



**Nexus**  
Business Advisory

# **2016/17 Budget Review**

## **Taxation measures- Miscellennous provisions**

# Objectives of the 2016/17 budget statement

- Promoting growth of industries and employment creation;
- Facilitating infrastructure development;
- Enhancing equity and fairness in the tax system and tax administration;
- Cushioning households budget to ease the cost of living;
- Strengthening financial sector stability;
- Promoting private sector growth

# Political statements - Levies

- The following levies were scrapped in the budget speech:
  - Tea Levy
  - Sugar Development Levy
  - Fees payable to NEMA
  - Fees payable to National Construction Authority.
- The removal of these levies is **not included** in the F. Bill

# Administration of tax - TPA

- Commissioner to request **any person** to furnish **3<sup>rd</sup> party** returns.
- Tax **amnesty** on income earned and assets held **overseas**- Valid from 1/1/2017 to 31/12/2017
- Period of claiming **refund** of overpaid tax extended to **five years** except for VAT.
- Commissioner to **respond** to a **refund** application within **ninety days**

# Banking

- **Penalty for violation of banking Act or prudential guidelines increased from KShs 5 million to KShs 20 million.**
  - ❖ Is this punitive enough?
  - ❖ Is it possible to set it as percentage of revenue or capital
- **Proposed cross border credit information sharing**
  - ❖ Will this reduce the number of non-performing loans?

# Banking...

- Banks to increase their **core capital** from **KShs 1 billion** to **KShs 5 billion** by **31<sup>st</sup> Dec 2019**
  - ❖ Does this mean that Kenya is overbanked? 43 banks vs a population of 45 million
  - ❖ Will this trigger mergers, acquisitions and amalgamations in the industry?
  - ❖ Will it help stop collapse of banks?

# Special economic zone enterprises

➤ Licensed enterprises shall enjoy **all** the tax incentives specified in the various tax legislations

❖ Will SEZ prove to be more viable than EPZs?



# Tax appeals tribunal Act

- The Commissioner is now required to submit copies of all documents filed with the tribunal to the taxpayer/appellant within a period of two working days
- An advocate may also present an appellant in the tribunal

# Licensing...

- **Licencing of online forex trading**
  - **Will it help develop the capital markets or is it a mode of netting more taxpayers?**
- **Perpetual licensing of institutions licensed by the RBA**
  - **How will this have an impact on the economy?**

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