



Budget 2017-2018 Tax Reforms

Presentation by:

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**“Creating jobs, delivering a better
life for all Kenyans”**

INCOME TAX ACT MODERNIZATION

Income Tax Act Modernization



Income Tax Bill

- The Bill is to be published for public input shortly
- First in **43 years** aimed at
 - expanding the tax base
 - Align to best practice
- Key areas of focus to be addressed include:
 - Capital gains tax
 - Compensating tax
 - Pensions
 - Extractive industries
 - Cross-border transactions among others

Business Tax incentives



Capital allowances

- **150%** investment deduction on capital expenditure for the Blue Economy (marine and fisheries) industry
- **100%** investment deduction on cost incurred on building and machinery for enterprises licensed to operate under Special Economic Zone (SEZ)

Reduced withholding tax rate for operations in SEZ

Description	Domestic rate for Non-resident	Proposed for Non-resident
Dividends	10%	0%
Interest	15%	5%

Business Tax Incentives



Donations

Donations made towards declared national disasters and channeled through any institution responsible for national disaster are now allowable

Reduced corporation tax rates

New motor vehicle assemblers to enjoy a reduced corporate tax rate of **15%** for the first five years

Islamic finance products

Amendment of tax statutes to include the Islamic finance products

Betting and gaming industry

Increase of tax on betting, lottery, gaming and competition tax from 7.5%, 5%, 12% and 15% respectively to a uniform rate of **50%**

Personal Tax Proposals



Taxation of employees

Income tax bands and personal relief to be increased by 10%

Tax Amnesty for investors in diaspora

Period to file returns for the tax amnesty extended from 31 December 2017 to 30 June 2018

The investors should also repatriate the funds declared under the amnesty to Kenya

Personal Tax Proposals

Taxation of employees

Income tax bands and personal relief to be increased by 10%

Rate	New KES	Old KES
10%	First 147,580	First 134,164
15%	Next 139,043	Next 126,403
20%	Next 139,043	Next 126,403
25%	Next 139,043	Next 126,403
30%	Over 564,710	Over 513,373

Other PAYE Changes

	New KES	Old KES
Personal relief	16,896	15,360
Low income earners	13,486	12,260

Personal Tax Proposals



Tax Amnesty for investors in diaspora

Period to file returns for the tax amnesty extended from 31 December 2017 to 30 June 2018

The investors should also repatriate the funds declared under the amnesty to Kenya

Senior Citizen (70 years and above) to receive a monthly stipend and NHIF

VALUE ADDED TAX

Value Added Tax Proposals



Zero rating goods

Bread and maize flour now zero rated – previously exempt

Regulations

Proposal to Publish VAT Regulations to the VAT Act 2013 for smooth implementation of the Act

Proposed VAT Exemptions



Proposed Exemption	Expected Impact
Operations of industries in Special Economic Zones	To diversify manufacturing activities & create employment
Inputs used in manufacture of pesticides	To promote local manufacturers and reduce costs of production
Locally assembled tourist vehicles	To encourage local motor vehicle assembling
Medical equipment and apparatus used in specialized hospitals with accommodation	To promote the health sector
Packaging materials and other inputs intended to support primary, secondary and ancillary marine fisheries and fish processing	To revamp the blue economy and make it attractive
Transactions related to transfer of assets into (REITs) and (ABS)	To deepen the country's sources of infrastructure financing

EXCISE DUTY

Excise Duty Proposals



Refund of Excise Duty

Allow for refund of Excise duty paid on illuminating kerosene used in the manufacture of paint and resin by registered manufacturers

Excise stamps

Introduction of regulations for differentiated prices of excise stamps based on cost of the product. The proposed price range will be KES 0.50 to KES 2.50

Remission of Excise duty

Remission of 80% Excise Duty on locally manufactured beer made from locally produced sorghum, millet or cassava or any other produce, excluding barley – to discourage consumption of illicit brew

Excise Duty Proposals



Excise Duty rates on spirits

Increase rate of taxation of spirits from KES 175 to KES 200 per litre

Inflation adjustment rates

Adjustment of excise duty rates on excisable goods in line with inflation

Excise duty on cigarettes

Introduction of two tier tax structure to correct the inequitable tax structure

Cigarette with filter	KES 2,500 per mille
Cigarette without filter	KES 1,800 per mille

CUSTOMS DUTY

Customs and International Trade



Proposals on customs have been submitted to EAC Ministers for Finance aimed at

- ✓ promoting industrialization,
- ✓ encouraging local investments and
- ✓ creating incentives in the agricultural and manufacturing sectors

EAC Common External Tariff is undergoing a comprehensive review and the final outcome will be released once adopted by the EAC Council of Ministers

Custom Duties Proposals



Exemptions

- Exemption of Import Declaration Fees for goods imported by an enterprise licenced under the SEZ Act
- Exemption from export duty for goods exported by an enterprise licenced under the SEZ Act
- Duty free importation of white maize for the next four months (April to July 2017)
- Duty free importation of dates during the period of Ramadhan

Others

Ban on the use, manufacture and importation of all plastic bags for commercial and household packaging beginning September 2017

Proposal to reduce port charges for fisheries vessels by 50%

FINANCIAL SECTOR

Banking Sector



Interest rate Capping

Comprehensive assessment of effect of interest rate capping to be done by CBK and KBA

Bills at various stages of approval

Bill Description	Purpose
Movable Property Security Rights Bill, 2016	To facilitate use of movable assets as collateral thus get lower lending rates
Nairobi International Financial Centre Bill ,2016	To establish Nairobi International Financial Centre to position Nairobi as an international financial hub
Financial Services Authority (FSA) Bill, 2016	To merge all non-bank financial sector regulators

Insurance Sector



Proposal to amend Insurance Act (CAP 487)

- ▶ To enhance supervision of insurance groups in Kenya and ensure financial stability
- ▶ To provide for perpetual licensing of insurers

Other Financial Institutions



Shariah compliant finance products

- ▶ Proposal on legislative amendments to Capital Markets Act, the Cooperatives Societies Act and Sacco Societies Act to facilitate for Shariah compliant finance products
- ▶ Proposal to amend the Public Finance Management Act to provide for issuance of Sukuk bond (Islamic bond) as alternative source of financing

OTHER PROVISIONS

Other Financial Institutions



Land Titles Act

Proposal to amend the Act to waive land title search fees

Public Procurement and Asset Disposal Act, 2015

Proposal to Gazette the following Regulations to the Act;

- Regulations and Code of Ethics for Suppliers of the National and County Governments
- Public Procurement and Asset Disposal Regulations, 2017

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QUESTIONS



Contacts



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