



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
- ❖ Most of the proposals are aimed at manufacturing
 - ✓ SEZ
 - ✓ Protecting local manufacturers



VAT

VAT



- ❖ Maize flour & ordinary bread now **zero rated**
 - ✓ Previously **exempt**
 - ✓ Taxes on import of maize suspended for 4 months
- ❖ Taxable goods supplied to marine fisheries & fish processors now **zero rated**
- ❖ Transfer of assets to REITS & ABS - **Exempt**

VAT

❖ **Services provided to**

- ✓ **Donors & International organisations**
- ✓ **Red Cross Society**
- ✓ **St John Ambulance**

Now Zero-rated

VAT

❖ LPG now exempt

✓ Previously zero-rated

VAT

- ❖ VAT exemption applicable on
 - ✓ Input for manufacture of **pesticides**
 - ✓ Specialised **medical equipment**
 - ✓ Locally assembled **tourist vehicles**
 - ✓ Taxable goods for use in manufacture of **LPG cylinder**

VAT

- ❖ Due date for W-VAT = 14days
- ❖ Suppliers in a VAT refund >24m to be exempt from the W-VAT system
- ❖ VAT Regulations to be published

VAT

- ❖ Returning residents from a left hand country get zero rated status for
 - ✓ import of a right hand vehicle which
RSP \leq previously owned vehicle
 - No need for the right-hand drive vehicle to be similar in make, engine rating or year of manufacture

Income Tax

Income Tax

- ❖ Betting and gaming now taxed at **50%**
 - ✓ Betting - was 7.5% of gaming revenue
 - ✓ Gaming – was 12% of gaming revenue
 - ✓ Lottery – was 5% of lottery turnover
 - ✓ Prize competitions – was 15% of gross turnover

Income Tax

❖ TP Rules will apply between entities in a preferential tax regime & related resident companies

✓ SEZ

✓ EPZ

Income Tax

- ❖ SEZ's obtain special consideration
 - ✓ 100% deduction on building & machinery
 - SEC recover their investment cost within
1 year
 - ✓ Dividends paid to non-residents - **Exempt**

Income Tax

- ❖ SEZ's obtain special consideration on WHT on payments to **non-resident person**
 - ✓ Management fees – from 20% to **5%**
 - ✓ Royalty - from 20% to **5%**
 - ✓ Interest - from 15% to **5%**

Income Tax

- ❖ Local assembly of cars
 - ✓ Lower income tax rate **15%**
 - ✓ Applicable for first 5 years of operation
- ❖ Tax deduction for expenses incurred for disaster management

Income Tax

❖ Maritime sector

- ✓ 150% ID for capex**

❖ Tax amnesty on foreign income

- ✓ Extension of filing date to 30/06/2018**

- ✓ Transfer of funds back to Kenya**



PAYE

PAYE

- ❖ **PAYE bands expanded by a further 10%**
 - ✓ **Lowest band now Kshs 12,298p.m**
 - ✓ **30% to apply on >47,059 p.m**
- ❖ **Personal relief also increased by 10%**
 - ✓ **New rate 16,896 p.a (1,408 p.m)**
- ❖ **Tax exemption on bonus & overtime to low income earners to continue**

Amnesty...?

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

Customs & Excise Duty

Excise Duty

- ❖ Excise duty **exemption** applies on:
 - ✓ locally purchased products purchased for use in manufacture of **sanitary towels**
 - ✓ Excisable goods imported or purchased locally by **St John Ambulance**

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

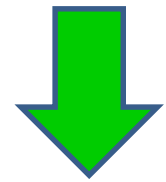
❖ EGMS regulations amended

- ✓ Different stamp fees will apply based on the cost of goods
- ✓ Cost of stamps will now range from 0.5 to 2.5
 - Previously KShs 1.5 applied

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

Customs & Excise Duty



- ❖ Tax free importation of dates during Ramadhan
- ❖ Cigarettes to use 2-tier tax structure –
 - ✓ KShs 2,500 for filter cigarettes & Kshs 1,800 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**
 - ✓ **Encourage local investments**

Other Laws

Other Laws

- ❖ **Amend TPA to enable KRA officers initiate prosecution directly without relying on the police**

Other Laws

- ❖ Amend CMA & PFMA to accommodate Islamic finance products
 - ✓ Tax laws to be amended to cater for Islamic products
- ❖ Laws to eliminate double taxation at National & County Government levels



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