

NON-TAX REVENUE UNIT

Definition:

Non Tax Revenue (NTR) is defined as all revenue other than taxes accruing to Government through its Ministries, Departments and Agencies (MDAs) from their operations, either through the use of Government Assets/Facilities to provide services to stakeholders or through the enforcement of regulations that require stipulated payments to be made to Government through its MDAs. Non-Tax Revenue includes internally generated funds (IGFs).

Categorisation:

Non Tax Revenue is composed of the following revenue items:

- i. Fines, penalties and forfeitures;
- ii. Sale of goods and services, including all goods and services provided by MDAs using Government assets and/or facilities;
- iii. Rent of Government lands, buildings and houses;
- iv. Fees and charges;
- v. Licenses;
- vi. Income on Investment;
 - o Interest on Loans
 - o Dividends
- vii. Donations and contributions; and
- viii. Miscellaneous including gains on foreign exchange rate.

Objectives:

The Non-Tax revenue Unit was established in 2002 and charged with the following objectives:

- i. To review the existing legal and regulatory framework relating to NTR collection and to advise government on strategic initiatives to enhance the collection, accounting and reporting of non tax revenue;
- ii. Facilitate and coordinate the planning and preparation of NTR budget projections of MDAs annually;

- iii. Facilitate the collection, accounting and reporting of NTR by MDAs on a monthly basis and to take steps to assist in the removal of all bottlenecks encountered in the processes;
- iv. Initiate policies to stimulate and enhance collection of NTR and increase the share of NTR as a percentage of GDP; and
- v. Undertake any other assignment relating to NTR that may from time to time be determined by the Minister of Finance and Economic Planning.

Major accomplishments from 2002 - 2006:

With the establishment of the Unit a lot of progress has been made in the generation, collection and reporting of non tax revenue.

Below is listed a few of the successes of the Unit:

- i. Non Tax Revenue's contribution to the Consolidated Fund (Lodgement) and collection approved by law to be retained by MDAs (retention) have increased significantly over the years as depicted in the table below:

	2002 (¢'M)	2003 (¢'M)	2004 (¢'M)	2005 (¢'M)	2006 (¢'M)
Lodgement	252.37	363.56	1,136.80	1,854.32	923.0
Retention	276.87	637.47	1,056.39	1,382.27	1,877.5
Total	529.24	1,001.03	2,193.16	3,236.59	2,800.5

- ii. Annual revenue projections of NTR of all MDAs is now being captured as part of the Annual Budget Statement as part of Government revenue;
- iii. MDAs are now mandated by law that is the Financial Administration Act (FAA Act 645) to report on NTR on a monthly basis to the Ministry of Finance & Economic Planning;

- iv. The FAA Act 645 also makes it possible for heads of departments to review their rates and charges annually and request for approval from Parliament;
- v. Some MDAs have been given approval by Parliament to retain some portions of the revenue generated to implement revenue enhancing projects; and •
- vi. The Ministry has instituted Revenue Enhancement support system that helps MDAs to implement revenue enhancement activities. Through this programme the revenue units of some MDAs have been given vehicles for monitoring, computers have been provided to capture data on revenue, office safes and other equipments have been procured for the MDAs for the effective management of non tax revenues;
- g. Before the establishment of the Unit dividend payments by State Owned Enterprises (SOEs) and Joint Venture Companies (JVCs) was not regular. The Unit in collaboration with State Enterprises Commission (SEC) facilitated the preparation of a dividend Policy to guide SOEs/JVCs. Since then through improved monitoring and interaction with SOEs/JVCs dividend payment has improved.

Projects currently being undertaken by the Unit:

a. On-site Banking:-

Introduction/Background:

The On- Site Banking programme is being introduced to address the problem of fraudulent receipting and accounting of Government revenue by some revenue collectors. It is also intended to address delay in the lodgement and transfer of non tax revenue/internally generated funds (NTR/IGFs) by MDAs.

The programme seeks to:

- ~ Locate a bank in the premises of MDAs with large collections; ~
- Locate a bank to serve a cluster of MDAs;

- ~ Provide mobile collection services to other MDAs;
- ~ Locate a collection point in the Regional Administration area in each region to cater for MDAs in the area and provide mobile collection services for those outside the Regional Administration area.

Currently, the Ministry is holding discussions with all the stakeholders, that is the MDAs and the Banks to implement the project.

b. Auditing of selected MDAs:

Some MDAs do not disclose and report fully and accurately on all revenue they generate. The operations of others are characterized by revenue leakages and weak internal controls by MDAs.

In order to address these issues the 2007 Budget proposed to carry out Auditing of the IGFs of selected MDAs and MMDAs.

In view of the above, our Ministry has requested the Internal Audit Agency to investigate the IGFs of eighteen (18) MDAs and twelve (12) MMDAs for the period 2005 - 2006.

c. Capacity Building for MMDAs:-

In the 2006 Budget the Ministry proposed to initiate action to build capacity and develop strategies for MMDAs to improve their internally generated funds (IGFs).

The objective is to help the MMDAs to be more self sustaining and reduce their dependence on the central Government.

Consultation has already started with key stakeholders including the following:

- i. Ministry of Local Government Rural Development & Environment
- ii. Institute of Local Government Studies
- iii. Internal Audit Agency
- iv. National Association of Local Authorities
- v. Six selected metropolitan, Municipal and District Assemblies

Issues that have been identified include the following:

- update of database(business/property);
- public private partnership for revenue collection;
- creation of commercial departments;
- revaluation of property;
- street naming/house numbering;
- review of low fees/charges;
- legal support for the review of by-laws; and
- It is expected that the work currently being done will input into the Fiscal Decentralisation framework currently being developed.

d. Review of Rates:-

The 2006 budget proposed to review obsolete rates, fees and charges for some MDAs.

The objectives of the review are:

- a) To enhance the overall mobilization of Non-Tax Revenue (NTR);
- b) Ensure that fees and charges levied by MDAs for services they provide to the general public reasonably reflect current economic conditions.
- c) To enable MDAs expand the scope of services they provide.

Cabinet is currently considering the proposal for the review of rates.

e. Ministries Retention of Funds Act:-

Parliament has passed the Ministries, Department and Agencies (MDAs) (Retention of Funds) Act, Act 735.

The Act gives legislative approval to MDAs who were previously:

- a. collecting fees/charges based on administrative approval
- b. retaining all or a portion of their collections based on administrative approval

The Act gives thirty-one (31) MDAs authority to generate IGFs and twentyfive (25) MDAs authority to retain. Various percentages of their IGFs, the law is currently awaiting Presidential assent.