Range of Services

**Audit and assurance**
- Financial statement audits
- Grant audits
- Project audits
- Statutory audits
- Stock audits

**Business risk services**
- Internal audit
- Governance and risk management
- Risk modelling services
- Operational advisory and Improvement services

**Transaction services**
- Mergers & Acquisition advisory
- Capital markets
- Project financing
- Due diligence
- Feasibility studies
- Valuations

**Recovery and reorganization**
- Corporate restructuring
- Recovery

**Public sector**
- Public sector assurance and consulting

**Dispute management**
- Expert dispute resolution and advisory
- Fraud and corruption solutions
- Forensic investigations
- Litigation support
- Asset tracing and verification

**Tax**
- Direct international tax
- Global mobility services
- Indirect international taxes
- Support during KRA audits and compliance checks
- Individual tax
- Transfer pricing

**Business Process Solutions**
- Bookkeeping/financial accounting
- Payroll Processing
- Monthly management accounts
- Preparation of financial statements
- Business process outsourcing (BPO)

**Secretarial services**
- Establishing a presence in Kenya
- Incorporation of companies
- Manufacturing and trading licenses
- Work and residence permits.

“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

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The government has been on a relentless drive to curb the runaway recurrent expenditure, misuse and plunder of public resources. This year’s budget then sets the pace in achieving this herculean task of taking expenditure to bearable limits which will in turn reduce the government borrowing. The economy grew by 6.3% in 2018 compared with 4.9% growth in 2017 with a forecasted growth of 7.0% in 2019/2020 when the Big 4 Agenda gains momentum. This is the one of the highest recorded figure in the sub Saharan region that sees an average growth of 3.0% and a global average of 3.6%.

The 2019/2020 budget then in a nutshell seeks to address the following:
1. To create an enabling business environment especially for the micro small and medium enterprises and this will lead to job creation
2. Prudent and efficient spending to curb misuse of public funds
3. Priority spending on key projects to be funded by domestic resources
4. Reduction of the fiscal deficit to stabilize and reduce the national debt
5. Implement reforms that will enhance efficiency thus making Kenya more competitive

Notable points in this year’s budget are;

Accelerating and sustaining inclusive growth;
In an effort to expand job opportunities, the government seeks to improve the business climate in the country. This will then have the ripple effect of creation of jobs. The government will continue the business reform initiatives that aim at reducing the cost of doing business in Kenya increasing the allure of it being a top investment destination. We are currently ranked 61 of 180 countries in ease of doing business rankings.

The Uwezo, Youth Enterprise Development and Women Enterprise fund have been merged into the Biashara Fund Kenya with emphasis on the youth, women and people with disability. One million youth per year will be enrolled under the Ajira Digital Programme. They will pay a registration fee of Kshs. 10,000 for the next three years in lieu of income tax, starting 1st January 2019. Further to this, the government has instructed that all payment to suppliers be reduced to 60 days. Frameworks to ensure that the industries benefit from the proposed 30% electricity rebate are now in place.

The government has also ordered the National Treasury to ensure that VAT refunds are paid back and lowered the rate of Withholding VAT from 6% to 2%.
Improving Expenditure Efficiency;
A number of measures have been introduced to put a check on the recurrent expenditure. Notably:
1. Zero based budget process,
2. no new projects to be taken up by the government to ensure the completion of the already existing ones,
3. review of the externally funded programs and re-aligning them with the Big 4 Agenda, and lastly,
4. reducing the spending on programs of no high priority.

The government aims at achieving this by;
1. Restricting extension of civil servants retiring after the age of 60, restricting recruitment to technical staff, teachers, health workers, root out ghost workers and implementing the IFMIS Human Resource Module
2. Domestic and foreign travel allowances to be paid by pre-loaded card
3. Introduction of fuel cards
4. Standardizing all office space lease agreements and renegotiating current leases
5. Procurement reforms by introduction of e-procurement
6. Pension reforms
7. Public investment management

Increasing Tax collection; The government has increased taxes on various commodities and notably the Sin tax on alcohol and cigarettes. It has further taken stringent measures to streamline and strengthen the revenue collection process.

Spending Priorities; The proposed budget spending for the year 2019-2020 stands at Kshs. 3.1 trillion with a major emphasis on the Big 4 agenda i.e. Universal Health, Affordable housing, increasing manufacturing to the economy and improving food and nutrition security as outlined below.

Notable points on the Big Four Agenda are;

• Universal Health Care; The Government intends to scale the Universal Health Care (UHC) to the rest of the counties other than the piloted counties. It has proposed a Reallocation of Kshs 7.9 billion from Sports, Arts and Social Development to UHC. Kshs 2.9 billion has been allocated for Doctors/Clinical officers/ nurses internship program, Kshs 14.4 billion to Kenyatta National Hospital, and Kshs 9.2 billion to Moi Teaching and Referral Hospital.

• Affordable Housing; The government aims to provide affordable housing and has allocated Kshs 5.0 billion as contribution to the National Housing Development Fund, Kshs 10.5 billion for social housing which should include some house units for Kenya Police and Kenya Prisons. Kshs 2.3 Billion has been allocated to Public Servants Housing Mortgage. The establishment of Kenya Mortgage Refinance Company and subsequent financing by Government to a tune of Kshs 1.0 billion, Kshs 1.2 billion from banks and saccos as well as a credit from World Bank and African Development bank of Kshs 35 billion and potential funding from International Finance Corporation and Shelter Afrique of Kshs 400 million shows the extent the government is determined to achieve this agenda.

• Increasing Manufacturing contribution to GDP; The government seeks to lower the electricity cost to manufactures by 20% by the introduction of 30% tax rebates on the electricity. The Rivatex factory in Eldoret is being revived to activate the textiles and leather industry. Kshs 1.1 billion has been allocated to development of textile and leather industry and Kshs 1.7 billion to support SMEs in manufacturing sector.

• Improving Food and Nutrition Security; the government is keen to improve the food security and allocation of Kshs 7.9 billion has been allocated for irrigation projects and Kshs 3.0 billion allocated to Coffee Cherry Revolving Fund. Kshs 1.0 billion has been allocated for crop diversification and to revitalize miraa farming

As you go through this bulletin, a more detailed analysis of the budget and allocations is provided.
Kenya: Overview of the economy

Kenya’s economy was in ascendency in 2018 as the country recovered from the prolonged election period in 2017. A stable macroeconomic environment facilitated economic growth. Growth came from increased agricultural production, accelerated manufacturing activities, sustained growth in transportation and vibrant service sector activities.

The ICT sector made the largest contribution to GDP. It also saw one of the most significant deals of 2018. Orange Digital Ventures Africa helped Africa’s Talking to raise $8.6 million (KES 860 million) alongside the IFC World Bank and Social Capital (Annual East Africa Financial Review, 2018).

Foreign Direct Investment activity remained stable in the period even with the outflows seeking marginally higher returns in developed economies. Kenya remains relatively shielded from the turbulence experienced in the global economy.

On the Nairobi Securities Exchange, the market experienced a downward trend with NASI, NSE 25 and NSE 20 declining by 18.0%, 17.1% and 23.7%, respectively. This decline was mirrored across the border in Uganda and Rwanda.

The real economy experienced a general slowdown throughout the year that was attributed to pending bills from the Government of Kenya (GoK) (the GoK owes Ksh 300 Billion to private businesses), unfair competition practices in the private sector, inability to access credit by SMEs due to interest rate cap regulation and inflationary pressures. The slowdown has continued right into 2019.

Gross Domestic Product

Kenya posted a 6.3 per cent growth rate in 2018 demonstrating optimism in recovery after the election period in 2017. Economic growth is forecast at 5.8 per cent in the current year due to failed rains which will affect agricultural output.

Kenya GDP GROWTH RATE

Growth was attributed largely to developments in the ICT industry specifically to do with the digital economy. The Value of ICT output increased by 12.9 per cent from KSh 346.6 Billion in 2017 to KSh 390.2 Billion in 2018. Reliance on ICT infrastructure continues to grow with the growth in e-commerce and diversified service offerings.
Regionally, Rwanda posted the highest GDP growth rate at 8.6 per cent supported by services (4.1%) and industrial production (1.5%), particularly manufacturing. In Uganda, real GDP growth was an estimated 5.3% in 2018, up from 5.0% in 2017. On the supply side, industry growth (9.7%) and services growth (8.2%) contributed considerably to the overall GDP growth, while agriculture showed slower growth (4.5%). In Tanzania, real GDP growth was an estimated 6.7% in 2018, down from 7.1% in 2017. During the year the services sector was the main contributor to GDP (39.3%) while Private investment was the main demand-side contributor (63.9%) (Annual East Africa Financial Review, 2018).

Inflation

2018 saw a relatively stable inflationary environment. Month on month inflation is high in 2019 due to rising food prices as a result of failed rains. This is likely to continue throughout 2019.

Sector performance

Information and Communication Technology

The ICT sector grew by 11.4 per cent (12.9 percent at market value). Commerce is driven to a large extent by mobile telephony and the internet. Added to that, e-commerce is on the rise in Kenya. The ICT sector’s importance will continue to be seen as it continues to play a significant role in generating growth in the economy.

Mobile money transfers grew by 9.5 per cent from KSh 3,638 billion in 2017 to KSh 3,984 billion in 2018. With the growth of mobile money lenders in the form of MFIs and MFBs as well as innovative credit facilities, the value of mobile commerce transactions increased by 87.2 per cent to KSh 6,077 billion in 2018.

To keep up with the demands placed on them by an online economy, the number of 4G mobile transceivers grew from 3,873 in 2017 to 7,469 in 2018.

The Big Four Agenda

Agricultural sector – Food nutrition and security

Agriculture grew by 6.4 per cent in 2018 driven mainly by favourable weather conditions which translated to marked improvements in crop and animal production. Significant growth was experienced in the production of coffee and tea. Horticultural production experienced robust growth buoyed by the export of fresh fruits which grew by 32.7 per cent.

Manufacturing sector

Manufacturing grew by 4.2 per cent in 2018 after the lull in 2017. Marked growth was experienced in the following sub-sectors: sugar 30.3 per cent; liquid milk 18.5 per cent; black tea 12.1 per cent; beer and stout 6.3 per cent; bread 5.8 per cent; and soft drinks 4.2 per cent.

Growth in this sector is attributed to increased manufacture of non-food products i.e. manufacture of motor vehicles 15.7 per cent; manufacture of drugs 14.1 per cent; and laundry soap 11.8 per cent.

Manufacture of cement and clinker declined in the period by 2.6 and 2.5 per cent respectively.
Construction – Affordable housing

Construction experienced decelerated growth of 6.6 per cent in 2018 compared to 8.5 per cent in 2017. The slowed performance can also be seen in the uptake of credit to the sector which grew by a paltry 1.8 per cent in the period.

The Affordable Housing agenda has yet to kick off as experts are sought out to bring it to life. Phase 2 of the Standard Gauge Railway to Naivasha is underway as well as other investments in transportation infrastructure. Importation of cement grew from 5,856.6 million tonnes in 2017 to 5,948.7 million tonnes in 2018.

Healthcare - Universal healthcare

The Government of Kenya has set up healthcare reforms to implement Universal Healthcare Coverage. Reforms geared towards embracing public-private partnerships in health provision were introduced in 2018. They include the following:

Budgetary allocation - Expenditure on health services is expected to rise by 57.8 per cent to KSh 97.5 billion in 2018/19. Development expenditure is expected to take up 60.5 per cent of this.

NHIF membership – membership to the Government healthcare insurer rose by 13.2 per cent to 7.7 million in 2017/18. Membership from the informal sector grew by 23.3 per cent, beating the formal sector by a factor of five. Receipts from members rose by 27.1 per cent during the period.

Health facilities – the total number of health facilities grew by 9.8 per cent to 10,820 while registered health personnel grew by 6.3 per cent to 175,681.

Birth registration coverage rate went up from 60.9 per cent to 73.6 per cent with most of these births occurring in a health facility.

Ease of doing business

Kenya continues to improve in the Ease of Doing Business ranking. Kenya is now at position 61 and looking to enter the top 50 club in the ease of doing business. The Government of Kenya has been keen on digitizing a lot of the processes that go into setting up a business in Kenya, to make this a reality.

### Ease of doing business indicators 2018

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a business</td>
<td>126</td>
<td>117</td>
<td>151</td>
</tr>
<tr>
<td>Dealing with construction permit</td>
<td>128</td>
<td>124</td>
<td>149</td>
</tr>
<tr>
<td>Getting electricity</td>
<td>75</td>
<td>71</td>
<td>127</td>
</tr>
<tr>
<td>Registering property</td>
<td>122</td>
<td>125</td>
<td>115</td>
</tr>
<tr>
<td>Getting credit</td>
<td>8</td>
<td>29</td>
<td>28</td>
</tr>
<tr>
<td>Protecting minority investors</td>
<td>11</td>
<td>62</td>
<td>115</td>
</tr>
<tr>
<td>Paying taxes</td>
<td>91</td>
<td>92</td>
<td>101</td>
</tr>
<tr>
<td>Trading across border</td>
<td>112</td>
<td>106</td>
<td>131</td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>88</td>
<td>90</td>
<td>102</td>
</tr>
<tr>
<td>Resolving insolvency</td>
<td>57</td>
<td>95</td>
<td>144</td>
</tr>
</tbody>
</table>
Budget 2019/20 In Numbers

The CS Treasury tabled a KSh 3 Trillion budget on 13th of June 2019. This budget can be visualized as shown below:

Public expenditure tracking

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>National Government</td>
<td>1,621.70</td>
<td>59.60</td>
<td>1,764.10</td>
<td>55.93</td>
<td>1,841.30</td>
<td>59.76</td>
</tr>
<tr>
<td>Recurrent</td>
<td>1,048.00</td>
<td></td>
<td>1,074.20</td>
<td></td>
<td>1,157.30</td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td>573.70</td>
<td></td>
<td>689.90</td>
<td></td>
<td>684.00</td>
<td></td>
</tr>
<tr>
<td>Judiciary</td>
<td>14.93</td>
<td>0.55</td>
<td>16.09</td>
<td>0.51</td>
<td>18.68</td>
<td>0.61</td>
</tr>
<tr>
<td>Recurrent</td>
<td>12.99</td>
<td></td>
<td>13.39</td>
<td></td>
<td>17.34</td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td>2.94</td>
<td></td>
<td>2.70</td>
<td></td>
<td>1.34</td>
<td></td>
</tr>
<tr>
<td>Parliament</td>
<td>30.44</td>
<td>1.12</td>
<td>35.10</td>
<td>1.11</td>
<td>43.63</td>
<td>1.42</td>
</tr>
<tr>
<td>Recurrent</td>
<td>28.90</td>
<td></td>
<td>32.80</td>
<td></td>
<td>40.59</td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td>1.54</td>
<td></td>
<td>2.30</td>
<td></td>
<td>3.07</td>
<td></td>
</tr>
<tr>
<td>County Allocation (including conditional grants)</td>
<td>327.30</td>
<td>12.03</td>
<td>376.50</td>
<td>11.94</td>
<td>371.60</td>
<td>12.06</td>
</tr>
<tr>
<td>Consolidated Fund Services</td>
<td>726.40</td>
<td>26.74</td>
<td>962.60</td>
<td>30.52</td>
<td>805.80</td>
<td>26.15</td>
</tr>
<tr>
<td>Overall Budget</td>
<td>2,721.17</td>
<td>100.00</td>
<td>3,154.39</td>
<td>100.00</td>
<td>3,081.01</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: The Institute of Public Finance Kenya
Debt

Growing public debt continues to be a concern especially with the Kenya Revenue Authority’s targets which are never met. Kenya is still within reasonable limits in her public debt according to World Bank guidelines. So far, Kenya has met all her debt obligations on time.

<table>
<thead>
<tr>
<th>Public Debt</th>
<th>(KSh Million)</th>
<th>Dec-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>External</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bilateral</td>
<td>894,046.00</td>
<td></td>
</tr>
<tr>
<td>Multilateral</td>
<td>874,680.00</td>
<td></td>
</tr>
<tr>
<td>Commercial banks</td>
<td>938,151.00</td>
<td></td>
</tr>
<tr>
<td>Suppliers credit</td>
<td>16,857.00</td>
<td></td>
</tr>
<tr>
<td>Sub-total</td>
<td>2,723,734.00</td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Bank</td>
<td>118,196.00</td>
<td></td>
</tr>
<tr>
<td>Commercial banks</td>
<td>1,289,558.00</td>
<td></td>
</tr>
<tr>
<td>Non-banks and non-residents</td>
<td>1,141,015.00</td>
<td></td>
</tr>
<tr>
<td>Sub-total</td>
<td>2,548,769.00</td>
<td></td>
</tr>
<tr>
<td>Total Debt</td>
<td>5,272,503.00</td>
<td></td>
</tr>
</tbody>
</table>

Source: Quarterly Economic Budgetary Review Quarter 2 2018/19

Revenue collection

Total revenue collected for the nine months of 2018/19 was KES 1,673,530,967.175.25 out of a target of KES 2,685,475,882,102.83.

BIG 4 AGENDA to get 14.6% of total budget (KSh 450.2bn)

<table>
<thead>
<tr>
<th>BIG 4 AGENDA</th>
<th>(KSh Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>125.42bn</td>
</tr>
<tr>
<td>Health</td>
<td>82.8bn</td>
</tr>
<tr>
<td>Housing</td>
<td>103.15bn</td>
</tr>
<tr>
<td>Agriculture</td>
<td>55.97bn</td>
</tr>
</tbody>
</table>

Source: The Institute of Public Finance Kenya

KSh 3 T

KSh 2.69 T

KSh 1.47 T

<table>
<thead>
<tr>
<th>Revenue collection</th>
<th>2018/19 (KSh)</th>
<th>2019/20 (KSh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public debt - Interest</td>
<td>285,606,571.459</td>
<td>290,539,913.601</td>
</tr>
<tr>
<td>External Debt Interest</td>
<td>114,374,401.663</td>
<td>150,941,240.485</td>
</tr>
<tr>
<td>Total</td>
<td>399,980,973.122</td>
<td>441,481,154.086</td>
</tr>
<tr>
<td>Public debt redemption</td>
<td>220,352,450.865</td>
<td>123,690,535.723</td>
</tr>
<tr>
<td>External Debt Redemption</td>
<td>250,282,533.759</td>
<td>131,382,472.178</td>
</tr>
<tr>
<td>Total</td>
<td>470,634,984.624</td>
<td>255,073,007.901</td>
</tr>
<tr>
<td>Public debt repayment</td>
<td>870,615,957.746</td>
<td>696,554,163.907</td>
</tr>
</tbody>
</table>

Source: The Institute of Public Finance Kenya
Income Tax

The Government published Finance Bill 2019 on 13 June 2019. The bill contains the taxation measures announced in the Cabinet Secretary’s Budget speech as well as some other new amendments that were not previously announced in the speech. The Finance Bill 2019 illustrates the Government’s priorities which include increasing revenue mobilization.

Below are the key highlights the Government seeks to introduce:

Compensating Tax

Finance Act 2018 amended the ITA (Income Tax Act) to introduce a provision providing that where dividends are distributed out of gains or profits on which no tax has been paid, the company distributing the dividend will be charged tax, at the resident corporate tax rate.

However, the new provisions brought about uncertainty as to the applicability of compensating tax on dividends distributed while a Company is in a tax loss position mainly brought about by exempt income and where a company claims tax incentives such as capital allowances. The Bill proposes to exclude income that is exempt from tax under the First Schedule of the ITA from compensating tax. This comes as a welcome move as this provides clarity as to the extent of the provision.

In our view, however, clarity should also be provided on the applicability of the provision where distribution has been made by a company which is in a tax loss position that has resulted from claiming capital allowances, as it would be against the grounds for granting the tax incentives, with the aim of attracting investors in Kenya.

Applicability of Tax to the Digital Space

The rise of e-commerce business in Kenya has posed a challenge for tax administration as E-commerce makes it easier for businesses to be conducted without having to create an entity which would otherwise be subject to tax. The Bill proposes to include chargeability of tax on income earned from online business.

Applicability of Tax on non-resident Ship Owners

The Bill proposes to expand the scope of taxable income of non-resident ship owners including income from delay in taking delivery of goods or returning any equipment. This income shall be deemed to have been derived and accrued from Kenya.

Capital Gains Tax

The Kenya Finance Act 2014 re-introduced a 5% Capital Gains Tax (CGT) in Kenya since its suspension in 1985. In 2018, through the Income Tax Bill, the Government sought to increase the CGT from 5% to 20%. However, the Cabinet Secretary in his 2018 budget speech proposed to reverse this proposal citing bad timing for its implementation. In this year’s budget, the Government has re-introduced the proposal to increase the CGT.
rate, with a view to systemize the rate with other Jurisdictions. The Cabinet Secretary has therefore proposed to increase the rate from the current 5% to 12.5% tax on gains earned on transfer of property. The Bill additionally confirms exemption from CGT on transfer of property that is necessitated by restructuring or reorganization of corporate entities.

**Reduced Corporate Tax on Plastic Recycling Plants**

Other measures announced in the Budget and confirmed by the bill are, the welcome reduction of corporation tax rate from the prevailing corporate tax rate of 30% to 15% for the first 5 years for any investor operating a plastic recycling plant.

**Re-instatement of Turnover tax**

Finance Act 2018 replaced turnover tax with presumptive tax to persons who are issued with a single business permit by a County Government applicable at 15% of the single business permit fee in a move to widen revenue collection in the informal sector.

The Finance Bill 2019 however, proposes to re-introduce turnover tax for businesses whose turnover does not exceed KES 5 million citing, the revenue collection will not be commensurate to the revenue earned by the business. It is however worthy to note that, presumptive tax will still be maintained as minimum tax.

**Withholding tax applicable on additional services**

There will be widespread disappointment with the proposal to expand the scope of applicability of withholding tax to other service lines in a bid to increase tax compliance by persons offering these services. These include:

- Security Services;
- Cleaning and fumigation services;
- Catering services offered outside hotel premises;
- Transportation of goods excluding air transport services;
- Sales promotions; and
- Marketing and advertising services;

**Withholding Tax on Demurrage Charges**

The Bill proposes to repeal withholding tax on demurrage charges which was introduced in the Finance Bill 2018. The intention is now for the demurrage charges to be taxed as income earned by non-resident ship owners.

**Withholding tax on Reinsurance premiums paid to non-residents**

Finance Act 2018 introduced a provisions to withhold tax on all premiums paid to non-resident insurance Companies. The Finance Bill 2019, has further provided clarity that, withholding tax is applicable on re-insurance premiums paid to non-resident companies.
Applicability of Withholding tax to payments made by a branch

Currently when a branch makes payment to its foreign related entity it is exempt from the deduction of withholding tax. The payments however, are not deductible for tax purposes, save for where a double taxation agreement provides for the amounts to be deductible. The Finance Bill, proposes to introduce withholding tax on payments made by a branch to its foreign head office or related party where the double taxation agreements provide for deduction of these expenses. This is to ensure that all foreign payments are subjected to tax.

Income earned by individuals under the Ajira Digital Program

The government seeks to bridge the gap between the skills available and skills demand through set up of a program known as Ajira Digital Program with an aim to enable youth annually to earn above minimum wage as digital freelancers. Ajira registered members will be required to pay Kshs. 10,000 per year to the Ajira Fund for the next three years, in lieu of tax. The Cabinet Secretary proposes to exempt the specific income earned under the program. The proposed effective date is 1st January 2020.

Penalty on unpaid tax

The proposal in the Budget is to streamline the penalties to 5% from the earlier 20% as stipulated in the Tax Procedures Act

Exemption of investee companies of Real Estate Investment Trusts(REITS)

Section 20 of the Income Tax Act exempts a real estate investment trust registered by the commissioner from income tax, however this exemption does not cover investee companies fully owned/controlled by REITS.

Tax Procedures Act

• Tax Amnesty for Companies listed on Growth Enterprise Market Segment(GEMS)

GEMS enables venture companies without a profit history as well as small and medium sized firms to list on the GEMS of the Nairobi Securities Exchange to raise substantial initial and ongoing capital, while benefiting from increased profile and liquidity within a regulated environment designed specifically to meet their needs.

A 3-year amnesty for penalties and interest for companies listed on the growth segment of the NSE is proposed. However, penalties and interest shall be recovered from a company that delists form the exchange before the expiry of 5 years.

• Recovery of taxes upon failure to deduct or withhold

Finance Bill 2019 has made a provision that allows for the Commissioner to recover taxes from a person who fails to deduct or withhold tax under the Law. This is in a bid to enhance tax compliance among tax payers with obligations to account for withholding tax, Pay As You Earn among others.

• Transactions requiring Personal Identification Number (PIN)

PIN requirements during registration and renewal of membership by professional bodies and other licensing agencies and mobile cellular paybill and till numbers by telecommunication operators will now be a necessary requirement. The commissioner can grant exemption from pin requirement where certain conditions are met.

• Departure Prohibition Order

The Bill proposes to expand the scope to whom DPO can be issued to include Tax Representatives. These will include, CEO, Managing Director, Company Secretary, treasure, trustee or a similar officer of the Company acting in such a position

• Extension of Objection Decision

The Bill proposes to extend the time taken by the Commissioner upon receipt of additional information from a tax payer to sixty days to allow for adequate review of information before an objection decision is made.

• Tax shortfall

Applicability of penalties on tax shortfall will exclude liabilities arising from acts of omission that are not deliberate. The applicable tax rate has therefore been streamlined with the Tax Procedures Act that provides for the penalty at 5%.
Value Added Tax

In his budget speech, the Cabinet Secretary assures tax payers that validated refunds will be cleared within the next two months.

We observe from the budget statement that the government acknowledges the enormous accumulation of VAT refunds arising from delays in the payments. In his budget speech, the CS assures tax payers that validated refunds will be cleared within the next two months. This comes as glad tidings for taxpayers who have pending claims.

Under this section, we set out below some of the prominent VAT changes proposed in the Budget.

Definitions
The bill proposes to amend the definition of the following terms in the VAT Act:

Concessional loan - the term concessional loan as used in the definition of official aid funded projects has been defined to mean "a loan with at least 25% grant element. Therefore, the exemptions for VAT on aid funded projects is restricted to loans which qualify with the 25% grant element"

Supply of Imported Services - The further clarification in the budget speech states that imported services should also apply to non-registered persons in addition to registered persons. Tax payers who are not registered for VAT are also required to oblige with the VAT declaration on imported services.

VAT Regulations Amendment

VAT Refunds

The Cabinet Secretary to the National Treasury has acknowledged the anomalies in the formula used to compute VAT as introduced by regulation 8 of the VAT regulations earlier. Since implementation, it has resulted in an unfair position for taxpayers and specifically exporters who were not able to fully recover the excess input tax relating to zero-rated supplies.

Prior to VAT regulations, there were no clear guidelines on refunds arising from taxpayers that had both general rated and zero rated supplies as most taxpayers generally made claims for the entire excess input VAT. The proposed amendment will ensure that suppliers of zero rated supplies fully recover the input tax related to those supplies. This will in turn boost Kenyan exports and make them competitive in the international market.

Clarification of Exported services

The cabinet secretary through his budget statement, has submitted that in determining the user or consumer of a service as envisaged in the VAT legislation, the party who pays for the service is irrelevant. What matters is where the service is provided, who provides the service and the place of use or consumption of the services.

Other Major Changes

Withholding VAT

Withholding VAT has, since it’s reinstatement by the Finance Act 2016, posed a challenge to taxpayers. The Cabinet Secretary has proposed to reduce the Withholding VAT tax rate from 6% to 2% which has impacted negatively on the cash flow and liquidity of taxpayers.

In our view, this reduction in WHVAT rate will address to an extent the challenges currently experienced by taxpayers.

It is also worthy to note that suppliers, on whose payment
VAT is withheld, are not entitled to refund for the credit arising from VAT withheld. It is hoped that the proposal will have the right impact for the tax payers in terms of increased cashflow and a reduction in credit position.

**Introduction of VAT in the Digital Economy**

Digital technologies including social media are rapidly emerging as disruptive forces for businesses in all industries. The proposal is to bring to tax all supplies made by through a digital market place.

The bill further provides clarity as to what to constitute a digital market place. Thus a digital platform will constitute a platform that enables, by electronic means, direct interaction between buyers and sellers of goods and services.

**Exemptions**

**Exemption on Locally Manufactured Motherboards and all inputs used in their manufacture**

The growth in the electronics and computers segment has been driven by constant innovation and competition globally as well as in the East Africa region. In a move geared towards encouraging domestic growth in the sector, it is proposed to exempt from VAT locally manufactured motherboards and all inputs used in their manufacture.

This is a welcome move to local manufactures as well as availability of wider choices in Kenya.

**Exemption on Services offered to Plastic Recycling Plants**

The ban on plastic bags by the National Environment Management Authority (NEMA) in 2017 has seen more manufactures taking up creative options of packaging to stay out of trouble with the law. This has instigated the need to promote plastic waste management by encouraging recycling of plastic waste.

In a move projected towards promoting plastic waste management and recycling of plastic waste, the Cabinet Secretary through his budget statement has proposed to exempt from VAT all services offered to plastic recycling plants and supply of machinery and equipment used in the construction of these plants. This is a welcome move as it will help reduce pollution and provide clean environment in the country.

**Exemption of specialised equipment for the development and generation of solar and wind energy**

Through his budget statement, the Cabinet Secretary proposes to subject the exemption of specialized equipment and generation of solar and wind energy to approval by the Cabinet Secretary responsible for Energy.

Prior to this, the exemption did not require approvals from the respective authorities and as much as it may curb abuse, it is bound to make the process cumbersome and delay implementation of projects.

**Exemption of Agricultural pest control**

Agricultural pest control products which are currently zero rated have been proposed to be exempted from VAT. Though the exemption is meant to act as incentive in the agricultural sector under the Big Four Agenda, exemptions at times increases rather than reduces the cost of products.

**Trailers excluded from exemption**

Semi-trailers shall now not be covered under exemption. The exemption was focused mainly as an incentive to the agricultural sector. The amendment therefore eliminates doubt as to the type of tractors that qualify for the exemption.

**Brokerage Services Now Exempt.**

Exemption shall now apply to securities brokerage services. Previously, the exemption only covered the stock exchange brokerage. The proposed amendment now expands the scope of the application of the exemption of brokerage services for securities other than stocks.

**Zero Rating of Supply of denatured ethanol**

The Bill proposes to zero rate the supply for denatured ethanol which is used in clean energy stoves to encourage the use of these stoves.
Customs & Excise

The Cabinet Secretary (CS) in his budget statement for the year 2019 / 2020 has proposed the below measures to protect the local industries.

**Customs Duty**

Below are 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 2019.

**Metal and Allied Sector**

In a bid to protect the sector from unfair competition resulting from importation of cheap and subsidized iron and steel products, it has been proposed to retain ad valorem rate of import duty at 25% with corresponding specific rates of duty in a wide range of steel and iron products which are locally produced.

**Paper and Paper products**

The paper industry continues to suffer stiff competition. In this regard, the import duty rate was increased in the fiscal year 2018/2019 to 25% for a one-year period. The rate has been proposed to be retained for another one-year period.

**Timber and furniture**

In the budget for the fiscal year 2018/2019, a new customs rate was introduced to protect the timber and furniture industry from proliferation of cheap timber products and enhance local production. This move followed the ban on logging of trees by the government in a bid to stop deforestation, which adversely affected the manufacturers who use raw timber to manufacture furniture and other products. In order to address the dilemma of these manufacturers, it has been proposed to reduce import duty on raw timber from 10% to 0%. Further, a new proposal has been tabled to retain the ad valorem rate of import duty on finished timber products at 25% with corresponding specific rate of import duty on the products.

**Extension of Duty Remission.**

In a meeting held by the EAC, Ministers of Finance, Kenya was granted an extension on duty of remission on importation of certain products as tabled below;

<table>
<thead>
<tr>
<th>Item</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat grain of specified tariffs for one year</td>
<td>10%</td>
</tr>
<tr>
<td>Motor Cycle Kits</td>
<td>10%</td>
</tr>
<tr>
<td>Industrial Sugar</td>
<td>10%</td>
</tr>
<tr>
<td>Input used in manufacture of Roofing tiles coated with acrylic paint for one year</td>
<td>0%</td>
</tr>
<tr>
<td>Raw materials for manufacture of Energy saving stoves for one year</td>
<td>0%</td>
</tr>
<tr>
<td>Inputs and raw materials used in manufacture of leaf springs for one year</td>
<td>0%</td>
</tr>
<tr>
<td>Inputs and raw materials used in manufacture of radiators for one year</td>
<td>0%</td>
</tr>
<tr>
<td>Aerosol Cans</td>
<td>0%</td>
</tr>
</tbody>
</table>

**Stay on Application of CET (Common External Tariff) rates.**

Further, Kenya was granted an extension of stay on application on CET rates on the following items with specific tariff codes

1. Rice
2. Non electric cooking appliances at the rate of 25%
3. Liquid Gas cylinders at 25% instead of 0%
4. Filing cabinets at 25% or USD 250/MT
5. Coated Electrodes at 25% or USD 250/MT
6. Leather and footwear items
7. Edible oil at 25% or USD 500/MT
8. Textiles and Apparel items at 35%
9. Skillets, free hinge Lid Packets at 25% instead of 10%
10. Road tractors for semi-trailers at 25% instead of 10%
11. Safety matches at 25% or USD 1.35/KG
12. Styrene Acrylic at 10% instead of 0%
13. Polymers of Vinyl Acetate at 0% instead of 10%
14. Worn Clothing at 35% or USD 0.2/KG
15. Prefabricated Buildings at 35% or USD 250 /MT instead of 25%

**Excise Duty on Betting**

Kenya has the highest number of gambling youths in Sub-Saharan Africa (SSA) and sports betting has become the most popular form of gambling. This has negatively affected the young and vulnerable members in the society. In order to diminish the negative effects of betting activities, it has been proposed to introduce excise duty on betting activities at the rate of 10%. The tax point for this transaction will be the time a person stakes the money on a platform or a medium provided by a bookmaker. The move is also expected to expand the excise revenue base.

**Excise Duty**

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>RATE OF EXCISE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cigars, Cheroots, Cigarillos containing tobacco or tobacco substitutes</td>
<td>Kshs. 12,096 per KG</td>
</tr>
<tr>
<td>Electronic Cigarettes</td>
<td>Kshs. 3,629 per unit</td>
</tr>
<tr>
<td>Cartridge for use in electronic cigarettes</td>
<td>Kshs. 2,420 per unit</td>
</tr>
<tr>
<td>Cigarette with filters (Hinge lid and soft cap)</td>
<td>Kshs. 3,025 per mile</td>
</tr>
<tr>
<td>Cigarette without filters (plain cigarettes)</td>
<td>Kshs. 2,177 per mile</td>
</tr>
<tr>
<td>Other manufactured tobacco and manufactured tobacco substitutes; “homogenous” and “reconstituted tobacco”; tobacco extracts and essences</td>
<td>Kshs. 8,469 per KG</td>
</tr>
<tr>
<td>Wines including fortified wines, and other alcoholic beverages obtained by fermentation of fruits</td>
<td>Kshs. 181 per litre</td>
</tr>
<tr>
<td>Spirits of undenatured ethyl alcohol; spirits liqueurs and other spirituous beverages of alcoholic strength exceeding 10%</td>
<td>Kshs. 242 per litre</td>
</tr>
</tbody>
</table>

The excise revenues have gradually declined over the years despite annual inflationary adjustments. In order to address this decline and to boost excise revenues, it has been proposed to increase the rates of excise duty as indicated below:
Excise duty on motor vehicles

The bill proposes to increase the rates of excise duty as follows:

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>RATE OF EXCISE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor vehicles of tariff heading 87.02, 87.03, and 87.04 excluding:</td>
<td></td>
</tr>
<tr>
<td>1. Locally assembled motor vehicles;</td>
<td>20%</td>
</tr>
<tr>
<td>2. School buses for use by public schools;</td>
<td></td>
</tr>
<tr>
<td>3. Motor vehicles of tariff no. 8703.24.90 and 8703.33.90; and</td>
<td></td>
</tr>
<tr>
<td>4. Imported motor vehicles of cylinder capacity exceeding 1500cc</td>
<td></td>
</tr>
<tr>
<td>Imported motor vehicles of cylinder capacity exceeding 1500cc of tariff heading 87.02, 87.03 and 87.04</td>
<td>25%</td>
</tr>
<tr>
<td>Motor vehicles of tariff no. 8703.24.90 and 8703.33.90</td>
<td>35%</td>
</tr>
<tr>
<td>100% electric powered motor vehicles of tariff no. 8702.40.19, 8702.40.22, 8702.40.29, 8702.40.91, 8702.40.99 and 8702.80.00</td>
<td>10%</td>
</tr>
</tbody>
</table>

In a bid to promote green energy technology and reduce carbon emission in the country, it has been proposed to reduce the excise duty on motor vehicles that are fully powered by electricity. This move will encourage uptake of these vehicles as well as encourage investment and employment in this area of technology.

Inflationary Adjustment

Initially, the annual inflation adjustment on excise duty was done on 1 July every year. The Finance bill proposes to change the adjustment date to 1st October every year to allow the commissioner to comply with all legal requirements prior to publishing the Legal notice. This will also ensure that the new rates come into force at the same time as the Finance Act provisions.

Introduction of General Penalty

The proposed amendment introduces a general penalty of a fine not exceeding two million shillings or a term not exceeding two years, or to both.

The proposed general penalty covers offences under the Act or Regulations for which no specific penalty is prescribed.
Miscellaneous

“The Government is strongly committed to pursuing the ‘Big Four’ agenda and the budget policy is leaning towards expenditure that will lead to realization of the same.”

Miscellaneous Fees & Levies Act

- **Refund of anti-adulteration levy**
  
  Treasury through the Finance Act 2018, introduced an anti-adulteration levy of KES 18 per litre of the customs value on illuminating kerosene.
  
  The levy had the impact of increasing cost of production for the manufacturers of paints and resin. The CS through the budget speech has sought to reverse the adverse effects of the provision by introducing a statute providing for refund of the levy paid by manufacturers of paint and resin.

- **Import Declaration Fee (IDF)/ Railway Development Levy (RDL)**
  
  This year’s budget statement has seen a focus towards protecting local manufacturers. The strategy has further been effected through the following adjustments to RDL and IDF levies:
  
  a) Reduction of IDF on intermediate goods and raw materials from 2% to 1.5%;
  
  b) Increase of IDF on finished goods from 2% to 3.5%; and
  
  c) An increase of RDL for finished products from 1.5% to 2%.

- **Export Levy**
  
  Raw hides and skins are currently subject to export levy to encourage value addition in the sector.
  
  With a vision to further enhance value addition and promote local manufacturing of leather products, the CS has proposed a 10% export levy on tanned and crust hides and skins which were previously not subject to the levy.

The Financial Sector

1. **The Money Markets- Putting a leash on insider trading**
  
  The CS has proposed amendments to the Capital Markets Act that would vest to the Capital Markets Authority power to enforce penalties and sanctions on market players who violate laid down rules and procedures.

2. **The Insurance sector Policy Holders Compensation Fund**
  
  Established in 2004, the Policy Holders Fund was operationalized with the intent of cushioning insurance policy holders in the event of insurance companies failing to effectively discharge their services.

  It was noted that the funds are yet utilized ever since the inception of the fund which would be indicative of a resilient insurance sector.

  To clear any ambiguity in law and facilitate utilization of the funds to compensate claimants, Treasury intends on introducing amendments to the Insurance Act and Regulations.
Regulating the budding bodaboda and tuktuk businesses

Bodaboda and tuktuk businesses have proved to be a robust sector of the economy having created employment for many youths across the country. In spite of the benefits that have been derived, a surge in accidents has been witnessed which has prompted government to propose amend the Insurance (Motor Vehicle Third Party Risks) (Certificate of Insurance) Rules.

The proposals would require passenger carrying boda bodas and tuk-tuks to have an insurance cover for passengers and pedestrians.

A swing at interest rate capping

Treasury is proposing a repeal of the capping of interest rates through an amendment to Section 33B Banking (Amendment) Act.

The CS through the Finance Bill, 2018 had introduced the very same proposal, a move which was fervently shot down by August House in the bill that was assented to law. The CS has not relented on this position, citing adverse effects of the law that are akin to micro, small and medium enterprises (MSMEs) getting starved of credit and the loan books of small banks becoming smaller.

Central Bank is currently abuzz with the ongoing demonetization policy and consumer protection issues. If assented into law, the proposal will see to it that financial access is enhanced and monetary policies that are market driven are put in place.

SME Credit Guarantee

SME credit financing is set to be simplified by the introduction of an SME guarantee scheme. This will be executed along with the Biashara Kenya Fund and SME fund vacating complex application procedures and collateral requirements to deepen access to financing by SMEs.

Big Four Allocations by Sector

The “Big Four” agenda has been the recurring tag line under the current regime and this year’s budget statement is no exception. The theme that has been brought forward from the previous fiscal year and has been further cemented in the current year’s key sector allocations that are driving the plan.

We provide a comparison between current allocations (where applicable) and allocations made to the sectors in the previous financial year.
Agricultural Sector

A sector that has long since been dubbed as the backbone of the economy, received the following allocations intended to enhance food and security and support our farmers:

- Strategic Food Reserves trust fund recorded a budget surplus and to this end, no allocations have been made to the fund. A decrease from the previous year’s KES 1.4 billion;
- KES 2 billion has been set aside to the National Value Chain Support Programme;
- KES 3 billion has been allocated towards setting up the Coffee Cherry Revolving Fund which would subsequently allow farmers to access Cherry advance at 3% tailored to implement reforms in the coffee sector;
- Sugarcane farmers are set to receive their dues with KES 0.7 billion being allocated for clearing outstanding balances for farmers who have made deliveries to public mills;
- KES 7.9 billion for ongoing irrigation projects a 7% decrease from the previous year’s allocation;
- KES 1 billion has been allocated to crop diversification targetted towards revitalizing the Mira industry;
- KES 0.8b for the rehabilitation of Fish Landing Sites; and
- KES 0.7 billion for small-holder dairy commercialization.

Universal Health Coverage

- KES 47.8 billion has been allocated to activities and programmes geared towards Universal Health Coverage;
- KES 7.9 billion has been moved from the Sports, Arts and Social Development Fund to fund the initiatives;
- The KES 2.9 billion allocation for Doctors/Clinical Officers/Nurses internship programme during the previous year has been retained;
- KES 14.4 billion for Kenyatta National Hospital up from the previous year’s 11.7 billion allocation;
- KES 9.2 billion for Moi Teaching and Referral Hospital an increase from the previous 7.7 billion;
- A 0.1 increase in allocation of KES 2.3 billion has been set aside for Kenya Medical Research Institute;
- KES 7.4 billion for Kenya Medical Training Centres (KMTC) a surge from the previous KES 4.7 billion; and
- KES 1.2 billion for Health Workers Internship Programme.
Housing Sector

- KES 10.5 billion has been allocated cater for social housing and construction of affordable housing units, including housing Units for the Police and Kenya Prison.
- KES 2.3 billion for the Public Servants Housing Mortgage Scheme;
- KES 5 billion for the National Housing Development Fund, as contributions by Government for its employees.
- KES 1 billion will be advanced to Kenya Mortgage Refinance Company as a capital injection by the government.

The graph below illustrates other key sectors as presented in the budget statement that are critical in the achievement of the Big Four Agenda.
Budget Highlights Uganda

Income Tax Changes

• The definition of citizen for tax purposes was changed to:
  
  1. A natural person who is a citizen of a Partner State of the East African Community (EAC); and
  2. A company or body incorporated under the laws of a Partner State of the EAC in which at least 51% shareholding is held by a person who is a citizen.

• It is now a precondition to have tax registration to obtain a business license

• Gross payments for the purchase of a business or business asset now attract 6% withholding tax

• Interest on infrastructure bonds with a maturity of at least 5 years is now tax exempt

• Financial institutions are now exempt from interest coverage ratio of 30% of EBITDA

The above exemptions are eligible for the following activities:

• Logistics and warehousing
• Manufacture of medical appliances, vehicles, building materials
• Agricultural value addition
• Vocational or technical training institutions
• ICT
• Commercial farming

The exemptions for operators / enterprises only apply if:

• 70% of Raw materials are sources locally where available
• 60% of the workforce are citizens

Value Added Tax Changes

• Withholding VAT has been reduced from 100% of the VAT charged to 6% of the taxable value, however compliant tax payers can apply for exemptions

• The following goods are now exempted from VAT:
  1. Aircraft insurance services
  2. Rice mills
  3. Agricultural sprayers
  4. Imported medicaments
  5. Woodworking, welding and sewing machines

• Medicaments manufactured in Uganda are now zero rated

Incentives for Industrial park investors

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Capital (USD millions)</td>
<td>100</td>
<td>50</td>
</tr>
<tr>
<td>Developers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operators / Enterprises</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign Investors</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Citizens</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Income tax exemption period</td>
<td>5 years</td>
<td>10 years</td>
</tr>
</tbody>
</table>
**Excise Duty Changes**

- Late payment of excise duty on services shall attract interest of 2% per month (compounded)
- Non-alcoholic beverages excluding fruit or vegetable juices shall attract a reduced excise duty of 11% or Ushs. 185 per liter, whichever is higher. The previous rate for the same was 13% or Ushs. 200 per liter, whichever was higher.

**Customs Duty Changes**

The following items shall attract a new rate of customs duty:

<table>
<thead>
<tr>
<th>Item</th>
<th>Old rate</th>
<th>New rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ready to drink juices</td>
<td>25%</td>
<td>60%</td>
</tr>
<tr>
<td>Mineral water</td>
<td>25%</td>
<td>60%</td>
</tr>
<tr>
<td>Frozen meets of chicken, bovine, swine, sheep</td>
<td>25%</td>
<td>60%</td>
</tr>
<tr>
<td>Processed coffee, tea &amp; cocoa powder, ginger</td>
<td>25%</td>
<td>60%</td>
</tr>
<tr>
<td>Refined cotton seed oil &amp; sunflower seed</td>
<td>25%</td>
<td>60%</td>
</tr>
<tr>
<td>Biscuits</td>
<td>25%</td>
<td>60%</td>
</tr>
<tr>
<td>Cooked potatoes, potato and other crisps</td>
<td>25%</td>
<td>60%</td>
</tr>
<tr>
<td>Tomato sauce</td>
<td>25%</td>
<td>60%</td>
</tr>
<tr>
<td>Toothbrushes, ball point pens</td>
<td>25%</td>
<td>60%</td>
</tr>
<tr>
<td>Jams, marmalades, jellies, butter, Honey</td>
<td>25%</td>
<td>60%</td>
</tr>
<tr>
<td>Toilet paper</td>
<td>25%</td>
<td>60%</td>
</tr>
<tr>
<td>Exercise books</td>
<td>25%</td>
<td>60%</td>
</tr>
<tr>
<td>Onions, shallots, garlic … fresh or chilled</td>
<td>25%</td>
<td>60%</td>
</tr>
<tr>
<td>Wheat (wheat grain)</td>
<td>35%</td>
<td>10%</td>
</tr>
<tr>
<td>Partly refined base oil</td>
<td>0%</td>
<td>10%</td>
</tr>
<tr>
<td>Food flavours</td>
<td>0%</td>
<td>10%</td>
</tr>
<tr>
<td>Buses for more than 25 persons</td>
<td>10%</td>
<td>25%</td>
</tr>
<tr>
<td>Semi processed edible oils</td>
<td>10%</td>
<td>25%</td>
</tr>
<tr>
<td>Tomato paste and other preserved tomatoes</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Cartons, boxes, packing containers of paper</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Chewing gum, Sweets/sugar confectionery</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Coated electrodes for welding</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Soap and organic products for use as soap</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Mixes and doughs for preparation of bakers’ wares</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Wigs, false beards, eyebrows, eyelashes</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Doors, windows of iron, steel or plastic</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Tooth paste and other mouth wash, shoe polish</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Television sets, toys</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Lubricants in liquid form, Lubricating greases</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Tarpaulins</td>
<td>26%</td>
<td>35%</td>
</tr>
<tr>
<td>Blankets, Mattress supports and mattresses</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Electric accumulators (Batteries)</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Furniture and parts thereof</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Granite, marble and clay (ceramic) tiles</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Pictures, photographs, Instructional charts, trade advertising materials</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Flat rolled products of iron or non alloy steel</td>
<td>25%</td>
<td>Higher of USD 200/MT or 25%</td>
</tr>
<tr>
<td>Corrugated iron sheets, pre-painted coils, galvanised coils, hoop iron, twisted bars, flat bars</td>
<td>25%</td>
<td>Higher of 25% or USD 350/MT</td>
</tr>
<tr>
<td>Safety matches</td>
<td>25%</td>
<td>Higher of 25% or USD 1.35/kg</td>
</tr>
</tbody>
</table>

**Administrative changes**

For tax payers that voluntarily disclose an offence to the URA prior to commencement of prosecution, compounding of offences and interest shall be waived.

Payment to informers has been reduced to 5% from 10% of principle tax recovered.
Tanzania

Income Tax Changes

• The minimum turnover threshold has been increased to TZS 100 million for taxpayers to file accounts with TRA

• Arrangement fees for government loans from foreign sources are now tax exempt

• New manufacturers of sanitary towels shall now enjoy a reduced corporation rate of 25% for a period of 2 years

Value Added Tax changes

• The following goods are now exempted from VAT:
  1. Imported refrigeration boxes for agriculture
  2. Grain drying equipment
  3. Aircraft lubricants imported by domestic operators
  4. Airline tickets, fliers, calendars, employee uniforms
  5. Sanitary towels are now subject to VAT
  6. Supply of electricity from mainland to Zanzibar is now zero rated

Excise Duty Changes

• Imported pipes shall be subject to 10% excise duty
• Locally manufactured wigs shall be subject to 10% excise duty, whilst imported wigs shall be subject to 25% excise duty
• Excise duty on wine produced from domestic fruits has been reduced from TZS 200 per liter to TZS 61 per liter
• Imported aircraft lubricants have been exempted from excise duty

Rwanda

Income Tax Changes

• The minimum threshold has been increased to FRW 600 million for taxpayers to file certified returns by a qualified professional accountant

• The Commissioner General has been empowered to withdraw authorization of carry forward of losses beyond 5 years

• Double Taxation Avoidance Agreements with Turkey and UAE have been approved

Administrative Changes

• Indicators of prosperity may be used to assess Corporate Income Tax

• Only one amendment of tax returns shall be allowed by the Rwanda Revenue Authority

• The tax administration shall have security on income and movable property of both taxpayers and their representatives

• Penalties arising from tax investigation have been proposed of 20% of the amount understated if the understatement exceeds 10%

• Administrative penalties are now pegged to duration of non-compliance

Administrative Changes

The deadline for payment of principle tax under tax amnesty has been extended from June 2019 to December 2019
Kenya 4th May, 2019 Grant Thornton Kenya officially opened the doors to Katani Secondary School boys’ dormitory in Mavoko Sub-County. We thank all of you who supported this initiative.

This was the culmination of a collaborative social responsibility effort that brought together various actors in the community. Grant Thornton clients, employees, friends, family and member firms in Uganda, Botswana, the United Arab Emirates, the United Kingdom, Japan and Germany all chipped in to raise KSh 5 million for the building of the dormitory.

The implementing partner for the building of the dormitory was the Amara Charitable Trust (https://amaratrust.org/)

Grant Thornton raised KSh 5 million for the building of this dormitory by climbing Mt. Kenya between 29 August and 1 September 2018. 42 people from Grant Thornton offices in Kenya, Uganda, Botswana, the United Arab Emirates and Germany climbed Mt. Kenya.

Katani is a mixed high school with lots of bright students. The school is located 10Km off Mombasa road in Mavoko Sub-County which makes getting there and back home an incredible task for the students who have to walk. The girls got a dormitory courtesy of the Constituency Development Fund in 2017. The result was that they now had more time to dedicate to studying. Their grades improved and they were more present in class than before. This dormitory project aims at achieving the same result for boys at the school.

This idea to climb Mt. Kenya as a means to fundraising was the brainchild of Kamal Shah, Managing Partner at Grant Thornton who climbed in 2016 and has always wanted Grant Thornton as a family to have the same experience. There was no better way of doing this than through social responsibility.

“Thank you to Almighty God for guiding us for this whole project, keeping all climbers safe, inspiring all clients and member firms and our partners to make donations and Amara for always standing by us as our real partners to get through this project. I can only pray to God and seek his blessings for each and every soul who got involved in making this Project a huge success,” said Kamal Shah, Managing Partner of Grant Thornton Kenya.

“You can turn your life around with your determination to succeed. It does not matter what grade you have right now. Make good use of the resources that have been provided to you,” Samuel Mwaura, Partner – Taxation at Grant Thornton implored the students.
This Publication highlights the main aspects of the Budget, read by the Cabinet Secretary for National Treasury on 13th June 2019. The information contained in this review has been compiled from the Budget speech read on 13th June 2019 and various other referenced sources. While all reasonable attempts have been made to ensure that the information contained within this document is accurate, Grant Thornton accepts no responsibility for any errors or omissions it contains whether caused by negligence or otherwise. The review contains general information only and is neither intended to be a comprehensive publication nor provide specific advice. This review should not be relied on solely, and we advise you to seek appropriate professional advice before making any decision. The information contained in this Publication is meant for exclusive use by the clients of Grant Thornton and no part of it may be reproduced and circulated without prior written consent.