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Budget 2018

East African Edition

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"This Grant Thornton Budget analysis provides commentary designed to assist you in navigating the increasing complexities of the tax environment.
Across the world it is clear that tax authorities are increasingly learning from, and working with, each other in their quest for higher tax yields. This places more onus on taxpayers to report and be accountable for tax liabilities. Grant Thornton's global network of tax specialists work together to ease the burden on you and your business and to provide practical solutions in support of your growth ambitions."

Contents

Introduction

The government has released the 2018/2019 fiscal strategy premised on the theme "Creating Jobs, Transforming Lives and Sharing Prosperity" with the Big Four Agenda in mind. It is widely seen as a balancing act of implementing the strategic Big Four agenda that is intended to spur economic growth. While trying to achieve this, the government is also looking at ensuring that the public debt remains on a sustainable path.

Kamal Shah
Managing partner
Grant Thornton Kenya

THE BIG 4 BUDGET

Despite the ups and downs that faced the country, we managed a 4.9% growth in 2017 leading to the creation of 898,000 new jobs as compared to 833,000 jobs in 2016. There was clear macro-economic stability with inflation, interest rates and exchange rates remaining stable all of which have enhanced investor confidence.

In order to achieve the Big Four Agenda, this budget has taken the path of curtailing the resources going to the lower-priority areas following the Zero-based budgeting approach enabling the savings and gains made to be redirected to the Big Four Agenda. Cumulatively, the Four agenda areas have been allocated Kshs. 1.065 Trillion out of a total budget of Kshs. 2.55 Trillion.

Notable points on the Big Four Agenda are;

Manufacturing;

The Government intends to boost the manufacturing sector by establishing of leather parks and textile industries throughout the country strategically, reviving the blue industries and re-establishing the automobile industry, agro-processing and manufacturing of construction materials.

The government has embarked on creating Special Economic Zones (SEZ) and offering incentives to people willing to establish their businesses in these zones. The East African Community Non-Tariff Barriers Act of 2017 is being implemented to grow the manufacturing sector while at the same time protecting the industries in our region. Similar measures are to be taken up by a multi-agency team to curb the trade in illicit and counterfeit goods.

Key to the manufacturing sector are the measures to be taken up in reducing the cost of electricity to about 90 cents US Dollar per kilowatt hour for selected investors. To mitigate the cost of production, the Income Tax Act is to be amended to allow for a 30% of the total electricity bill be deducted from the corporate profit in addition to the normal deductions on electricity expenses. The government has further proposed for the cost of off peak power to be cut by half.

To aid the support value addition and raise the manufacturing sector, the government has allocated the sector a total of Kshs. 2.4 Billion.

Food Nutrition and Security;

The government seeks to achieve this by focusing on

Enhancing large scale production; having 700,000 acres of land through PPP by promoting investment in post harvesting, adopting contract farming and developing agro parks or hubs Boosting small holder productivity and Reducing the cost of food.

The government seeks to support the small scale farmers by availing to them tools, upscaling crop and livestock insurance, promoting the use of the right farming techniques and most of all, ensuring affordable credit to the farmers.

To ensure enhanced food security and Nutrition Security to all Kenyans by 2022, the government has put aside Kshs. 20.25 Billion to achieve this.

Affordable Housing;

The urban sector alone is deficient of 200,000 housing units annually with this hitting 300,000 by 2020, while only 50,000 housing units are being constructed yearly. Partnerships with the private sector are key to bridging this gap in serviced land. This can only be achieved through access to affordable financing and use of cutting edge low cost building techniques.

To this end, the government co-owned Kenya Mortgage Refinance Company (KMRC) has been established so as to partner with the private sector and select development partners. A National Social Housing Development fund will also be established to strengthen the NHC on resource mobilization and management of tenant purchase schemes thus providing alternative financing strategies to achieve low cost housing. A provision of Kshs. 6.5 billion has been made in this budget to the sector in the quest to achieve affordable housing.

Incentives like a reduction of 15% of the corporate tax for any developer who construct at least 100 units yearly have been emphasized.

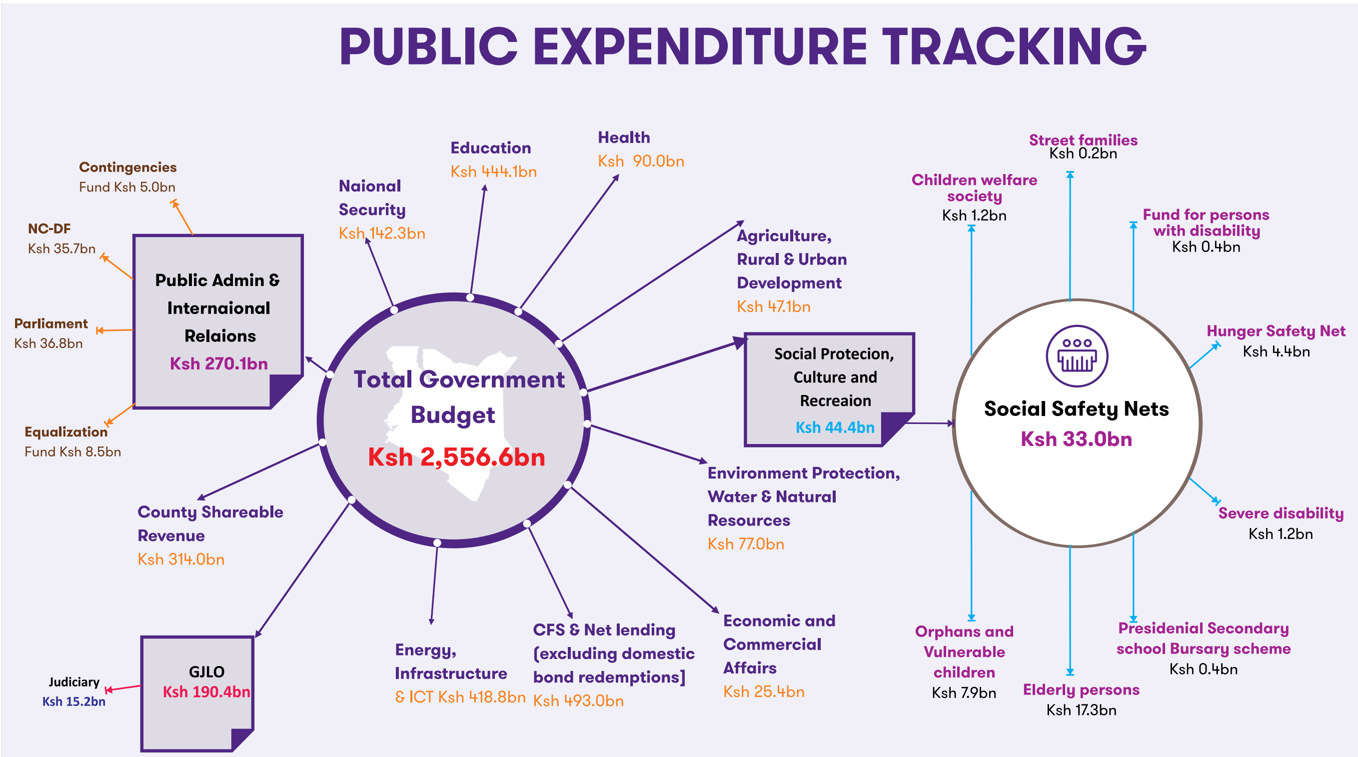
It is further proposed that Employment Act be amended to have all employers to pay to the National Housing Development Fund in respect to each employee subject to a maximum of Kshs. 5,000 (a) the employer's contribution at 1% of the employee's monthly gross emoluments and (b) the employee's contribution at 1% of the employee's earnings deducted from the employee's earnings.

Universal Health Care;

the government seeks to have universal healthcare to all Kenyans by 2022 to guarantee access to quality and affordable health care. Already, NHIF has been extended to cover Secondary school students, county governments shall be provided with specialized medical equipment, expansion of the free maternity programme to private and mission hospitals and the continuous training of doctors while sourcing specialized skills to plug the gaps that exist therein.

The initial roll out phase shall cover four counties; - Kisumu, Nyeri, Isiolo and Machakos, with Kshs. 44.6 Billion having being allocated for the pilot phase.

The following is a breakdown of this year's budget allocation



Economic Overview

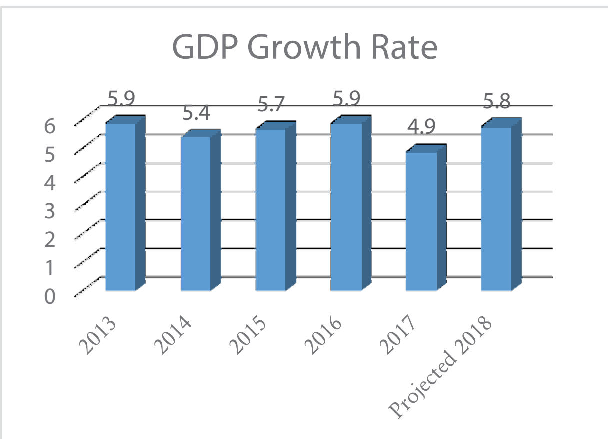
Kenya's economy faced various headwinds in 2017. Key sectors of the economy posted decelerated growth as the country battled adverse weather conditions, political uncertainty, sky rocketing inflation, a slowdown in credit, and volatile prices in the international markets.

5.8 %
Projected growth rate for 2018

The agricultural sector, Kenya's economic life line, took the biggest hit as drought ravaged most parts of the country with a ripple effect on the manufacturing agro processing sector. Against this backcloth however, the service sector of the economy was undeterred. The tourism, ICT and transport sectors registered growth during the year contributing to an overall growth rate of 4.8%. Although falling short of the projected 5.1% and having decelerated from 5.9% in 2016, the growth was commendable given the odds.

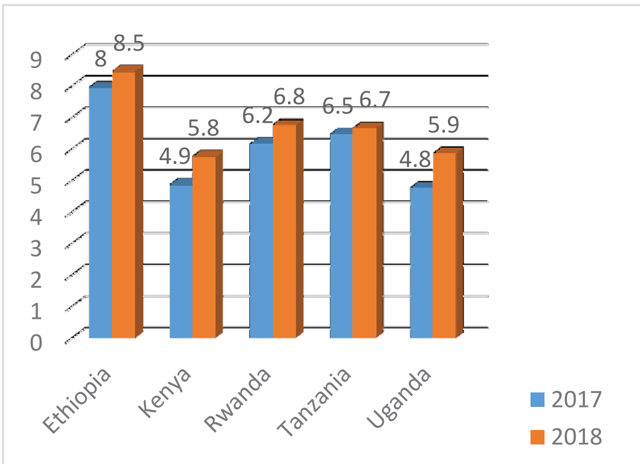
Gross Domestic Product

The country's GDP has been on a steady path in the last five years. In 2017 however, the economy decelerated from 5.9 per cent in 2016 to 4.9 per cent owing to turbulence in majority of the economic sectors.



The economic slump during the year saw Ethiopia overtake Kenya to post the highest growth rate at 8.0 per cent. Uganda and Tanzania equally felt the effects of drought during the year to post a growth rate of 4.4 per cent and 6.5 per cent respectively.

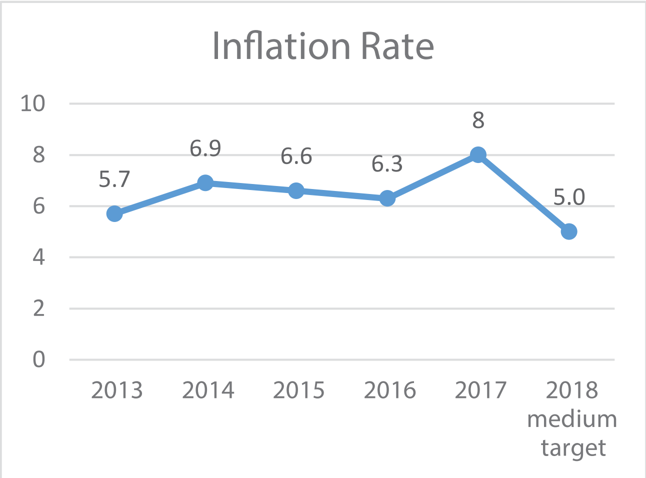
The economy is however expected to rebound with Kenya having a projected growth rate of 5.8 per cent in 2018.



Inflation

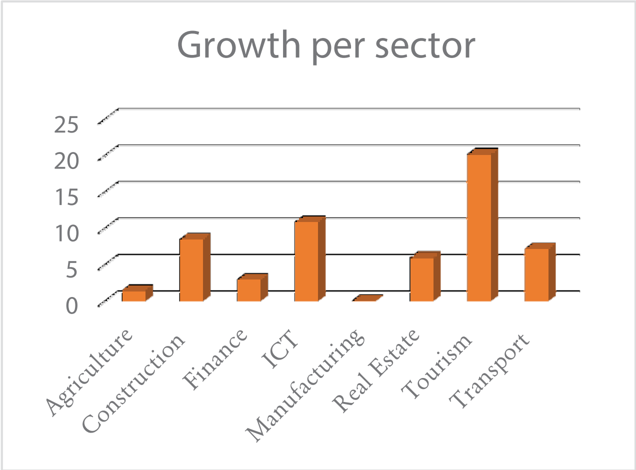
The country experienced double digit inflation midyear, surpassing the highest record in the last five years. The soaring rates and prohibitive cost of basic commodities prompted government to institute measures to curb the increase in commodity prices.

The sharp increase in inflation was attributed to failed rains which saw the country struggle to sustain the demand for basic food commodities.
Control measures put in place by government have brought down the inflation rate to a controlled month on month rate of 4.2 per cent in 2018.



Sector Performance Analysis

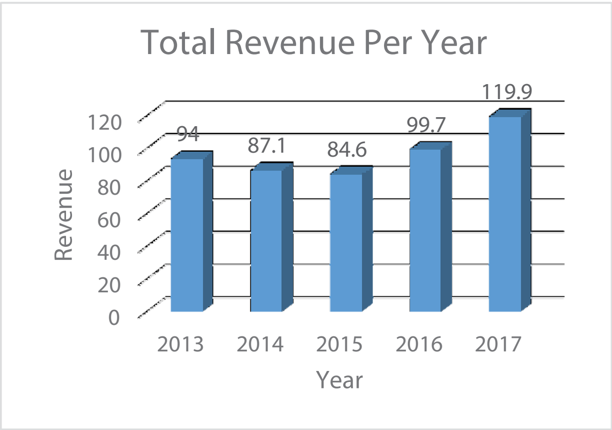
Various sectors of the economy had varied reactions during the year with some sectors posting significant growth in spite of the prevailing conditions.



Tourism

The tourism sector took an unprecedented turn for an election year and outperformed other sectors to post a growth rate of 20.3%, the sector's highest in the last decade. The sector which has experienced significant disruptions in the wake of previous election cycles, proved resilient in 2017 posting revenues of 119.9 billion.

The sector received 1,474,700 tourists during the year with accommodation and food service growing by 14.7%. During the period, 4.05 million beds were taken up by Kenyans compared to 3.5 million in 2016 with sector players attributing the growth to positive visibility and endorsements which cemented the country's tourist destination brand.



Information Communication Technology

The ICT sector has cemented its place as a key driver of the economy. Mobile telephony has propelled Kenya to top five African countries with the fastest growth in telecommunication, infrastructure and mobile money innovations.

In keeping with its status, the sector continued on an upward trajectory in 2017 to post a growth rate of 11.0%. As at 31st December 2017, the total number of active mobile money transfer subscriptions and agents stood at 30.0 million and 198,234 respectively. The volume of mobile money transfer increased to KES 3.6 trillion from KES 3.4 trillion in 2016 with the sector remaining largely unaffected by the prevailing conditions in the country.

Mobile penetration in Kenya is currently at 94.3 per cent with 42.8 million subscribers which has not only made communication easier but has played a critical role in project implementation across various sectors of the economy.

Transport and Storage

Various facets of the transport and storage sector had diverse reactions during the year.

Growth in land transport slowed down during the year with the stunted growth being marked by a 22.5 per cent decline in number of newly registered lorries/ trucks, pick-ups and heavy vans.

On the other hand, earnings in rail transport increased more than five times from 134 million in 2016 to 700 million in 2017. This growth has been attributed to the completion of phase one of the standard gauge railway which brought in revenues of KES 590.2 million.

During the year, the US Federal Aviation Authority granted Jomo Kenyatta International Airport category one status, allowing direct flights to the USA starting January 2018. With the elevated profile as a regional hub, the total number of passengers increased by 3.5% from 9.8 million in 2016 to 10.1 million in 2017 with commercial cargo similarly increasing by 16.6% to 290.8 million tonnes in 2017.

Overall, gross value of the sector decelerated to 7.3% from 7.8% in the previous year with the decline being attributed to a slower growth in land transport.

Agricultural

The agricultural sector was under siege for the most part of the year, battling drought, volatile global commodity prices and unstable export markets. Though resilient in the first quarter, the volume of coffee exports declined by 13.8% following the vote to exit from the European Union by Britain, one of Kenya's largest tea market.

Similarly, there was a marked decline in production of key products with wheat and coffee production shedding 23.1% and 11.5% respectively. Maize, a staple food in most parts of the country, registered a decline of up to 6.3%.

The horticulture export market however remained somewhat vibrant throughout the year posting a growth rate of 13.6% cushioning the sector's marked decline to post an overall growth of 1.6%.

Manufacturing

The manufacturing sector grew by 0.2% having endured its fair set of challenges during the year. Growth in the sector was hampered by capping of interest rates which saw manufacturers access to credit diminish significantly.

Further, the implementation of plastic ban caused unrest as the industry struggled to adapt to the untimely change. The Kenya Association of Manufacturers estimated that over 176 plastic manufacturing companies were affected by this ban and by extension their employees.

The depressed performance of the agriculture sector further dampened the growth momentum as agro-processing activities were ground close to a halt.

Slowdown in the decision making processes derailed the industry as investors took a conservative stance pending new government.

Energy

The energy sector was significantly affected by volatility in international oil prices and the prevailing drought.

During the year, the country was forced to rely on thermal energy as the levels of hydro power produced reduced by 29.9% driving up the cost of electricity.

Electricity produced in the country decelerated to 6.9% from 9.5% in 2016 with the consumers feeling the pinch of prohibitive input costs for thermal energy.

The dismal performance notwithstanding, the sector was abuzz with activity during the year ranging from announcement of gold discovery in Liranda Corridor in Kakamega to the signing of a production agreement between the government and Tullow Oil, a British explorer and producer.

It is expected that the agreement will create a road map for Kenya to export oil, a significant boost to the sector. Similarly, the discovery of gold holds promise for a bright future in mineral trading.

Infrastructure

The building and infrastructure sector underscores the government's vision 2030. Multi-billion dollar projects such as the standard gauge railway and the Lamu Port South Sudan Ethiopia Transport (Lapsset) corridor undertaken by the government has contributed to the somewhat steady growth of the sector.

However, the sector grappled with stalled projects and tedious approval processes to post a decelerated growth rate of 8.6 per cent. In a survey conducted by the World Bank, approval of construction permits in 2017 took 159 days in 16 procedures, a factor which contributes to delayed project milestones.

A key milestone in the construction industry was the completion of phase one of the standard gauge railway which was officially opened in June. The project has since brought in over 500 million during the year.

Real Estate

The real estate sector was characterised by a steep decline in capital appreciation brought about by stagnated land and property prices. Nairobi and its metropolis recorded an average capital appreciation of 6.5 per cent compared to 18 per cent in 2016 with rental yields of 9.6 per cent, 9.2 percent and 5.2 per cent in retail, commercial office and residential markets respectively.
While the sector was affected by reduced credit supply due to capping of interest rates and political uncertainty prevailing during the year, infrastructural development undertaken by the government spurred growth in satellite towns cushioning the overall sector performance to a total return of 14.5 per cent. Compared to prior year performance of 25.8 per cent.

Finance

Kenya's financial sector makes a significant contribution to the economy. In 2017, the financial markets were equally affected by the prolonged electioneering period and capped interest rates to post a decelerated growth rate of 3.1% compared to growth of 6.7 per cent in 2016.

The Nairobi securities exchange remained vibrant to post a growth in profit after tax of 18 per cent from KES 184 million in 2016 to KES 216 million in 2017.

The improved performance in the sector was attributed to improved trading in bond and equity markets which posted a growth rate of 1 per cent and 17 per cent respectively.

Ease of doing business

According to the latest World Bank annual ratings, Kenya is ranked 80 among 190 economies in the ease of doing business an improvement from 92 in 2016.

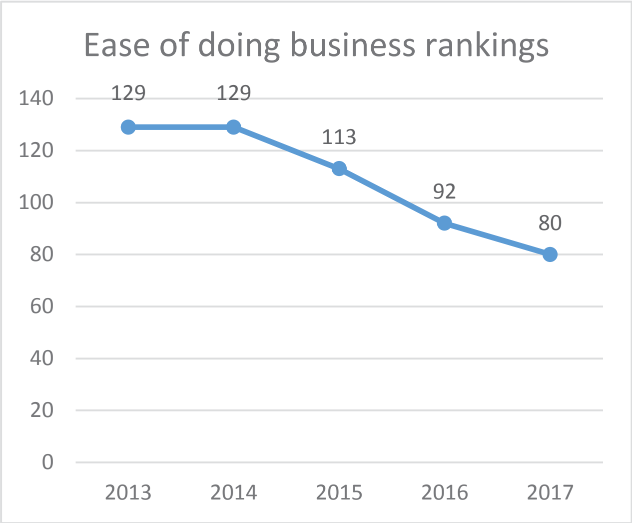
In arriving at this ranking, the World Bank accessed the economy against various indicators with the country posting significant improvement in majority of the areas reviewed.

Despite the marked improvement, the economy continued struggling as far as registration of property.

Ease of doing business indicators 2017		
Indicators	2017	2016
Starting a business	117	151
Dealing with construction permit	124	149
Getting electricity	71	127
Registering property	125	115
Getting credit	29	28
Protecting minority investors	62	115
Paying taxes	92	101
Trading across boarder	106	131
Enforcing contracts	90	102
Resolving insolvency	95	144

Kenya came in third as the most competitive economy in Africa after Mauritius and Rwanda which were ranked in 49th and 56th place respectively.

The positive ranking was attributed to business reforms undertaken by the government and digitalization of government processes.



Trade and Balance of payments

The trade sector measured against the Balance of trade has been on a deteriorating trend characterized by huge balance of trade deficits.

Kenya generally has a narrow export base which is dependent on limited traditional destination markets. In the wake to the geopolitical uncertainty which plagued the international markets in 2017, the country posted a total volume of KES 2.3 trillion of which exports accounted for KES 594.1 billion while imports accounted for KES 1,725.6 Billion.

The period was marked by a widening merchandise trade deficit of KES 1,131.5 billion from the previous KES 853.7 billion in 2016 with the receipts from international trade in service absorbing 15.4 per cent of the deficit in the third quarter.

The deterioration in balance of payment was attributed to the widening merchandise trade deficit.

2018 Outlook

Having endured turbulence through the year, the economy is set on a recovery path with stable macroeconomics and interest rates to support growth.

Measures taken by government to control the inflation rates are bearing fruits with the month on month inflation rate declining to 4.2 per cent in 2018. Commodity prices in the country have stabilized and normalcy resumed in a majority of the sectors setting the economy on the path to the 2018 projected growth rate of 5.8 per cent.

Income Tax

The budget 2018 has proved a delicate balancing act. The government has been forced to give up the ambitious higher tax rates in respect of capital gains and high net worth individuals. Restating his commitment to giving Kenyan's a simplified and modern Income Tax Act, the Cabinet Secretary focused on sealing revenue gaps and expanding the tax base.

The budget which was characterized by government's commitment to the big four agenda contains various proposals in relation to income tax. Below are the key highlights.

Capital Gains Tax:

Tax rate

The capital gains tax (CGT) has elicited mixed reactions since its reintroduction in 2015. In a move which has been seen to target the booming real estate market, the government sought to increase CGT from 5% to 20% in the Income Tax Bill, 2018. The Cabinet Secretary in the budget statement announced the intention to reverse this proposal citing bad timing for its implementation.

Transfers by insurance companies:

Paragraph 8 of the Finance Bill 2018 seeks to amend Section 19 of the Income Tax Act by inserting a new provision to the intent that gains from transfer of property by an insurance company shall now be subject to capital gains tax under Schedule 8 of the Income Tax Act w.e.f 1st July 2018.

High Net Worth Individuals:

The Income Tax Bill, 2018 proposed a higher tax band of 35% on incomes above KES 750,000 per month. In its budget statement, the government has reversed this position to retain the current tax bands at an upper limit of 30% citing wrong timing for implementation of the 35% rate.

The Cabinet Secretary did not however comment on the 35% tax rate proposed for companies with taxable income in excess of KES 500,000,000.

Corporation Tax:

Housing:

The government's commitment to affordable housing remains steadfast. In the budget statement, the cabinet secretary proposed a reduced corporation tax rate of 15% for developers who construct at least 100 units per year down from the current 400 units, a move which is expected to encourage construction of affordable housing to cover the current housing deficit of 200,000 housing units annually.

Further, to drive the public private partnerships, the government has established the Kenya Mortgage Refinance Company (KMRC) which will extend long term loans to financial institutions secured against mortgages. The KMRC will be jointly owned by the government, private sector and select development partners.

The Finance Bill provides an incentive to companies engaged in business under a special operating framework arrangement with the government

Special Operating Framework:

The finance bill proposes an introduction of a special operating framework aimed at incentivizing investment. Under the framework targeted to take effect in January 2019, businesses will be taxed at a special rate agreed upon under the special arrangement.

Presumptive Tax

In a bid to ensure that the informal sector contributes towards the economic agenda of the country the finance bill proposes to amend the Income Tax Act and replace turnover tax with presumptive tax based on the business permit or trading license fees at a rate of 15% which shall be final.

This is a move aimed at increasing revenues by tapping into the booming informal sector in Kenya. This measure will impact small traders operating as sole proprietors or unincorporated entities because they will be required to pay tax at the time of obtaining their annual business permits.

Notwithstanding the above, the presumptive tax shall not apply to resident persons whose turnover from business does not exceed five million and income derived from management and professional services, rental business and incorporated companies. This is w.e f. 1st January 2019.

Compensating Tax

The Finance Bill proposes to repeal the compensating tax provisions and simplify it by taxing dividends at the resident corporate tax rate (30%) on the gains or profits from which such dividends are distributed.

This replaces compensating tax as per the current Act which provides for tax on insufficiently taxed profits at 43%. This is welcome move aimed at simplifying the calculation of tax arising from dividends distributed out of profits that have not been subjected to corporate tax.

Deemed Dividends

The Finance Bill proposes to expand the term dividend for purposes of taxation to include the following:

a) Any cash or asset distributed or transferred to or for the benefit of the shareholder or persons related to the shareholder;
b) A discharge of obligation measurable in money which is owed to the company by the shareholder or related person;
c) Debts owed by the shareholder or related person that is paid off by the company;
d) Any transactions with a shareholder that has the effect of reducing the present taxable income or reduced assessed losses of the company.

These provisions will be effective from 1st July 2018.

Withholding Tax

We highlight below some of the amendments the Cabinet Secretary has proposed to introduce;

- **Withholding tax on insurance premium** - withholding tax at 5% on insurance premium paid to non-residents excluding insurance premium paid for insurance of aircraft has been introduced w.e.f 1st July 2018. This is in the spirit of bringing into tax some streams of income from the insurance sector, including payments to non-residents which have been previously untaxed.

- **Withholding tax on demurrage charges** - the cabinet secretary proposes to amend the income tax by introducing withholding tax at 20% on demurrage charges made to non-resident persons w.e f 1st July 2018. This will provide a fair playing ground for Kenyan residents whose income from similar sources is subject to tax.

Demurrage charges in this regard refer to penalties paid for exceeding the period allowed for taking delivery of goods, or returning of any equipment used for transportation of goods.

Tax Procedures Act

The Cabinet Secretary though the Finance Bill seeks to make the following amendments to the Tax Procedures Act;

Interest and penalty on late payment:

The Finance Bill proposes to increase of the rate of late payment interest to 2% from 1% and introduction of a twenty percent late payment penalty on late payment of taxes w.e.f 1st July 2018.

Extension of time to file return:

The time limits in the application and extension of time to file a return was previously limitless. Persons seeking an extension shall now be required to make the application at least fifteen days before the due date in the case of Monthly taxes and thirty days in the case for annual returns. The bill also seeks to allow taxpayers to amend self-assessment return w.e f. 1st July 2018.

Betting and gaming:

A 20% penalty and 2% interest on late payment of tax in the Betting, Lotteries and Gaming Act shall be applicable w.e f 1st July 2018.

Late submission penalty

Penalty for late submission of individual returns has been reduced from KES 20,000 to KES 2,000 or 5% of taxable payable under the return whichever is higher and non-individual returns has been increased from KES 10,000 to 20,000 w.e.f 1st July 2018.

Foreign Income Amnesty:

The government has extended the tax amnesty filing deadline from 30th June 2018 to 30th June 2019. Similarly, the declaration period has been extended to allow individuals to repatriate income earned up to 31st December 2017.

This move has been informed by the slow uptake which the government attributes to concerns of government interrogation of the source of the funds.

To reassure Kenya's of the goodwill behind amnesty, the budget proposed to exempt funds transferred under amnesty from the provisions of the Proceeds of Crime and Anti Money Laundering Act or any other Act relating to reporting and investigation of financial transaction. The exemption does not however extend to proceeds from terrorism, poaching and drug trafficking.

These provisions shall take effect on 1st July 2018.

Cyber Crimes:

The government seeks to address the recent cybercrime wave that has hit the country by introducing two offences; unauthorized access and interference with computerized tax systems. In the proposed Finance bill, unauthorized access to computer tax systems will attract a fine of KES 400,000 for individuals or two years' imprisonment and KES 1,000,000 for companies.

Interference with computerized tax systems will attract a fine not exceeding KES 800,000 or imprisonment of a term not exceeding three years.

Other Miscellaneous Provisions.

130% Electricity Bill Tax Deduction for Manufacturing Companies

The Cabinet Secretary in his Budget Statement indicated that the Government is dedicated to supporting the manufacturing sector as a key pillar of The Big Four Plan. This is by mitigating the cost of production which in turn affects commodity prices.

In light of this the Cabinet Secretary has proposed to amend the Income Tax Act to provide a deduction of 30% of the total electricity bill by manufacturers from corporate profit in addition to normal deduction subject to the conditions to be set by the Ministry of Energy w.e f 1st January 2019.

Value Added Tax

Tax "The Cabinet Secretary for Finance proposed to expand VAT exemption for materials used in the construction of grain storage facilities to include equipment used in the construction of the facilities."

The Budget Speech and the Finance Bill 2018 were silent on VAT issues. The presupposition is that the Tax Amendment Bill, 2018 having previously introduced many changes to the VAT Act will take precedence on VAT proposals.
The below summarized the changes to the VAT Act 2013 as proposed in the Budget Speech and the Finance Bill 2018.

Issuance of Credit notes and debit notes

The Finance Bill amends Section 16(6) of the VAT Act, 2013 by clarifying that a credit note or debit note issued shall be in the prescribed format.
The amendment, w.e.f. 1 July 2018, aligns the VAT Act with the VAT regulations 2017, which clearly outlined the format in which debit notes and credit notes shall be issued.

Alignment with the Tax Procedures Act

The Finance Bill has deleted sections 40 and 41 of the VAT Act, which provided for penalties on unauthorized access to or improper use of tax-computerized systems.
The Bill further amends Section 44 by deleting the clauses, which provided for extension of time to submit a return and penalties on failure to submit a return by the due date.
The amendments streamlines the above provisions with the Tax Procedures Act to simplify the tax administration process. w.e.f. 1st July 2018.

Exemption to Standard Rated

The Finance Bill has moved the items outlined below from exemption status to standard rated. The changes are w.e.f. 1st July 2018.

Raw materials used in the manufacture of garments and leather footwear

The Bill imposes VAT to be charged on raw materials imported in the manufacture of garments and leather footwear specifically from Export Processing Zones (EPZs).

The change is expected to safeguard local producers of raw materials used in tanneries and by livestock keepers.

This will also to level the playing for local industries the EPZ enterprises that already enjoy an array of tax incentives.

Medicaments

The Bill introduces a VAT charge on medicaments containing alkaloids or derivatives thereof but not containing hormones or antibiotics which were exempt.

VAT Exemption

The Bill aims at increasing the number of goods that qualify for exemption status. We highlight below the goods and services that will now be exempt from VAT w.e.f 1st July 2018.

Machinery used in the manufacturing of goods

The Bill provides for VAT exemption only for plant and machinery used in manufacturing of goods as captured under chapters 84 and 85 of the Common External Tariffs. The VAT Act 2013 previously provided for a blanket exemption and the interpretation of this provision was unclear.
w.e.f. 1st July 2018.

Specialized equipment for the generation of solar and wind energy

The VAT Act 2013 provided for exemption on specialized solar powered equipment and accessories including solar water heaters.

The Finance Bill 2018 restricts the exemption to only specialized equipment for the development and generation of solar and wind energy, including deep cycle batteries which use or store solar power.

This will adversely impact distributors of solar powered products and accessories who benefited from VAT exemption.

The ICT Sector

The Cabinet Secretary proposed to introduce VAT exemption on parts Imported or purchased locally for the assembly of computers.

This is to enhance job creation and stimulate the growth of Kenya's budding ICT sector. The move is welcome, as it will boost innovation among the youth and establish Kenya's position as a regional ICT hub.

VAT exemption on raw materials used in the manufacture Animal feeds

The budget statement recommends a VAT exemption on raw materials used in the manufacture of animal feeds.

While animal feeds were exempt, some of the inputs used in manufacturing were taxable, driving up the prices of animal feeds. The change will also nullify the effect restriction of input VAT on exempt supplies, as the raw materials purchased will also be exempt.

This is a welcome move to make animal feeds affordable to farmers and attract investors in the manufacturing sector.

VAT exemption of materials and equipment used in the construction of grain storage facilities

The Cabinet Secretary seeks to exempt from VAT materials and equipment used in the construction of grain storage facilities with the intent of lowering the cost of post-harvest storage.
The proposal has been introduced in support of the food security pillar under the Big Four Plan.

The Finance Bill also introduces exemption on the following supplies:

i. Alcoholic or non-alcoholic beverages supplied to the Kenya Defence Forces Canteen Organization; and
ii. Goods and services imported or purchased locally for direct and exclusive use in the implementation of projects under a special operating framework arrangement with the Government.
iii. Postal services provided through the supply of postage stamps, including rental of post boxes or mail bags and any subsidiary services thereto.

Zero rating

- The Finance Bill affirmatively zero-rates medicaments;
- Containing ephedrine or its salts
- Containing pseudoephedrine (INN) or its salts
- Containing norephedrine or its salts

Though the intention of moving from zero-rating to exempt will benefit the KRA by reducing VAT refund claims, VAT exemption has been criticized as it leads to an increase in prices as suppliers are not eligible to claim input VAT and will increase the prices of basic commodities.

These VAT laws especially in relation to consumer goods should be looked into to provide a win-win between the taxpayer and the Kenya Revenue Authority.

The big question however is whether the proposed VAT amendments will fully incentivize the implementation of the Big 4 Plan, against a background of high levels of unemployment, poverty and raging inflation rates.

Customs & Excise

The Cabinet Secretary (CS) in his budget statement for the year 2018 / 2019 expects to raise additional revenue amounting to KES 27.2 billion through amendments and proposals to the current tax laws.

Customs Duty

We highlight below some of the proposed amendments introduced to the East Africa Customs Community and Management Act. Further amendments to the EACCMA will be introduced through the EAC gazette notice and will be implemented from **1st July 2018**.

Iron Ore and Steel Industry

In a bid to promote industrialization in the country and protect the local steel industry, the CS to the National Treasury proposes to increase the rate of import duty from 25% to 35% in a wide range of steel and iron products, which are available in the region.

Paper and Paper products

The paper industry in Kenya has faced numerous challenges with closure of some of the prominent paper milling companies. In this regard, the CS to the National Treasury proposes to increase the rate of import duty from 25% to 35% on some paper and paperboard produced in the region. The move is intended to protect local manufacturers against cheap imports.

Timber and furniture

The CS proposes to introduce specific rate of duties as illustrated below. Introduction of new customs rate will protect the timber and furniture industry from proliferation of cheap timber products and enhance local production. However, there is a current shortage of timber due to the current ban on logging thus introducing duty rates may increase the cost of construction and slow down production in the timber currently importing the products.

	Rate of duty
Particle board	**USD 110 per metric tone**
Medium density fibre board	**USD 120 per metric tone**
Plywood	**USD 230 per cubic board**
Block boards	**USD 200 per metric tone**

Textile and Footwear

Despite the Kenya textiles and apparels sector having great potential to spur economic growth, the textile sector has been declining over the years causing acute decline in the number of employment. Amid these challenges, the CS to the National Treasury proposes to introduce a specific rate of import duty of USD 5 per unit or 35% whichever is higher, on imported textiles and footwear as well as second hand clothing and footwear. The new tax rate is also part of the government's continuous revenue enhancement measure. It is, however, anticipated that the introduction of the duty will not go well with the second-hand imports business and increase unemployment.

Duty Exemption on tourist vehicles

Despite the economic challenges and prolonged electioneering period that faced the country in the financial year 2017/2018, there is optimism that the industry will pick up in the coming financial year. To enhance this growth, the CS to the National Treasury has further extended the exemption from customs duty to include sightseeing buses and overland trucks imported by licensed tour operators. Currently the law provides for exemption of duty for some select vehicles for the transport of tourists.

Pests and Pesticides

In the recent past, there has been continued attacks by pests and vectors on crops posing a major threat to the country's food security. The proposed EAC duty remission on importation of raw materials used for the manufacture of pesticides will encourage local production and reduce the cost of pesticides.

Clean energy cooking stoves

The CS to the National Treasury proposes to give a 100 percent remission inputs and raw materials for assembly of clean energy cooking stoves imported by local manufacturers. This move will promote local production of clean energy cooking stoves and make them more affordable while at the same time reduce reliance on firewood.

Excise Duty

Private Passenger Motor Vehicles

The 2018/2019 Budget and Finance Bill 2018 proposes to increase excise duty rate on private passenger vehicles from 20% to 30%. The current Act provides a rate of 20% irrespective of the motor vehicle engine size. However, the 30% will now be applicable to private passenger motor vehicles whose engine capacity exceeds 2500cc for diesel and 3000cc for petrol-powered vehicles w.e.f 1st July 2018.

Excise Duty on Money Transfers

Effective 1st July 2018, The Bill proposes to increase the excise duty fees charged on money transfer services by cellular phone service providers from 10% to 12%.

The move to increase excise duty rate for cellular phone service providers comes amid increased mobile money payment services.

The Bill further proposes to contribute 16% of the duty collected to sports, Arts and social development fund in order to support universal healthcare w.e.f 1st Jan 2019. The Bill has however retained the rate of money transfers through banks; money transfers agencies and other financial service providers at 10%.

A Robin Hood Tax of 0.05% will be introduced on any amounts of five hundred thousand shillings or more transferred through banks and other financial institutions with effect from 1st July 2018. The aim of the tax is increase the tax base and achieve a greater social equality through the redistribution of resources. The move also comes at a time when the government expects more funds to be repatriated through the amnesty.

Illuminating kerosene

The Bill seeks to harmonize the excise duty rate applicable to illuminating kerosene and gas oil to a standard rate of Ksh 10,305 per 1000 litres w.e.f 1st July 2018. Currently the Excise Act provides for different rates at KES 10,305 and KES 7,205 per 1000 litres of gas oil and illuminating kerosene respectively. However the difference in rate provided an avenue for traders to adulterate the fuel products leading to a loss of revenue for the government.

Excise Duty Exemption

The Finance Bill 2018 has clarified that exemption from excise duty will be granted if the Commissioner is satisfied that exempt goods are received and consumed by the exempt person and that goods and services exported shall be consumed outside Kenya **w.e.f 1st July 2018**.

Inflationary Adjustment

Effective 1st July 2018, the Finance Bill provides that excise rates will be adjusted for inflation annually. This is a shift from the Finance Act 2017amendement which provided for a two year inflationary adjustment. The move is seen as an avenue to increase the tax collection annually.

Offences and Penalties

The penalty for a person manufacturing excisable goods without a licence or in respect of the importation of excisable goods requiring an excise stamp shall be double the amount of excise duty payable if he the person were licenced or KES 5,000,000 whichever is higher **w.e.f 1st July 2018**.

Exempt excisable goods (w.e.f 1st July 2018)

There is a proposal to exempt from excise duty alcoholic or non alcoholic beverages supplied to the Kenya Defence Forces Canteen Organization.
The exemption will also apply to locally purchased or imported goods for use in projects under the special operating framework arrangements with the Government.

Amendment to the definition of water

The Bill has amended the definition of water under the first schedule to bottled or similarly packaged waters and other non-alcoholic beverages, not including fruit or vegetable juices. The amendment has brought clarity as to which category of water is subject to excise duty **w.e.f 1st July 2018.**

Miscellaneous

"The improved global and regional economic outlook will benefit Kenya's exports, further strengthening our growth prospects and more specifically our manufacturing industry." Henry Rotich, Cabinet Secretary for Finance, Kenya

Miscellaneous Fees & Levies Act

- **Definition of Export of goods/ Service**

The definition of export of goods or services in the Miscellaneous and Levies Act has been expanded to include the Special Economic Zones. This therefore means, any goods being taken out of the designated Special Economic Zones will be considered an export.

- **Export Levy**

Exportation of copper waste and scrap has been identified as one of factors encouraging vandalism of public infrastructure, in a bid to retain raw materials and protect local copper manufactures, the Cabinet Secretary has proposed to introduce an Export Levy at 20%. This was initially exempt from export levy.

Import Declaration Fee (IDF)/ Railway Development Levy(RDL)

The Cabinet Secretary has proposed to exempt from IDF and RDL, any goods imported for implementation of projects under special operating framework arrangement with the Government. This can be seen as a move to reduce the cost of doing business and encourage public and private partnerships.

Betting, Lotteries and Gaming Act

- **Proposal to introduce late payment penalty at 20%**

In the Government's view, there has been increased non-compliance in the Betting and Lotteries industry in the collection of taxes. The Finance Bill proposes to amend the Betting and lotteries Act to introduce a 20% penalty and 2% interest computed on simple interest basis on late payment of taxes.

This move is in line with the penalties applicable in other tax heads and can be seen as a measure intended to enhance collection in the sports, arts, cultural and social development activities in the country.

Stamp Duty application in Special Economic Zones

The Cabinet Secretary has proposed that the following be exempt from stamp duty

- an instrument executed for purpose of collection and recovery of tax; and
- An instrument relating to the business activities of Special Economic Zone (SEZ). The SEZs were enacted in 2015, however, stamp duty was still being paid by enterprises and developers being setup in the zones due to lack of amendment to the Stamp Duty Act. The proposal now provides more clarity with regard to the stamp duty exemption applicable to Special Economic Zone enterprises, developers and operators.

Central Bank of Kenya Act

Housing

The budget statement through the allocation provided to the housing sector has demonstrated its commitment in addressing the growing demand for affordable

housing. In the spirit of meeting the Government Big Four Agenda, the Finance Bill proposes to introduce Mortgage Refinance Company that will be mandated to conduct mortgage refinance business. The company will be licensed and supervised by the Central Bank of Kenya Act.

Retirement Benefit Schemes

The Bill proposes to introduce penalty of 5% of unremitted contributions or Kes 20, 000 -whichever is higher-to payable to the Retirement Benefit Authority.

Banking Act

Repealing of interest Rate Capping

In Government's view, the interest rate cap has over the years led to slower credit growth. The Finance Bill, in a bid to mitigate the negative impact of the interest rate ceiling on financial access and economic growth the Bill proposal to repeal 33B of the Banking Amendment Act 2016 which capped lending at 4%. This will enable Banks and lenders to provide more credit to borrowers deemed risky. This will be effective October 1,2018.

Employment Act

National Housing Development Fund

The Finance Bill proposes to introduce a National Housing Development Fund payable at 1% on gross emoluments by the employer and employee. The Cabinet in his budget speech proposed a rate of 0.5% on gross emoluments.

This Bill is not clear on the implementation process to be followed in order to implement this if passed into law. However, this move can be seen as the Governments effort to assist the low-income earners and economically vulnerable groups access housing facilities.

Proceeds of Crime and Anti-Money Laundering Act

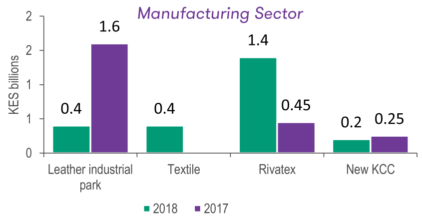
- Reporting institutions are now required to carry out enhanced due diligence on relationships or transactions originating from Countries which are deemed to pose a higher threat of money laundering by the Financial Action Task Force or the Cabinet Secretary.
- Reporting institutions may also be required to apply countermeasures to mitigate risks to do with money laundering as follows:
    - Limiting or terminating business relationships with concerned countries;
    - Moving away from relying on due diligence carried out by 3rd parties in the concerned countries; and
    - Submit a report-listing customers originating from Countries deemed as higher risk.
    - The Sacco Societies Regulatory Authority (SASRA) has now been included as a supervising body.

Big Four Allocations by Sector

In a bid to enhance the Governments' "Big Four" agenda, the Government has allocated the following amounts to the various sectors. We provide a comparison between current allocations (where applicable) and allocations made towards similar sectors in the previous financial year.

Manufacturing Sector

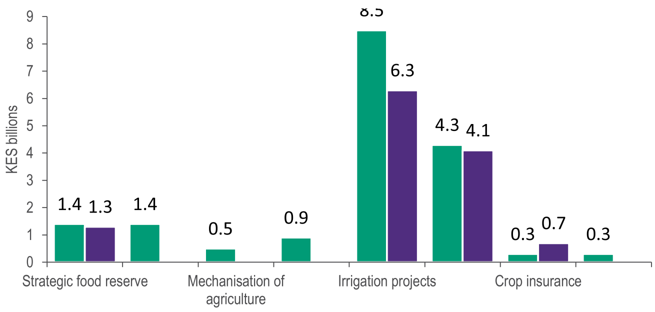
- An amount of KES 0.4 billion has been allocated to the leather industrial park to draw in investors into the manufacturing business;
- KES 0.4 billion for textile development;
- KES 1.4 billion allocated to RIVATEX; and
- KES 0.2 allocated to new KCC to modernize the facility



Agricultural Sector

- KES 1.4 billion allocated to strategic food reserves in a bid to enhance food and nutrition security;

- KES 1.9 billion for the Kenya Cereal Enhancement Programme;
- KES 0.5 billion for mechanization of agriculture;
- KES 0.9 billion for crop diversification;
- KES 8.5 billion for ongoing irrigation projects in Bura and Mwea;
- KES 4.3 billion for subsidized fertilizer;
- KES 0.3 million to support crop insurance schemes in order to cushion farmers against climate related risks;
- 0.3 billion for fall army worm mitigation



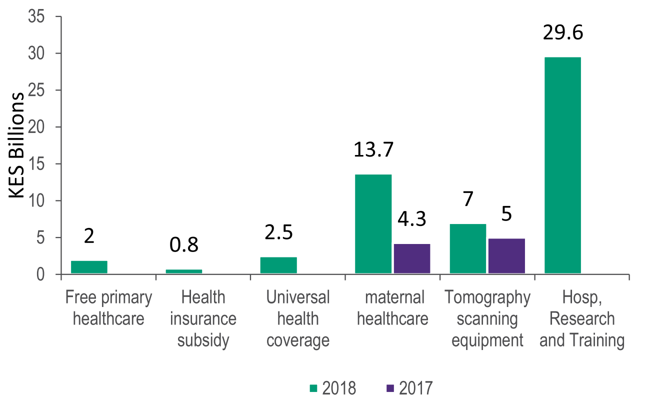
Health Care Sector

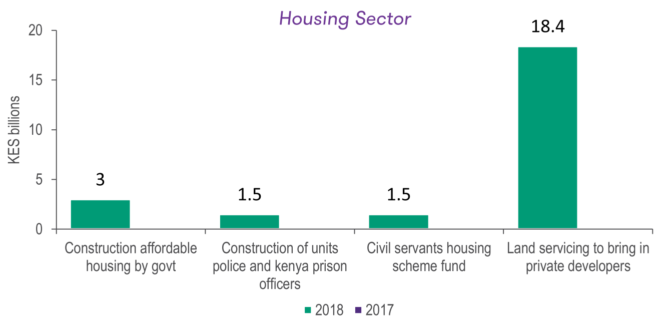
- Free primary healthcare allocated KES 2.0 billion;
- KES 0.8 billion for Health Insurance Subsidy Programme (Elderly & Disabled);
- KES 2.5 billion for the rollout of universal health coverage to four counties on a pilot basis;

Housing Sector

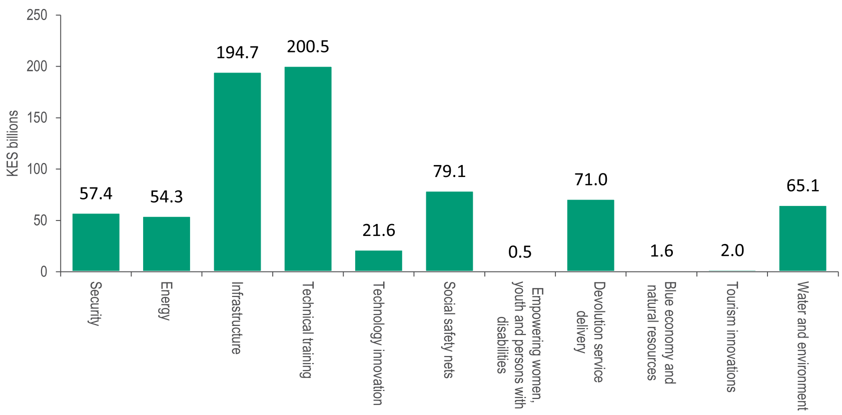
- KES 3.0 billion for construction of affordable/social housing units by the Government;
- KES 1.5 billion for construction of housing units for police and Kenya prison officers;
- KES 1.5 billion for the Civil Servant Housing Scheme Fund;

- KES 13.7 billion to further support the Free Maternal Healthcare Programme;
- KES 7 billion for leasing of Computed Tomography Scanners Equipment;
- KES 0.4 billion for the establishment of Cancer Institute;
- KES 2.9 billion for Doctors/Clinical Officers/Nurses internship Programme;
- KES 11.7 billion for Kenyatta National;
- KES 7.7 billion for Moi Teaching and Referral Hospital;
- KES 2.2 billion for Kenya Medical Research Institute and KES 4.7 billion for Kenya Medical Training Centres (KMTC)





The graph below illustrates other key sector allocations as detailed in the budget statement that will support the Big Four Agenda.



Budget Highlights Tanzania

- Domestic revenue collections to GDP remains at 15 %
- Domestic collection at 74.3% (Shs 14.84 Trillion) of the yearly target for the first 10 months.
- GDP grew by 7.1 % in 2017 and the forecast for 2018 is 7.2 %
- TRA given strict instruction to clear misconception that TRA uses forces and threats in collecting taxes.
- Strict disciplinary action against those who contravene laws and regulations governing their institutions.
- Agriculture, Industries, Water, Education, Health and infrastructure earmarked as priority areas.
- TRA expected to collect Shs 18 Trillion in 2018-19 (against the expected collection of Shs 15 Trillion in 2017-18) , total expenditure to be Shs 32.4 Trillion
- Budget deficit not to exceed 3.2 % of GDP
- VAT on packaging materials for use by local manufacturers of pharmaceutical company, imported animal and poultry fed additives, sanitary pads (HS Code 9619.00.10) to be exempt
- Minister for Finance to have powers to grant VAT exemption on Government projects funded through non-concessional loans and also on government projects funded by another Government through Financial Institutions.
- Corporate tax rate reduced to 20% for new investors in Pharmaceutical and leather industries for 5 years.
- Sec 10 A of The Income Tax Act 2014 to be amended giving the Minister for Finance to grant exemption from Income Tax exemption on Government projects funded through non-concessional loans
- Withholding tax on interest on Government Loans provided through Financial Institutions for Government projects to be exempt.
- Excise Duty on imported, water, fruit juice, beers, non-alcoholic beers, wines, increased, while the excise duty on most of the locally produced items remains constant.
- Electronic Tax Stamp to replace Paper Tax Stamp by 1st September 2018.
- 100 % amnesty on interest and penalties for 6 months upto 31st December 2018.
- Major increase in Import Duty rates on items which are available locally, with rates upto 60 % (mineral water)
- Tax on sports betting increased to 10 % from 6 %, tax on slot machines increased to 100,000 from 32,000 per machine per month.
- Gaming tax increased from 15% to 18% on land based casino.
- Gaming tax on forty machines increased to 20 % from 15 %
- Produce-cess, inspection and clearance fee, Mangrove Levy, solar salt panel fee, supervision fee, registration fee, environmental impact assessment fee, all abolished on production of salt.
- Most of the fee charged by OSHA abolished. (application fee and levy for registration of working place, fines related to fire and rescue equipments, OSHA compliance license fee, consultancy fee all abolished)

Budget Highlights Uganda

The Ugandan Budget Statement was delivered by the Hon. Minister of Finance, Planning and Economic Development on 14th June, 2018. The theme of this year's Budget is "Industrialization for Job Creation and Shared Prosperity" which is in line with that of the East Africa Community (EAC). It also corresponds directly with the second National Development Plan (NDPII) 2015/16 to 2019/20: "Strengthening Uganda's competitiveness for sustainable wealth creation, Employment and inclusive growth".

A. Economic Outlook

In line with the Public Finance Management Act 2015, as amended, the budget was approved by Parliament on 1st June, 2018.

The overall budget for FY 2018/19 has increased by approximately 13% compared to last year from Ushs 29 trillion to Ushs 32.7 trillion in line with the projected growth of the country.
The ministry of finance asserts that economic activity is projected to expand by at least 6% over the next financial year and increase to 7% per annum in the medium term. This higher growth will be supported by stronger cash crop yields (especially coffee and tea), greater commercialization of agriculture, ICT, financial services and efficiency gains from public infrastructure investments. In addition to this, oil production, regional integration and the completion of many infrastructure projects will further support this higher growth.

Government will pursue fiscal and monetary policies that maintain macroeconomic stability and support inclusive growth, while safeguarding debt sustainability.

Fiscal policy will continue to support ongoing infrastructure investment and social service delivery. To achieve this, the Domestic Revenue Mobilization Strategy (DRMS) targets a revenue-to-GDP ratio of 16% over the medium term in line with the long-term desired revenue-to-GDP ratio of 18-20%. Structural reforms will focus on enhancing the budget process, public investment management preparing for oil production including putting in place a strong governance framework for the sector and strengthening the financial sector.

B. Income Tax

The following amendments have been passed in the Income Tax (Amendment) Act 2018

- Introduction of exemption for industrial park or free zone;
- the income of a developer of an industrial park or free zone whose investment capital is at least two hundred million United States Dollars for a period of ten years from the date of commencement of construction;
- The income of an operator in an industrial park or free zone or other business outside the industrial park or free zone whose investment capital is at least thirty million Dollars in the case of a foreigner or ten million United States Dollars in the case of a Ugandan citizen for five years from the date of commencement of business.
- Interest incurred on mortgages from financial institutions will now be an allowable expense to individual rental Taxpayers as long as the mortgage was taken by the individual for acquiring or constructing premises that generate rental income. Previously Individual rental Taxpayers were not permitted such deduction
- Allowable interest expense that can be claimed on sources of debt by Taxpayers who are members of a group has been capped at 30% of gross income less allowable deductions (other than interest). Any interest amount above that shall not be allowed as a deduction.
- Returnable containers have been excluded from the definition of minor capital equipment. The cost of/ expenditure on returnable containers will now be

capitalized.

- The definition of immovable property has been widened to include any intangible asset which is a business asset or any part of the business. The main purpose for widening the scope of the definition of immovable property in the oil and gas sector is to include assets such as geological survey reports and other related items which will be considered intangible assets.
- Capital gains tax has been imposed on gains arising from "foreign" transactions which result in a change of 50% or more of the ownership of any resident person other than an individual, a government, a political subdivision of a government and a listed institution as such gains will be deemed to have been sourced in Uganda.
- The Inter-Governmental Agreement on the East African Crude Oil Pipe Line has been recognized as an international agreement for the purpose of the Income Tax Act.
- The definition of "mining exploration" has been changed to align the law relating to taxation of petroleum and mining operations as well as change in conditions for satisfying Farm-Outs to cover the transfer of an interest whether in part or as a whole.
- The scope of persons subject to withholding tax on betting or gaming has been widened so that the WHT is not just limited to sports and pool betting but rather to betting or gaming of whatever nature.
- The new amendments to the Act have imposed 1% withholding tax on payment for agricultural supplies as well as imposition of 10% WHT on commissions earned from airtime distribution and from mobile money services.

C. Value Added Tax

The following amendments have been passed in the Value Added Tax (Amendment) Act 2018

- VAT withholding has been introduced into the law, subject to the Minister issuing a list of persons required to withhold on payments that are subject to VAT.
- The definition of telecommunication services has been widened to include websites, web-hosting or remote maintenance of programs and equipment, software and the updating of software, images, text and information, access to databases, self-education packages, music, films and games including games of chance, political, cultural, artistic, sporting, scientific and other broadcasts and events including television.
- The amendment introduces a cap on the interest payable by URA on taxpayers over payments and late refunds. This follows a similar amendment last year where interest payable by a taxpayer for late payment of tax was also capped in a similar manner.
- The African Trade Insurance Agency has now been included in the first schedule of the VAT Act as Public International Organization
- The following supplies have been made exempt;
  - a) the supply of Bibles and Qurans;
  - b) the supply of earth moving equipment and machinery and construction materials for the development of an industrial park or free zone whose investment is at least two hundred million United States Dollars;
  - c) The supply of services to conduct a feasibility study, design and construction of industrial park or free zone
  - d) The supply of locally produced materials for construction of premises, infrastructure, machinery and equipment or furnishings and fittings which are not available on the local market to:
  - i) hotel or tourism facility developer whose investment capital is fifteen million United States Dollars with a room capacity exceeding one hundred guests
  - ii) hospital facility developer whose investment capital is at least ten million United States Dollars and who develops a hospital at the level of a national referral hospital with capacity to provide specialized medical care;
  - e) The supply of movie production;
  - f) The supply of all production inputs into iron ore smelting into billets and the supply of billets for further value addition in Uganda;
  - g) the supply of all production inputs into limestone mining and processing into clinker in Uganda and the supply of clinker for further value addition in Uganda;
  - h) The supply of all production inputs necessary for processing of hides and skins into finished leather products in Uganda and the supply of leather products wholly made in Uganda

D. Excise Duty

Following amendments have been passed in the Excise Duty (Amendment) Act 2015

- Amendment in excise duty applicable Un denatured Spirits made from locally produced raw materials from 60% to 60% or UGX 2,000 per litre, whichever is higher
- Amendment in excise duty applicable to Un denatured spirits made from imported raw materials to UGX.2, 500 per litre or 100%, whichever is higher
- Introduction of excise duty on soft drinks at a rate of 80% or UGX 1,300 per litre, whichever is higher
- Amendment in excise duty applicable to wine made from locally produced raw materials from UGX. 2,500 per litre or 100% (whichever is higher) to UGX. 2,500 per litre or 100%, whichever is higher
- Increase in duty on other wines from 60% or UGX. 6,000 per litre, whichever is higher to 80% or UGX 8000, per litre, whichever is higher
- Introduction of duty at rate of 15% on powder for reconstitution to make juice or dilute - to taste drinks, excluding pulp
- Widened the definition of airtime, to airtime on mobile cellular, landlines and public pay phone
- Introduction of UGX. 200 per user per day of access duty on over the top services. Over the top services are defined to mean the transmission or receipt of voice or messages over the internet protocol network and includes access to virtual private networks but does not include educational or research sites
- Increase in excise duty from 10% to 15% on money transfer or withdrawal services, including transfers and withdrawal services by operators licensed or permitted to provide communications or money transfers or withdrawals but not including transfers and withdrawal services provided by banks
- Introduction of 20% duty on value added services
- Introduction of 1% excise duty on mobile money transactions on receiving, payments and withdrawal
- Introduction of USD 0.09 per minute duty on incoming international calls, except calls from the Republic of Kenya, the Republic of Rwanda and the Republic of South Sudan
- Increase in excise duty on ledger fees, ATM fees, withdrawal fees and periodic charges and other transaction and non-transaction charges, excluding loan related charges periodically charged by financial institutions from 10% to 15%
- Introduction of UGX 200 per litre excise duty on cooking oil
- Introduction of UGX 200,000 on first time registration of motorcycles
- Introduction of excise duty on "chibuku" at UGX 650 per litre
- Introduction of excise duty on ready to drink spirits at 1,500 per litre

E. Tax Procedures Code

- The recognition of electronic invoices and receipting in general by seeking to impose mandatory E-invoicing and E-receipting for taxpayers in industries specified by the Minister.

F. Stamp Duty Act

- Nil Stamp Duty on the following strategic Projects:
  (a) Developers of an industrial park or free zone whose investment capital is at least two hundred million United States Dollars.
  (b) An operator within an industrial park or free zone or an operator of a single factory or other business outside the industrial park who has a minimum investment capital of thirty million United States Dollars, in the case of a foreigner, or ten million United States Dollars, in the case of a citizen of a Partner State of the East African Community who carries on business in agro processing, food processing, medical appliances, building materials light industry, automobile manufacturing and assembly, household appliances, furniture, logistics and ware- housing, information technology or commercial farming; seventy percent of the raw materials used are sourced locally, subject to their availability; directly employs a minimum of one hundred citizens.
  (c) Hotel or tourism facility whose investment capital is fifteen million United States Dollars with a room capacity exceeding one hundred guests.
  (d) Hospital facility developer whose investment capital is at least ten million United States Dollars and who develops a hospital at the level of a national referral hospital with capacity to provide specialized medical care

G. Tax Appeals Tribunal Act

- Tax disputes are to be resolved using alternative dispute resolutions such as mediation. This is expected to reduce case backlogs and increase the efficiency of the tax appeals system.
- The powers conferred to the tribunal have been increased to empower them to award costs, damages and interest.

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Social Responsibility

Mt. Kenya 29 Aug – 1 Sep 2018

The Grant Thornton Kenya team is committed to climbing Mt. Kenya on August 29 to September 1, 2018 in order to raise USD 50,000 to support our education initiatives in Kenya.

On 15 September 2017, we demonstrated our commitment to making a real difference in our communities. We committed to raise KSh 5 million (USD 50,000) to scale up our education initiatives by climbing Mt. Kenya in 2018.

We are doing this in partnership with Amara Charitable Trust (amaratrust.org). 50 volunteers from our offices in Africa and the Middle East will raise KSh 100,000 (USD 1,000) each for this initiative.

The funds raised will be used to build a dormitory at Katani DEB Secondary School in Mavoko Constituency, Machakos County, Kenya with the support of the Amara Charitable Trust. The Amara Charitable Trust is our implementing partner in constructing this dormitory. They have a strong track record in this as it is their main occupation. We also have an environmental angle where we will engage Kenya Wildlife Service in cleaning up Mt. Kenya as we climb.

Grant Thornton's social responsibility team is ready to make this a success and calls upon you to support this initiative by making a donation or contribution.

Please call : 0728 960963 or email newton.kibiru@ke.gt.com to support this initiavtive

GT IN THE COMMUNITY

Mt. Kenya August 2018

Link to video: https://tinyurl.com/y9u4ctgf

QR code to video:

Mt. Kenya Climb 2018 in numbers

Total distance to hike (Sirimon Gate to Point Lenana)	55 Km
Total height achieved (Sirimon Gate to Point Lenana)	2,600 m to 4,985 m (a 2,385 m climb)
Total Funds needed	USD 50,000

Responsibility report 2018

All our supporters will receive special mention in our project in the form of a commemorative plaque as well as an invitation during the commissioning of the dormitory. You will also appear in our Responsibility report 2018 which will be shared across the Grant Thornton network and with our clients. Our climbers will also act as your representative in this climb taking your thoughts and prayers with them.

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