/KEA Implementing partners (IPs) and sub-awardees staff understand key elements of the Government of Kenya's (GoK) tax exemption processes, enhance their capacity to comply with the legal provisions for tax exemption, process the DAI application forms, and enable the participants to understand the roles of USAID, the Kenya Revenue Authority (KRA), and the National Treasury (TNT) in supporting the exemption process.

The total number of USAID/KEA IPs and Sub-awardees staff trained was 1,016 across all three days. On the 23rd, there were 306 participants of whom 274 (90%) attended for at least 54 minutes or more. On the 25th, there were 253 participants of whom 215 (85%) attended for at least 54 minutes or more. On the 30th, 457 participants were present and 375 (82%) of them attended the training for more than 54 minutes. In total 864 participants attended the training sessions for more than 54 minutes each day, representing an average of 85% attendance. The full participant list is available in Annex 2.

The training was conducted virtually via the Zoom platform, and the participants were engaged through various methods, including Mentimeter quizzes and question and answer (Q&A) sessions. The training and facilitation teams consisted of Global Base tax Consultants, USAID/KEA, the Mission Support for the Journey to Self-Reliance Pivot (MSP) activity, KRA, and the National Treasury as described below:

Tax specialists/ Trainers	USAID/KEA Team	KRA Team	National Treasury	MSP Support Team
John Chweya Wilbert Nyabika Maurice Gayah	Wilson Ngugi Nancy Wachira	Nancy Gakuru Margaret Nduta Karanja	Wachuka Gakuo	Brian Ramsey Sam Mwangi Rashid Wanyonyi Mitchell Oguna Violet Wairimu

ROUND I: AUGUST 23, 2022

Daily Overview

The first session of training began at 9:00 am with an introduction by the MSP facilitator, Brian Ramsey. Dr. Wilson Ngugi introduced the USAID/KEA team and trainers and invited Acting USAID/KEA Mission Director Bert Ubamadu to offer opening remarks. Mr. Ubamadu welcomed participants to the tax exemption training and expressed appreciation that they had reserved time for the training. Mr. Ubamadu commended the commitment of IPs and sub-awardees in submitting tax forms, recognizing the challenges of the process. Mr. Ubamadu also thanked Dr. Ngugi, the MSP team, the Government of Kenya (GoK), KRA, and TNT, for putting the training together. He added

that the training was meant to improve tax compliance and that the Mission was working with the GoK to ease the process, reduce the difficulty, and improve the efficiency overall. Mr. Ubamadu wished participants the best in their training and reiterated that the training should help ease DAI submission and tax compliance.

Following Mr. Ubamadu’s opening remarks, MSP’s lead facilitator and tax expert, John Chweya, began the training. The training primarily focused on the role of the IP in DAI form application and processes, the role of USAID in the exemption process, the role of TNT and ministries in the exemption process, and the role of KRA in the exemption process. At the end of the training, most of the participants noted that the topics were sufficiently covered. Details from participant evaluations are captured in the table below.

Participant Evaluation Summary	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Overall Evaluation					
Training content was relevant to my needs	32	10	0	0	0
Overall learning goals were achieved	19	22	0	1	0
Training expectations were fulfilled	18	21	1	2	0
Would recommend the course to a colleague	33	7	1	1	0
Pre-Training Preparations					
Training objectives were clearly stated	16	24	1	1	0
Registration process was clear	25	16	0	1	0
Quality of Training					
The time allocated for training was sufficient	11	24	2	5	0
The training was participatory/engaging	16	22	3	0	0
The virtual platform was easy to navigate and use	16	25	0	1	0

The trainers demonstrated good content knowledge	20	20	1	0	0
The trainers demonstrated good content delivery/facilitation skills	20	20	1	0	0
Post-Training Follow-Up					
I would consider further training on the topics discussed	28	12	2	0	0
I would like to receive further resources on the course subject	33	8	1	0	0
I want to follow up with USAID/KEA for further clarification	12	14	10	4	1

After Action Review – Session I

Following the session I on August 23, , USAID/KEA and MSP staff and Consultants discussed the successes and challenges of training execution, including any suggestions for changes or follow-up.

- Mr. Chweya noted that the participants were interested in learning about the tax exemption process during importation. He added that the participants required more information in this area for them to capture what was required.
- Dr. Ngugi commented on the issue and stated that most of the IPs and sub-awardees mostly dealt with local purchases as importation largely covered motor vehicles.
- Mr. Ramsey commented that at some point the questions diverged into problems with income tax payment. He advised that the trainers clarify that questions should focus on tax exemption.
- Mr. Ngugi added to Mr. Ramsey’s comment and noted that the IPs and sub-awardees would need to get further tax advice from relevant authorities and their tax consultants.
- It was agreed that there was excellent participation on the first day of training and that the training’s key messages had resonated with training participants. It was recommended that in the next training, the trainees should be shown how to populate the DAI form and to be offered a glimpse of the exemption items in the 1st and 2nd schedules of the VAT Act. The participants would also be taken through confirming the vendors were registered to charge VAT and checking the validity of Tax Compliance Certificate through iTax system. The trainers also agreed that Mentimeter participation was good.

ROUND 2: AUGUST 25, 2022

Daily Overview

In the second session of training, the meeting started at 9:00 AM with introductions and a welcome by MSP, USAID, and the training teams. After the welcome, Dr. Ngugi of USAID/KEA invited the Director of Strategic Planning and Analysis Office at USAID/KEA, Thomas Kress, to offer opening remarks. Mr. Kress thanked participants for taking time to attend the training. He noted challenges for both USAID/KEA and IPs as they continue to submit DAI forms for tax exemption and tax refund. He added that the training was very important and that he appreciated the work done in submitting DAI forms and working with vendors and the GoK. Mr. Kress emphasized that USAID was supporting the GOK in the automation to lessen the burden on IPs and Sub-awardees. He commended participants, USAID, and the GoK for their efforts to identify how to improve the system and fill gaps. He expressed hope that the training would help identify solutions. Mr. Kress further noted that USAID/KEA was working closely with the GoK to provide advice on the platform for the exemption process and ensure it would be eventually available online. An online platform would improve the expediency of the system for both TNT and KRA. He voiced his appreciation to TNT and KRA on behalf of USAID and the US government and his appreciation to IPs, sub-awardees, and vendors. Mr. Kress closed his remarks by commenting that the training would be very useful to the participants.

Mr. Chweya began the training on tax exemption with a focus on legal provisions. Afterward, he invited Wilbert Nyabika to take participants through a module on excise and income taxes. These training sessions were followed by presentations from Nancy Wachira of USAID/KEA on USAID VAT reporting procedures and requirements and Wachuka Gakuo from TNT on the steps for processing DAI forms. Nancy Gakuru from KRA also delivered a training session on KRAs role in tax refunds and tax exemption process and challenges KRA faces in the review of the DAI forms. At the end of the training, most of the participants noted that training topics were sufficiently covered. The training team took questions and provided answers to issues around VAT refunds and DAI form processing. Details of participants' evaluation information is captured in the table below.

Participant Evaluation Summary	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Overall Evaluation					
Training content was relevant to my needs	35	19	0	0	0
Overall learning goals were achieved	23	30	0	0	0
Training expectations were fulfilled	20	32	1	0	0

Would recommend the course to a colleague	40	12	1	0	0
Pre-Training Preparations					
Training objectives were clearly stated	22	31	0	0	0
Registration process was clear	24	25	3	0	1
Quality of Training					
Time allocated for training was sufficient	11	30	5	5	1
The training was participatory/engaging	14	29	9	2	0
The virtual platform was easy to navigate and use	25	26	2	0	0
The trainers demonstrated content knowledge	34	19	0	0	0
Trainers demonstrated good content delivery/facilitation skills	29	24	0	0	0
Post-Training Follow-Up					
I would consider further training on the topics discussed	31	19	3	0	0
Would like to receive further resources on the course subject	35	16	2	1	0
I want to follow up with USAID/KEA for further clarification	19	18	7	9	0

After Action Review – Session 2

Following the session 2 training on August 25, training, USAID/KEA and MSP staff and the Consultants discussed the successes and challenges of training execution, including any suggestions for changes or follow-up.

- Ms. Wachira noted that the training was improving with participants asking more questions and remaining engaged. She appreciated Mr. Chweya for the wonderful presentation and for keeping time.
- Mr. Ramsey noted that the presentation went well and that the participants were more engaged as compared to the first day of training. He noted that most of them had challenges dealing with vendors who refused to refund VAT.
- Mr. Mwangi stated that the training went well and the participants demonstrated proper engagement.
- Mr. Nyabika appreciated the presenters for providing very rich information. He added that the trainees were not suffocated with too much information and that he wanted to hear from them on what could be changed to make the training more useful.
- Dr. Ngugi also commented and stated that most of the training expectations were met and that the trainers should continue to speak with the same voice.
- Overall, the trainers agreed that the training went well. It was also agreed that the presentation slides would be improved based on the questions from participants and would be shared with the trainees.

ROUND 3: AUGUST 30, 2022

Daily Overview

The third and final round of training began with introductions and welcome by the MSP facilitator, the USAID team, and the team of trainers, including KRA and TNT. After the introductions, Dr. Ngugi invited the Director of Strategic Planning and Analysis Office at USAID/KEA, Mr. Thomas Kress to offer opening remarks. Mr. Kress noted that learning how the tax process works is very important in the management of USAID funds. Mr. Kress also thanked KRA and TNT for taking time to take the trainees through the tax exemption process. He added that their expertise, collaboration, and training was highly appreciated. He finished off by stating that he was looking forward to increased cooperation between USAID and GoK in streamlining tax processes. Following these remarks, the presenters took the participants through the tax exemption processes and the roles of the different entities.

Once again, there was consensus that the topics were sufficiently covered. However, the participants noted that discussing how to fill out the DAI form was the most useful part of the training. The participants also raised numerous questions on the timelines for filing and submitting the DAI forms and how they could approach the issues of vendor registration and VAT refund. The other feedback from the training is captured in the table below.

Participant Evaluation Summary	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Overall Evaluation					

Training content was relevant to my needs	39	14	0	0	0
Overall learning goals were achieved	19	34	0	0	0
Training expectations were fulfilled	15	37	1	0	0
Would recommend the course to a colleague	36	17	0	0	0
Pre-Training Preparations					
Training objectives were clearly stated	24	28	0	0	1
Registration process was clear	33	17	1	1	1
Quality of Training					
Time allocated for training was sufficient	12	33	6	3	1
Training was participatory/engaging	20	31	1	0	1
The virtual platform was easy to navigate and use	29	22	3	0	0
The trainers demonstrated content knowledge	36	18	0	0	0
Trainers demonstrated good content delivery/facilitation skills	26	27	0	0	0
Post-Training Follow-Up					
Would consider further training	40	11	1	1	0
Would like to receive further resources on the course subject	26	18	7	1	0

I want to follow up with USAID/KEA for further clarification	26	17	7	2	0
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After Action Review – Session 3

Following the third training session on ,August 30, USAID/KEA and MSP staff and the Consultants discussed the successes and challenges of training execution, including any suggestions for follow-up.

- Mr. Ramsey noted that the team did well. He added that having the questions at the end of the training session saved time thus allowing the presenters to cover more material. He added that participation was good on all three days and that the presenters were succinct. Mr. Ramsey requested the presenters to share the presentation with partners after edits.
- Ms. Wachira commented that the participants were listening and asked hard questions. She expressed hope that all participants who attended were sufficiently informed and appreciated KRA and TNT for attending. She also lauded Mr. Chweya for his excellent delivery as the lead trainer.
- Dr. Ngugi stated that the training from KRA and TNT was excellent since it provided the participants the opportunity to engage with all the parties involved in the DA I forms’ processing and the challenges they face. He noted that time had to be managed well to allow participants to transition to other activities. Dr. Ngugi added that the final report would guide future engagement .
- Mr. Mwangi stated that the training went well and that there was active participation among the trainees. He appreciated Mr. Chweya and the whole training team for their efforts. He finalized his comments by stating that the training was practical given the many numbers of questions raised over the three days.

NEXT STEPS

- It was agreed that the presentation slides would be edited to add more information before being shared with the trainees.
- The trainers also agreed to finalize the questions and answers document and share with the trainees.
- The USAID team agreed to meet internally and discuss the concerns raised by the trainees on how best to conduct similar training in future.

ANNEXES

[ANNEX 1: TRAINING AGENDA](#)

[ANNEX 2: PARTICIPANT LIST](#)

[ANNEX 3: PRESENTATION SLIDES](#)

ANNEX 4: QUESTIONS AND ANSWERS (Q&A)

- [Final Consolidated Q&A](#)

[ANNEX 5: TRAINING EVALUATION RESPONSES](#)

Participants were requested to offer feedback about training evaluation by filling out a Google form at the end of each session on all three days of training. Most respondents strongly felt that the training was helpful and that more sessions should be arranged to strengthen their capacity.