

Kenya deposits its instrument of ratification of the Convention on Mutual Administrative Assistance in Tax Matters with the OECD

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On 22 July 2020, Kenya deposited its instrument of ratification for the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (the Convention) with the Organisation for Economic Co-operation and Development (OECD). This action solidifies Kenya's commitment to combat tax evasion and aggressive tax avoidance schemes.

The ratification of the Convention comes after Kenya became the 94th jurisdiction to sign and hence join the Convention network on 8 February 2016. Kenya also joins a list of at least 137 jurisdictions that have ratified, accepted or approved the Convention as of 22 July 2020.

The Convention is aimed at promoting international cooperation for the better operation of national tax laws while respecting the fundamental rights of taxpayers. It provides for various forms of administrative cooperation between states that are signatories to the Convention in the assessment and collection of taxes including the automatic exchange of information or upon request, assistance in recovery of tax and service of documents. These actions help to counter international tax evasion, tax avoidance and other forms of noncompliance.

The Convention is broader in scope than most bilateral treaties in place because it covers consumption taxes such as value-added tax and excise tax, in addition to income tax and capital gains tax.

For Kenya, the Convention will enter into force on 1 November 2020.

Implications

Pursuant to the coming into effect of the Convention, the Kenya Revenue Authority (KRA) will have at its disposal taxpayer information that it previously would not have had access to. It is expected that the coming into force of this Convention will provide the necessary platform that the KRA has historically sought when reviewing intercompany transactions. The Convention will also make it possible to undertake simultaneous tax examinations.

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