



Paying Fair

“We are living through an unprecedented period in the tax world. We are experiencing a massive effort on tax transparency and international cooperation since the “fork in the road” of the global financial crisis in 2008,” says tax law expert James Karanja of ALN Kenya | Anjarwalla & Khanna.

“There’s a huge focus now on multinational enterprises as a major source of tax revenue for governments,” says Karanja, who spent 15 years at the Kenya Revenue Authority and led the OECD-UNDP Tax Inspectors Without Borders programme building capacity for developing countries’ tax administrations on tax audit and transfer pricing issues. “You had companies with massive stashes of untaxed cash when governments were starving for that cash, so there was a big movement from the global community including G20, the OECD, and the United Nations to remedy that”. Resulting changes at policy and regulatory levels flowed throughout the world, he adds, and within East Africa can be seen in the Finance Bills in Kenya and reforms in Uganda and Rwanda designed to tackle tax avoidance by multinational corporations who were not seeming to pay their fair share of tax.

“But certainly one of the things we want to be conscious of is that while governments are keen to recover money from multinationals, we must also ensure they do so in an even-handed way,” says Karanja, recently appointed as ALN Kenya’s Tax Associate Director in charge of Transfer Pricing Services.

James tells Africa Legal that as a transfer pricing expert he’s thrilled to be joining ALN Kenya, as the firm enjoys a strong record for cross-border and digital tax matters.

“They are best in class, a really trusted provider for a huge number of clients in Africa, handling some of the highest value legal work in the African market,” he says. “It’s an exciting opportunity for me to bring my rich local and global experience in international tax to assist clients within Africa and to help build a dedicated international practice.”

With the East African market, and particularly Kenya, now one of the leading FDI attractions for companies, Karanja says it’s vital for businesses to get the best advice on international tax and transfer pricing compliance.

“There’s clearly high returns and good profit potential, however challenges remain, particularly in the regulatory environment,” says Karanja, noting the issue of fiscal certainty, with governments at times wanting to rapidly change their tax regime, affecting companies’ long-term planning and the treatment and interpretation of their business dealings.

Karanja and his colleagues want to help companies operate better and improve how they engage with the tax administrations to get a fair look at issues and better certainty. “But clearly the profit potential and opportunities in this market are growing as time goes on.”

With tax law traditionally being “a sovereign jurisdictional issue”,

even as governments have given up some sovereignty for enhanced international cooperation, it is important that multinationals stay compliant across jurisdictions as business becomes more borderless.

“Companies should be looking for a partner such as ALN Kenya that has a footprint across a wide number of countries, so they get better support from a one-stop platform,” says Karanja. “We have a great opportunity to support a lot more companies that are looking to operate in different jurisdictions within the African market.”

This article was first published by Africa Legal.