The Tax Laws (Amendment) Bill, 2020

The Cabinet Secretary for National Treasury published the Tax Laws (Amendment Bill), 2020 on 2nd April, 2020 for parliamentary review. This comes a week after the government published relief measures to cope with COVID-19. The Bill has incorporated some of the measures proposed by His Excellency by President Uhuru to cushion the economy against COVID-19 effects.

Some of the proposals contained in the Tax Laws (Amendment) Bill, 2020, had been introduced by the Income Tax Bill, 2018, which we anticipate will be passed into law this year. The Bill is set for reading and approval once parliament resumes on Tuesday 7th April.

In this Alert, we provide analysis and insights on how the changes could impact your business.

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Income Tax

BRIEF

Income tax covers the widest tax base. Among notable provisions include expansion of tax bands and personal relief for employees.

The Bill has also adopted punitive measures that do not take into consideration the current economic crisis, countrywide and globally.

We have included herein a summary of the proposals set out by the Bill.

Corporation tax

Item	Comment
Corporate tax rates	The Bill does not offer a reduction in corporation tax rates despite the directive by the president in his measures to provide relief to companies in these ailing times. As such resident companies will pay corporate tax rates at the current rate of 30% for resident entities and 37.5% for non resident entities. The bill also proposes to repeal preferential tax rates offered to newly listed companies on the NSE. These companies are currently being taxed at 20%, 25% and 27% with specific restrictions on percentage of shares listed.
Turnover Tax	Turnover tax is currently charged at the rate of 3% on revenues not exceeding Kes 5M. The Bill proposes to reduce TOT tax rate to 1% and increase the threshold to a maximum of Kes 50M and a minimum threshold of Kes 500,000. The reduction in tax is a great relief to SME's who have been hit hard in the current economic status Incorporated companies meeting this threshold will also be eligible to declare their taxes under TOT. However, companies who choose this option will not be able to claim capital allowances or enjoy other tax incentives provided by under ITA. Income accruing from; • rental income, • management or professional or training fees; and • any income subject to a final withholding tax will still not be applicable to TOT.
Presumptive tax	Presumptive tax is also applicable at 15% of the amount payable for a business permit or trading license. The Bill has now scrapped presumptive tax. Repealing of presumptive tax is a welcome move as it was proving to be administratively cumbersome. Additionally, small business will now enjoy lower taxes.

Corporation tax

Item	Proposal	Comment
Allowable deductions now taxable	• 30% of electricity costs incurred by manufacturers, subject to conditions set by the Ministry of Energy – The Finance Act 2018 introduced a 30% electricity rebate allowable against taxable profits for manufacturers in addition to the normal electricity expense.	The incentive was geared towards the government's commitment to manufacturing as one of the pillars of the Big 4 agenda. Repeal of this incentive will leave the manufacturing sector vulnerable to high energy costs, which goes against the presidents Big 4 agenda.
	• Legal costs and any capital expenditure incurred for purposes of listing on the NSE; for issue of shares, listing without raising additional capital and on rating will now be subjected to tax.	This will increase the cost of fund raising through listing.
	• Club subscriptions paid by an employer on behalf of an employee and entrance fee or annual subscription paid during that year of income to a trade association	With repeal of this section, employers will opt to withdraw such payments on behalf of the employees, which defeats the sole purpose of having these organizations in place.
	• Expenditure of a capital nature incurred with the prior approval of the Minister, by a person on the construction of a public school, hospital, road or any similar kind of social infrastructure	Repeal of this section may slow down infrastructure development given that these are basic amenities which play a big role in economic growth.
Notable repealed tax exemptions	• Dividends received by a registered venture capital company special economic zone enterprises, developers and operators licensed under the Special Economic Zones Act	This incentive was introduced by Finance Act, 2017 to attract investment in special economic zones, withdrawing will it discourage investors from investing in SEZ's.
	• Compensating tax accruing to a power producer under a power purchase agreement	This incentive was introduced by the Tax Laws (Amendment) Act of 2018. With these repeal, tax incentives for these companies will be eroded through compensating tax. Consequently, the cost of electricity will likely increase for end consumers.

Corporation tax

Item	Proposal	Comment
Notable repealed tax exemptions	• Interest income accruing from all listed bonds, notes or other similar securities used to raise funds for infrastructure and other social services, provided that such bonds, notes or securities shall have a maturity of at least three years.	For the longest time, interests accruing from government bonds have always been exempt which have always been an incentive to investors. Taxing such interest may see a reduction of uptake in infrastructure bonds by the public.
	• Income from employment paid in the form of bonuses, overtime and retirement benefits applicable to the lowest tax band.	Removal of this exemption may have come about because of the increased tax bands for low income earners. As such it may not have such a negative effect in the meantime.
	• Income of the National Social Security Fund provided that the Fund complies with such conditions as may be prescribed.	Repeal of this section is likely to reduce distributable earnings to NSSF contributors on retirement.
	• Monthly or lumpsum pension granted to a person who is 65 years of age or more.	Taxing pf pension benefits for the old will expose them to financial challenges who otherwise have no source of income.
Other repealed exemptions	• Profits/gains of an agricultural society or derived from exhibition or show. • Interest on any tax reserve certificates which may be issued by authority of the Government. • Income of the East African Power and Lighting Company • Interest on a savings account held with the Kenya Post Office Savings Bank. • Gains arising from trade in shares of a venture company earned by a registered venture capital company • The income of a registered home ownership savings plan; • Income of the National Social Security Fund provided that the Fund complies with such conditions as may be prescribed. • Gains arising from trade in shares of a venture company earned by a registered venture capital company • Interest income generated from cash flows passed to the investor in the form of asset-backed securities.	

Capital Gains Tax

Item	Comment
CGT exemptions	The current ITA under section 36 of the first schedule provides for CGT exemptions. The bill has now repealed this section to include only: *“Transfer of property (including investment shares) which is transferred or sold for the purpose of administering the estate of a deceased person where the transfer or sale is completed within two years of the death of the deceased or within such extended time as the Commissioner may allow in writing”* Transfer of the following items shall now be subject to CGT; • Transfer of a private residence where individual owner has occupied the residence for a 3 year period prior to transfer • Shares of a local authority • Property transferred by individuals of less than 3m in value and of less than fifty acres • Land which has been adjudicated under the Land Consolidation Act or the Land Adjudication Act

Capital Allowances

The government has been working towards plugging loopholes in the domestic tax laws and moving towards a simpler tax regime. The overhaul of the second schedule is a relief to taxpayers as the current schedule is quite hard to navigate.

Some of the notable changes include:

- Reduction on investment deduction. The 100% and 150% deduction has been scrapped off.
- Increase in motor vehicle restriction on a passenger vehicles from the current amount of 2 million to 3million.

Capital Allowances

Item	Current rate	Proposed rate
Investment Deduction Allowance		
Buildings used for manufacture	100%	50% in year of first use
Machinery used for manufacture	100%	25% p.a on reducing balance
Petroleum or gas storage facilities	100%	
Filming equipment Purchase by a local film producer licensed by the relevant Ministry	100%	25% p.a on reducing balance
Hospital equipment	12.5%	50% in year of first use
		25% p.a on reducing balance
Farm works Deduction		
Farm works	100%	50% in year of first use
		25% p.a on reducing balance
Industrial Building Allowance		
Hotel buildings – taxpayers have the option of claiming 100% ID or 10% IBA	10% (100%)	50% in year of first use
Hospital buildings	-	25% p.a on reducing balance
Education building including student hostels	50%	10% per year on balance
Commercial building	25%	10% p.a on reducing balance
Indefeasible right to use fibre optic cable by telecommunications operator	5%	10% p.a on reducing balance

Point to note:

Despite the overhaul of the entire second schedule, the Bill proposes to extend the 150% ID on bulk storage handling facilities supporting the standard gauge railway operations of a minimum storage of 100 metric tones to 30th August 2020

Capital Allowances

Item	Current rate	Proposed rate
Mining allowances		
Machinery used to undertake operations under a prospecting right	-	50% in year of first use
Machinery used to undertake exploration operations under a mining right	-	25% p.a on reducing balance
Wear & Tear allowances		
Motor vehicles and heavy earth moving equipment	37.5%	25% on reducing balance
Computer and peripheral computer hardware and software, calculators, copiers and duplicating machines	30%	25% on reducing balance
Furniture and fittings	12.5%	10% on reducing balance
Aircraft	25%	50% in year of first use 25% on reducing balance
Ship allowance is classified into two New ship of over 125 tones New ship of less that 125 tones	- 100% on first year of use - 12.5% on reducing balance	50% in year of first use 25% on reducing balance
Motor vehicles	25% - passenger limit Kes 2m.	25% on reducing balance Passenger limit Kes 3m.
Plant, machinery, furniture and equipment, petroleum pipeline	12.5%	10% on reducing balance
Software allowance	20% - straight line	25% on reducing balance
Telecommunication equipment used by telecommunication explorer	20% - straight line	10% on reducing balance
Indefeasible right to use fibre optic cable by telecommunications operator	5%	10% on reducing balance

Withholding Tax

Item	Comment
Qualifying Interest	Under the current Act, interest is deemed qualifying when it is received from; ✓ a bank or financial institution; ✓ A building society registered under the building society Act; and ✓ The Central bank The Bill now seeks to classify any interest received by a resident individual as qualifying. As such, the withholding tax on such interest shall be final tax. This proposal should be maintained as it will encourage investments and savings by individuals.
Additional services chargeable to Withholding tax	The current Bill proposes to introduce on supply of sales promotions, marketing, advertising services and transportation of goods (excluding air and shipping transport service. The rates are as follows; • Resident – Nil • Non resident – 20%. This measure shall definitely bring more people into the tax net however, the government has once again failed to provide for a threshold on the amounts chargeable to WHT as the ambiguity will lead to administrative burden.
Changes in tax rate	The Bill proposes to increase the non resident rate on dividends from 10% to 15%. Foreign investments will now be favourable only to countries which Kenya has DTA rates with.

Employment taxes

The Bill has expanded the tax base for employment income and subsequently reduced tax rates. These measures are in line with the presidents directives to cushion taxpayers from hard times and increase their disposable income.

Below is a summary of the proposed tax rates

Current rates			
Income per annum	Rate (%)	Cum. Per annum	Cum. Per month
0 to 147,580	10	14,758	1,230
147,580 to 286,623	15	35,614	2,698
286,623 to 425,666	20	63,423	5,285
425,666 to 564,709	25	98,185	8,183
564,709	30	98,185 and above	

Proposed rates			
Income per annum	Rate (%)	Cum. Per annum	Cum. Per month
0 to 288,000	10	28,800	2,400
288,000 to 488,000	15	58,800	4,900
488,000 to 688,000	20	98,800	8,233
Above 688,000	25	98,800 and above	8 233 and above

b) Personal relief

The Bill has increased personal relief from Kes 16,896 (1,408) per annum to Kes 28,800 (2,400). This translates to a saving of Kes 992

Employment taxes

The Bill also proposes to revise the tax bands for taxation of pension withdrawals made before the expiry of 15 years and after expiry of 15 years from the date of joining the fund from a registered pension fund, registered provident fund, the NSSF or a registered individual retirement fund. Thus the excess of KES 60,000 per year of pensionable service (limited to 10 years) will be taxed as follows:

Withdrawal before the expiry of 15 years from a pension or provident fund

Current rates		Proposed rates	
Income per annum	Rate (%)	Income per annum	Rate (%)
0 to 147,580	10	0 to 288,000	10
147,580 to 286,623	15	288,000 to 488,000	15
286,623 to 425,666	20	488,000 to 688,000	20
425,666 to 564,709	25	Above 688,000	25
564,709	30		

Withdrawal from Pension funds withdrawal after 15 years from a pension or provident fund

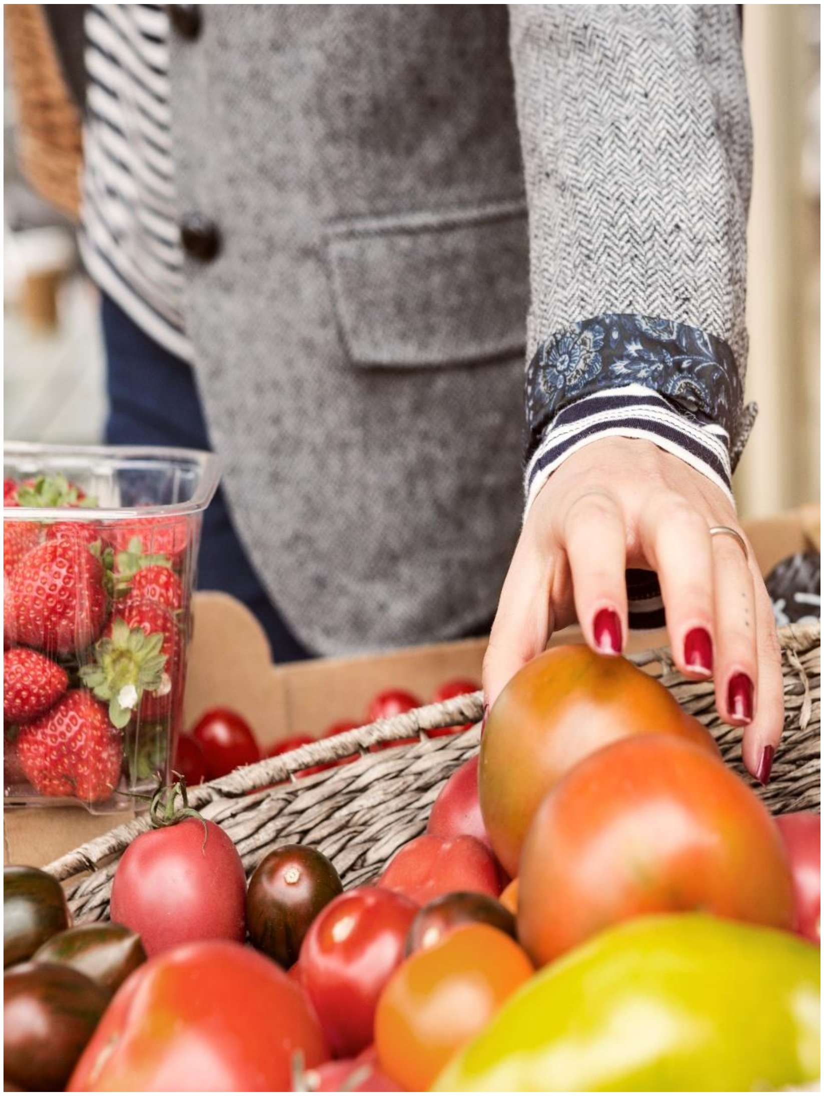
Current rates		Proposed rates	
Income per annum	Rate (%)	Income per annum	Rate (%)
On the first 400,000	10	On the first 400,000	10%
On the next 400,000	15	On the next 400,000	15%
On the next 400,000	20	On the next 400,000	20%
On the next 400,000	25	Above 1,200,000	25%
On the next 1,600,000	30		

Home Ownership Savings Plan

Employees currently enjoy a relief of Kes 96,000 p.a (8,000 p.m) for the first 10years.

The Bill proposes to repeal benefits given by HOSP. This rrepeal of HOSP benefits goes contrary with the big 4 housing agenda. Taxpayers currently enjoying this relief will see a reduction to their disposable income.

Value Added tax



BRIEF

The Bill proposes to increase to introduce a VAT charge on a number of items which are currently zero rated or exempted. The overall effect is high costs on consumer goods and erosion of consumer purchasing power.

The government should be more considerate of the current situation and postpone if not completely put aside these proposals till the economy has fully recovered from the adverse effects of COVID-19.

Value Added Tax

Item	Provisions under Current ITA	Proposals under the Bill
Definition of terms	No current definition of ordinary bread	"ordinary bread" shall mean; *"bread containing only the following ingredients; wheat flour, sugar, salt, yeast, fat or oil, bread improver, preservatives and water"*
	Comment: The definition of eliminates speculation as to what comprises ordinary bread.	
VAT of petroleum products	Currently VAT on petroleum products excludes excise duty fees and other charges from the taxable value of petroleum products.	The bill amends this section by lifting the exemption. Excise duty and other charges will now be included to determining VAT charge.
	Comment: The cost of fuel will inherently go up which will inadvertently increase the costs of manufactured products. Since cost of fuel is key in production.	
Credit and Debit note	Current • a CRN may be issued only within six months after the issue of the relevant tax invoice.	Proposed • CRN issued within six moths • In case of a commercial dispute on the price - within thirty days after the determination of the matter.
	Comment: A credit note can still be raised after six months provided this is a result of a commercial dispute. This is welcome especially when court cases take more than six months to determine.	
Application for refund on bad debts	VAT refund on account of bad debts has to be made within five years	Vat refund application to be made within four years.
Keeping of records	Every registered person is required to maintain proper records	This provision shall now apply to all persons, whether registered or not.

Exempt items now taxable

CHANGE IN VAT RATES			
Item	Current rate	Proposed rate	Comment
All Plants and machinery of Chapter 84 and 85	Exempt	Vatable at 14%	Introducing VAT on plant machinery may lead to increased costs of production especially for manufactures of exempt goods.
The supply of maize (corn) flour, ordinary bread and cassava flour, wheat or meslin flour and maize flour containing cassava flour by more than ten per-cent in weight.	Exempt	Vatable at 14%	Introducing VAT charge on these make these basic commodities will increase costs such goods and consequently result to an increase in the cost of consumers.
Taxable supplies imported or purchased use in construction of a power generating plant, geothermal, oil mining, exploration	Exempt	Vatable at 14%	The cost of generating power will rise. This will result to increased costs of doing business for manufacturing companies and households.
Mosquito nets tariff code 6304.91.10	Exempt	Vatable at 14%	Mosquito nets are essential in fighting malaria and can hardly be afforded by most households. The government should consider to retain these goods as exempt.
Inputs or raw materials manufacture of solar equipment or deep cycle-sealed batteries	Exempt	Vatable at 14%	A lot of households rely on these solar equipment as alternatives to electricity. VAT charge on these products will render this type of energy unaffordable.
Specialized Equipment for development and generation of Solar and wind energy	Exempt	Vatable at 14%	

Exempt items now taxable

<table>
<tr><th colspan="4">CHANGE IN VAT RATES</th></tr>
<tr><th>Item</th><th>Current rate</th><th>Proposed rate</th><th>Comment</th></tr>
<tr><td>Fertilisers of Chapter 31</td><td>Exempt</td><td>Vatable at 14%</td><td rowspan="7">Agriculture is one of the worst hit sectors in the country, thereby proposals to charge VAT directly affect farmers who are already grappling with high costs of production ad low output returns.

This in turn leads to low output returns

At the moment, supply chains have been disrupted with most markets closed.

It would therefore be prudent for the government to rethink this proposals and the adverse effects they will cause on the economy.</td></tr>
<tr><td>Materials, waste, residues and by-products used in animal feeding</td><td>Exempt</td><td>Vatable at 14%</td></tr>
<tr><td>Tractors</td><td>Exempt</td><td>Vatable at 14%</td></tr>
<tr><td>Inputs or raw materials locally purchased or imported by manufacturers of agricultural machinery and implements</td><td>Exempt</td><td>Vatable at 14%</td></tr>
<tr><td>Made-up fishing nets of man-made textile material of tariff No. 5608.11.00.</td><td>Exempt</td><td>Vatable at 14%</td></tr>
<tr><td>Materials for the construction of grain storage</td><td>Exempt</td><td>Vatable at 14%</td></tr>
<tr><td>Taxable goods supplied to marine fisheries and fish processors</td><td>Exempt</td><td>Vatable at 14%</td></tr>
<tr><td>Taxable goods & services for the construction of tourism facilities, recreational parks</td><td>Exempt</td><td>Vatable at 14%</td><td>Due to the nature of the tourism industry the sector has been hard hit in recent times.

Therefore introducing VAT on construction of facilities will increase the cost of doing business.</td></tr>
<tr><td>Parts imported or purchased locally for the assembly of primary school laptop tablets</td><td>Exempt</td><td>Vatable at 14%</td><td>Considering that this was a government project which was aimed at boosting ICT in education, it beats logic that the same government would want to charge VAT on such products.</td></tr>
</table>

Exempt items now taxable

CHANGE IN VAT RATES			
Item	**Current rate**	**Proposed rate**	**Comment**
Taxable goods and services purchased or imported for construction and infrastructural works in industrial parks	Exempt	Vatable at 14%	Industrial parks are places set aside to act as incentives to manufacturers. This proposal however discourages companies who want to set up in such areas.
Taxable goods, equipment and apparatus for construction of specialized hospitals	Exempt	Vatable at 14%	This proposal goes against the governments big 4 agenda.
Biogas, Plastic bag biogas digesters, Leasing of biogas producing equipment.	Exempt	Vatable at 14%	Biogas is an alternative for LPG. VAT on this source of energy will have a direct impact on agriculture.
Inputs or raw materials locally purchased or imported by manufacturers of clean cook stoves	Exempt	Vatable at 14%	Introducing VAT on clean cooking stoves will encourage the use normal stoves which are an environmental hazard.
Stoves, ranges, grates, cookers barbeques, braziers, gas-rings, plate warmers and similar nonelectric domestic appliances,	Exempt	Vatable at 14%	On the other hand, charging VAT on normal stoves is punitive as most households depend on these increasing stoves which are used by most households for being relatively cheap.
Taxable goods, equipment and apparatus for construction of specialized hospitals	Exempt	Vatable at 14%	This was introduced by Finance Bill, 2017 as a move towards promoting the healthcare sector in line with the big 4 agenda. The government should therefore consider to retain the provisions as exempt.
The transfer of a business as a going concern	Exempt	Vatable at 14%	This likely to impact negatively on mergers and acquisitions.
Taxable supplies and services in construction of LPG storage facilities	Exempt	Vatable at 14%	LPG is a commonly used commodity in households, therefore charging VAT will increase the cost of living.

Exempt items now taxable

CHANGE IN VAT RATES

Item	Current rate	Proposed rate	Comment
Goods & services imported or purchased locally for use in the implementation of projects under a special operating framework arrangements with the Government.	Exempt	Vatable at 14%	The government introduced this provision in the Finance Act 2018. However till to date, the government has never published guidelines on this framework. It's therefore meaningless to charge VAT on a matter that is very little known to the public
One personal motor vehicle, imported by a public officer returning from a posting in a Kenyan mission abroad	Exempt	Vatable at 14%	
Plant, machinery and equipment used in the construction of a plastics recycling plant.	Exempt	Vatable at 14%	This provision was introduced by Finance Act 2019 with an aim to incentivize companies to set up recycling plant to curb the environmental challenges currently facing our nation. Introducing VAT therefore leaves one to wonder if the government is concerned about the environment or collecting more money.
Entry fees into the national parks and national reserves.	Exempt	Vatable at 14%	Due to the nature of the tourism industry the sector has been hard hit in recent times
The services of tour operators, excluding in-house supplies.	Exempt	Vatable at 14%	

Exempt items now taxable

CHANGE IN VAT RATES			
Item	**Current rate**	**Proposed rate**	**Comment**
Taxable goods & services for the construction of tourism facilities, recreational parks	Exempt	Vatable at 14%	Therefore introducing VAT on construction of facilities will increase the cost of doing business.
Museum and natural history exhibits, and chemicals imported by the National Museums of Kenya	Exempt	Vatable at 14%	Museums support cultural heritage and provide learning opportunities for historical moments to students.
Chemicals, reagents, films, film strips and visual aid equipment imported or purchased prior to clearance through the customs by the National Museums of Kenya.	Exempt	Vatable at 14%	Introduction of VAT will greatly affect the operations of such institutions whose aim is preserve heritage as opposed to making a profit.
Asset transfers into real estates investment trusts and asset backed securities.	Exempt	Vatable at 14%	Introduction of VAT will see a reduction in the uptake of REITS.
Taxable goods & services for the construction of tourism facilities, recreational parks	Exempt	Vatable at 14%	Therefore introducing VAT on construction of facilities will increase the cost of doing business.

Zero rated items now taxable

CHANGE IN VAT RATES			
Item	**Current rate**	**Proposed rate**	**Comment**
Inputs or raw materials for electric accumulators and separators	Zero rated	Vatable at 14%	The cost of generating power will rise. This will result to increased costs of doing business for manufacturing companies and households.
Agricultural pest control products	Zero rated	Vatable at 14%	Farmers will have to incur an extra shilling on pest control products if this Bill is passed into law This will directly impact the costs of farm produce to the end consumers
All inputs and raw materials supplied to manufacturers of agricultural pest control products	Zero rated	Vatable at 14%	
Insurance agency, insurance brokerage, stock exchange brokerage services.	Zero rated	Vatable at 14%	Insurance agents and brokerage firms The bill proposes to introduce VAT on insurance firms Insurance has a low uptake in Kenya. Introducing VAT on these services will therefore increase operational costs and make insurance services unattractive to consumers.
Supply of ordinary bread	Zero rated	Vatable at 14%	Bread and milk are the most basic commodities among households. Therefore, charging VAT will directly affect their disposable incomes.
Milk and cream, not concentrated nor containing added sugar or other sweetening matter	Zero rated	Exempt	
Vaccines for human medicine; Vaccines for veterinary medicines and other Medicaments	Zero rated	Exempt	Manufactures unable to claim input VAT will increase cost of these key medical products. This is untimely considering the COVID-19 crisis.

Excise duty tax

Item	Provisions under current ITA	Proposals under the Bill	Comment
Sugar confectionary of tariff 17.04	KES 20/ kg on Imported sugar confectionary of such.	The rate will applicable to both imported and locally manufactured sugar confectionary of such tariff heads	The proposal is seen as an aim to expand the tax base.
White chocolate, chocolate in blocs, slabs or bars or tariff Nos. 1806.31.00, 1806.32.00, 1806.90.00	Shs 200/ kg on imported white chocolates of such tariff heads	The rate will applicable to both imported and locally manufactured white chocolate of such tariff heads.	The government foresees an increase in local production with current closure of imports
Clarification on the definition of other fees	other fees is defined to mean; any fees …charged by financial institutions relating their licensed financial institutions.	other fees is defined to mean; any fees, …. charged by financial institutions relating their licensed activities.	Other fees will not only be restricted to fees relating to financial institutions
Goods imported or purchased locally for use in projects under SOF	Exempt	Excisable	The government is aiming at widening the tax base
A personal motor vehicle, imported by a public officer returning from a posting in a Kenyan mission abroad	Exempt	Excisable	

Tax procedures Act

Item	Proposal	Comment
Appointment of revenue agents	• The bill empowers the commissioner to appoint a person registered under the Banking Act to act as an agent for revenue banking services through an agreement. Such persons appointed shall be required to transfer the funds to the designated Central Bank accounts within a maximum of two days following the date of collection.	Banks will be required to transfer funds collected on behalf of the KRA to the CBK. The proposal also provides timelines and consequences for banks for failing to transfer revenue collected. Banks will be required to increase efficiency in to avoid penalties.
Private ruling	• Currently, the TPA requires the commissioner to issue a private ruling within 45 days after receiving an application. The Bill proposes to eliminate this timeline.	Private rulings are put in place to play a more positive role by ensuring compliance among taxpayers. Repealing this provision is likely to reduce the turn around response time expected from the Commissioner.
	• The Commissioner is required to publish all private rulings in atleast two daily newspapers as per the current TPA . The Bill proposes to withdraw this obligation from the Commissioner.	Publication allows taxpayers to rely on such rulings in application of similar tax matters. The Commissioner will therefore be issuing these rulings at his own discretion.
Late submission of penalty TOT	The bill proposes to reduce the penalty from KES 5,000 to KES 1,000.	Small business are required to file monthly TOT returns, failure to which a penalty of KES 5,000 is applicable. The reduction in penalty rates will encourage compliance among taxpayers.

Miscellaneous fees and levies Act

Item	Comment
Import declaration fee	The Bill proposes to repeal IDF on raw materials and intermediate products imported by approved manufacturers which are currently charged at 1.5%. The proposal will help eliminate the ambiguity as to who are approved manufacturers.
Processing fee	In a bid to widen the tax base, the Bill proposes to introduce a processing fee of Kes 10,000 on all motor vehicles excluding motorcycles imported or purchased duty free prior to clearance through customs The processing fee is a way for the government to tax these duty free vehicles
Items no longer exempt from IDF	• Gifts or donations received from foreign relatives for personal use; • Goods destined for official aid-funded projects • Aircrafts
Items no longer exempt from RDL	• Raw materials for use in construction by developers or investors in industrial parks • Goods imported for the construction of LPG storage facilities • goods imported for implementation of projects a under SOF

Conclusion

Some stakeholders may contend that the Tax Amendment Bill, 2020 primary focus appears to be the increase in income tax revenue through: the increase of various tax rates, removal of tax exemptions; the tightening of restrictions on expense deductions for the determination of taxable income and the broadening of provisions that deem income derived by a non-resident from Kenya to be taxable in Kenya.

Whilst this may be arguably true, the Bill also has made positive proposals such decrease in employment tax rates, increase in personal relief and broadening of tax net for turn over tax.

It is however worth noting that the bill will have to undergo reading in parliament to give the members of parliament the chance to deliberate, amend or approve.

Get in Touch

Please get in touch with us to find out more about how this affects you.

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