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# Value Added Tax and Customs & Excise Proposals

## Finance Bill, 2012

20 June 2012  
Philip Muema

# The VAT proposals

# Harmonization of Second Schedule

- **Aligned tariff coding to Harmonized Commodity Description System (HCDS)**
- **Expanded subheadings of tariff codes for ease of classification**
- 0102.90.00 – other live bovine animals
- 0102.90.10 – other live bovine animals

# Fifth Schedule to the VAT Act

- **Aligned to HCDS;**
- **Additional zero-rated items include:**
  - napkins for babies; liners and other similar items made from any material;
  - Motorcycle *ambulances* of internal engine capacity between 50cc – 250cc.
- **Excluded items include: Provitamins; amino – acid derivatives; some chemical fertilizers etc.**

# The VAT history...

**VAT Act, 1990**

1 January 1990



**VAT Bill, 2011**

August 2011



**VAT Bill, 2012**

14 June 2012

# VAT Bill 2011 into VAT Bill 2012 cont...

- Bill tabled at Stakeholders Forum in March 2012;
- Cabinet approval granted;
- Finalized as *VAT Bill, 2012* tabled 14 June 2012.

**VAT amendments effective 1 July 2012**



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# Customs & Excise proposals

# Substantive provisions

- **Renewal of excise licences – 30 days maximum (previously at Commissioner's discretion)**
- **Deposit of 30% (down from 100%) of tax allegedly due before Tribunal hearing w.e.f. 1 Jan 2013**
- **Offences – Directors also liable in addition to company w.e.f. 1 Jan 2013**

Court may order officers to pay tax due in addition to or in substitution of any other penalty



# Custom duty – a sigh of relief?

|   | Old rate          | New rate          |
|---|-------------------|-------------------|
| TV set top boxes                          | 10%               | 0%                |
| Imported software                         | 10%               | 0%                |
| Food supplements                          | 10%               | 0%                |
| Mitumba imports                           | 1.9m/20Ft<br>cont | 1.1m/20Ft<br>cont |
| <b>* Not included in the Finance Bill</b> |                   |                   |

# Export duty – no protection of local industry?

|                             | Old rate                      | New rate  |
|-----------------------------|-------------------------------|-----------|
| <b>Hides and skins</b>      | <b>40% or 20/-<br/>per kg</b> | <b>0%</b> |
| <b>Raw hides and skins</b>  | <b>40% or 20/-<br/>per kg</b> | <b>0%</b> |
| <b>Raw furskins of seal</b> | <b>40% or 20/-<br/>per kg</b> | <b>0%</b> |
| <b>Whole skins of lamb</b>  | <b>40% or 20/-<br/>per kg</b> | <b>0%</b> |

# Custom duty – a sigh of relief?

## Inputs for...

|  | New rate* |
|--|-----------|
| Bee keeping  | Exempt    |
| Manufacture of diagnostic kits                             | Exempt    |
| Manufacture of foods for infants and HIV positive patients | Exempt    |
| *Not included in the Finance Bill                          |           |

# **Administrative changes – Excise Duty**

- **Quarterly determination of Average Retail Selling Price for excisable goods**
- **KRA to implement excise accounting management system**
- **No more tax exemption for state officers**
- **Review of C&E Act by end of FY2012/13**
- **Single cargo clearance window within EAC states**

# Administrative changes – Excise Duty

- **Goods to Commonwealth Governments**  
**Officers on board naval ship for personal use no longer exempt**
- **Tribunal officials to vacate office in certain specified circumstances (*criminal offence, non-tax compliance, employee of KRA etc. w.e.f 1 Jan 2013*)**

# Vision...

## **Customs Services to be an independent function**

- This shall facilitate trade delivery between member states and observation of the East African Community Common Market Protocol

**What is the impact on VAT controls on export/import?**

**Basis for imported goods – transfer pricing vs custom duties...**

# Q & A Session

