



Nexus
Business Advisory

Tax proposals 2017/2018

Budget objectives

- ❖ Support growth & domestic production
- ❖ Reduce income inequality
- ❖ Promote job creation
- ❖ Improve tax administration & compliance
- ❖ Enhance social security & welfare

2017/2018 - KShs 2.62trn budget

- ❖ Budget is up by 13% from KShs 2.3trn**
- ❖ Budgeted tax collection KShs1.7tr**
- ❖ A new Income Tax Bill is to be published**



VAT

VAT

- ❖ Maize flour and bread now **zero rated**
 - ✓ Previously **exempt**
 - ✓ Taxes on importation of maize suspended for 4 months
- ✓ **No VAT** on transfer of assets to REITS & ABS

VAT

- ❖ **VAT exemption applicable on**
 - ✓ **Input for manufacture of pesticides**
 - ✓ **Specialized medical equipment**
 - ✓ **Locally assembled tourist vehicles**

VAT



❖ **VAT Regulations to be published**

✓ **Light at the end of tunnel?**

Income Tax

Income Tax

- ❖ Betting and gaming now taxed at **50%**
 - ✓ Was 7.5, 12% & 15% for betting firms, Lottery & Gaming companies

Income Tax

- ❖ **SEZ's obtain special consideration**
 - ✓ interest payable to non-residents = **5%**
 - ✓ 100% deduction of building & machinery cost
 - ✓ Dividends paid to non-residents - **Exempt**

Income Tax

❖ Local assembly of cars

- ✓ Income tax rate **15%** down from 30%

- ✓ Applicable for 5 years

❖ Tax deduction for expenses incurred for disaster management

Income Tax

❖ Maritime sector

- ✓ 150% ID for capex

❖ Fisheries and fish processing

- ✓ VAT exemption on packaging materials



PAYE

PAYE

- ❖ **PAYE bands expanded by a further 10%**
 - ✓ **Lowest band Kshs 13,486**
- ❖ **Personal relief also increased by 10%**
- ❖ **Tax exemption on bonus & overtime to low income earners to remain**

Amnesty...?

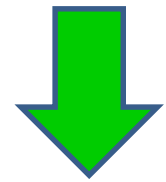
- ❖ **Extension....30th June 2018**
- ❖ **Compulsory to repatriate...?**

Customs & Excise Duty

Excise Duty

- ❖ **Spirits Kshs200 up from KShs 175per litre**
- ❖ **Excise duty rates for other products to be adjusted per the inflation rate**

Customs & Excise Duty



- ❖ Refund of excise duty on illuminating kerosene used for paint manufacturing
- ❖ 80% remission on excise duty for locally manufactured beer - Sorghum, millet or cassava
- ❖ Cigarettes to use 2-tier tax structure
 - ✓ KShs 2,500 – filter cigarettes
 - ✓ Kshs 1,500 for plain cigarettes

Customs Duties

- ❖ **New CET rates to be released by the EAC Council of Ministers**
 - ✓ **Aimed at protecting local manufacturers from cheap imports**

Other Laws

Other Laws

- ❖ **Amend CMA & PFMA to accommodate Islamic finance products**
- ❖ **Laws to eliminate double taxation at National & County Government levels**



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