Tax implications of the FY 2017-2018 budget and previous year implementation setbacks

Presentation by:

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Presentation Agenda

- Tax implications of the FY 2017-2018 budget
- Previous year implementation setbacks

Tax implications of the FY 2017-2018 budget

- Tax proposals in the 2018 finance bill are designed to generate an additional ksh 27.5 billion in tax revenue for the FY 2018/19.
- In addition, the proposed tax measures are intended to incentivize the achievement of "The Big Four" Plan and offer strategic incentives.

Custom Measures

- Iron and steel industry (import duty increased from 25% to 35%)
- Paper and paper products (import duty increased from 25% to 35%)
- Timber and furniture industry (introduced a specific rate of duty of USD 110/MT on particle board, USD 120/MT on medium density fiber board, USD 230/M3 on plywood and USD 200/MT on block boards, or an advalorem duty of 35% whichever is higher.)

Custom Measures Cont..

- Textile and footwear (introduced a specific rate of import duty of USD 5 per unit or 35% whichever is higher)
- Vegetable oils (introduced a specific rate of USD 500/MT of 35% whichever is higher.)
- Pests and vectors (manufacturers of these products to import raw materials and inputs under the eac duty remission scheme.)

Custom Measures Cont..

- Vehicles for the transport of tourists. (Exemption will now be expanded to include sightseeing buses and overland trucks imported by licensed tour operators.)
- Firewood for cooking. (Inputs and raw materials for assembly of clean energy cooking stoves imported by local manufacturers will be imported under duty remission 100 percent.)

Value Added Tax

- Construction of grain storage facilities (exemption to include equipment used in the construction of the facilities in order to lower the cost of post-harvest storage)
- Animal feeds (to exempt raw materials from VAT)
- Information communication technology (to exempt from VAT, parts imported or purchased locally for the assembly of laptops under primary school project and computers.)

Excise Duty

- Private passenger motor vehicles (increase excise duty from 20 percent to 30 per cent whose engine capacity exceeds 2500cc for diesel and 3000cc for petrol powered vehicles.)
- Money transfer (robin hood tax of 0.05% on any amounts of ksh500,000.00. Excise duty fees charged on money transfer services by cellular phone service providers from 10% to 12%)
- Rate of excise duty applicable on illuminating kerosene to ksh 10,305 per 1000 litres.

Income Tax

- The informal sector (presumptive tax based on the business permit or trading license fees at a rate of fifteen percent).
- Port of mombasa (demurrage charges made to non-resident persons to withholding tax at a rate of twenty percent.)
- Insurance markets(to introduce capital gains tax on transfer of property by general insurance companies,five percent tax on insurance premium paid to non-residents).

Income Tax Cont..

- To encourage investments (introduce special incentives in the VAT act, excise duty act, and miscellaneous fees and levies act, and provide a preferential tax rate)
- Manufacturing sector (deduction of thirty percent of the total electricity bill by manufacturers from corporate profit)
- Tax procedures act (period of amnesty from 30th june, 2018 to 30th june, 2019)

Income Tax Cont..

- Tax Procedures Act to increase the rate of late payment interest to two per cent, and also introduce a twenty percent late payment penalty
- Tax Administration (to allow Kenya Revenue Authority collect the surplus from the regulatory authorities and remit to the Consolidated Fund.)
- Export Levy (introduce an export levy of 20% on copper waste and scrap metals.)

Review of previous year’s Budget: Implementation set-backs

Review of previous year's Budget

CONSOLIDATING ECONOMIC GAINS IN AN ENVIRONMENT OF SUBDUED GLOBAL DEMAND

- **Sustaining Conducive Business Environment for Investment Opportunities**
  - Macroeconomic Stability for Sustained Growth and Development
  - Enhancing Security for Sustained Growth and Employment

Review of previous year's Budget Cont..

- **Continued spending in Infrastructure to Unlock Constraints to Growth**
  - Further Expanding Road Network
  - Rail, Marine and Air Transport
  - Access to Adequate, Affordable and Reliable Energy Supply

Review of previous year's Budget **Cont..**

- **Sustaining Sectoral Spending for Employment Creation**
  - Agricultural Transformation to Sustain Growth
  - Supporting Growth of Manufacturing for Employment Creation
  - Tourism Recovery, Sports, Culture, and Arts
  - Promoting Mining Sector for Job Creation

Review of previous year's Budget **Cont..**

- **Sustained Investment in Social Services for the Welfare of Kenyans**
  - Health Care
  - Quality and Relevant Education for all Kenyans
  - Empowering Youth, Women and Persons with Disabilities
  - Environmental Conservation and Making Water Accessible

Review of previous year's Budget **Cont..**

- **Enhancing Service Delivery through Devolution**
- **Structural Reforms**
  - Governance
  - Financial Sector Developments and Reforms

Implementation Setbacks

This was due to the following setbacks:-

- Prolonged draught
- Prolonged electioneering period
- Interest rate capping
- Corruption
- Various CBAs Implemented
- Poor feasibility study

Implementation Setbacks Cont..

This was due to the following setbacks:-

- Poor revenue collection (National and County Governments)
- Delayed remittances to county governments
- Low absorption capacities at counties
- Effectiveness of Fiscal policies
- Effectiveness of Monetary policies

END